

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 6

(Senator McCray)

Budget and Taxation

Appropriations

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

This bill requires the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) to study options for establishing an automatic enrollment process for eligible employees (generally, State employees). The board must report, by November 1, 2023, its findings and recommendations to the Joint Committee on Pensions.

Fiscal Summary

State Effect: The MSRP board can conduct the required study with existing budgeted resources; nevertheless, the limited timeframe for completion may present operational difficulties. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In conducting the study, the MSRP board must (1) review the implementation of automatic enrollment in other states for public employees who are also enrolled in a defined benefit retirement plan and (2) consult with the Department of Budget and Management and eligible employers regarding specified options. It must make findings and recommendations regarding:

- the feasibility of requiring automatic enrollment of eligible employees in the plan;

- default contribution rates and investment options for automatically enrolled eligible employees;
- necessary disclosures and education information for eligible employees; and
- statutory changes needed to implement automatic enrollment of eligible employees.

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 Comments: The Department of Legislative Services notes that the bill takes effect October 1, 2023, and the report is due November 1, 2023, giving the MSRP board one month to conduct the study.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 296 (Delegate Bridges) - Appropriations.

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

Fiscal Note History: First Reader - January 13, 2023
km/ljm Third Reader - March 31, 2023
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Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510