

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 296
Appropriations

(Delegate Bridges)

**Maryland Teachers and State Employees Supplemental Retirement Plans -
Automatic Enrollment**

This bill requires the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) to automatically enroll all eligible State employees hired on or after January 1, 2024, in a supplemental retirement plan. Employees may opt out of automatic enrollment within 90 days of beginning employment with the State.

Fiscal Summary

State Effect: To the extent the bill results in more State employees contributing to supplemental retirement plans, special fund revenues increase commensurately from account management fees. Any such increase cannot be estimated because it is not known how many employees will opt out of a plan or how much participating employees will elect to contribute to a plan. MSRP can implement the bill with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Except for an employee who opts out of automatic enrollment, an eligible employer must deduct an amount established by the board from the employee's wages for a contribution to a supplemental retirement plan. An employee can elect to remain enrolled in a plan but cease making contributions to the plan. An employee can also elect to have a

different amount deducted than the amount established by the board. Employee contributions to a plan must be invested in a default investment option.

The board must provide a notice to each employee who is automatically enrolled in a plan that includes specified information, including the employee's right to receive a refund of their account contributions as soon as practicable after discontinuing participation within 90 days of beginning employment.

Each State agency that hires an eligible employee who is not already enrolled in a supplemental retirement plan must provide the board with the information necessary to complete the automatic enrollment process.

Current Law: The Maryland Teachers and State Employees Supplemental Retirement Plans are administered by a board of trustees, as established in Title 35 of the State Personnel and Pensions Article. The board has responsibility over four defined contribution plan options: 401(k) and 457(b) plans for State employees; 403(b) plans for employees of State educational institutions; and a 401(a) State matching plan that has been suspended since fiscal 2010.

Enrollment in an MSRP supplemental plan is currently voluntary for State employees (by contrast, enrollment in the defined benefit plans administered by the State Retirement and Pension System is a condition of employment for virtually all State employees).

MSRP finances operations through a fee imposed on members' accounts based on a percentage of assets in the plans and a flat-rate monthly charge. As of February 2022, the board fee is composed of a 0.0325% asset fee and a monthly per account charge of \$0.50 on every account with at least \$500 (except for 401(a) match plan accounts). The board contracts with Nationwide Retirement Solutions, Inc. for plan administration. The Nationwide contract requires a management fee of 0.0775% of assets. Therefore, the reported total participant fee is 0.11% of plan assets and a \$0.50 charge on specified accounts.

All supplemental plans administered by the board have a minimum contribution of \$5 per two-week pay period; participating employees may elect to contribute higher amounts.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 6 (Senator McCray) - Budget and Taxation.

Information Source(s): State Retirement Agency; Maryland Supplemental Retirement Plans; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2023
js/ljm

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