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**HB 605 Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment**  
**House Appropriations Committee**  
**March 11, 2025**

Good afternoon, Chair Barnes and Members of the House Appropriations Committee. My name is Tammy Bresnahan, and I am the Senior Director of Advocacy for AARP Maryland. On behalf of our more than 850,000 members, I appreciate the opportunity to testify in support of **HB 605 – Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment**. We commend Treasurer Davis for his leadership on this important legislation.

AARP is a nonpartisan, nonprofit organization committed to empowering individuals and strengthening communities. We advocate for issues that matter most to families, including health care, financial security, retirement planning, affordable utilities, and protection against financial abuse.

HB 605 would require the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) to implement **automatic enrollment** for eligible state employees. Importantly, employees would retain the choice to opt out.

Research shows that automatic enrollment significantly increases retirement savings by removing barriers to participation. Currently, only about half of U.S. workers have access to an employer-sponsored retirement plan. This bill helps close that gap, providing state employees with a structured opportunity to save for retirement and build financial security. AARP's experience with similar programs, such as automatic individual retirement accounts (Auto IRAs) and 401(k) plans with auto-enrollment, demonstrates the effectiveness of this approach: When employees must opt out rather than opt in, participation rates rise dramatically.

Beyond increasing participation, automatic retirement contributions offer immediate financial benefits. Contributions to a 401(k) plan are made with pre-tax dollars, reducing taxable income and lowering an employee's immediate tax burden. For example, an individual earning \$35,000 annually who contributes 6% (\$2,100) into a tax-deferred 401(k) reduces their taxable income to \$32,900. Without this contribution, they would owe 25% in taxes on that \$2,100—amounting to \$525. Instead, that money is invested and grows tax-deferred, potentially resulting in significant retirement savings.

Lowering taxable income also improves cash flow, allowing individuals to retain more take-home pay compared to taxable savings plans. These contributions may also help taxpayers qualify for credits, deductions, or benefits tied to income thresholds.

To maximize the impact of retirement savings, AARP recommends key features such as payroll deductions, low-cost diversified investment options, adequate default contribution rates, automatic escalation of contributions, and guaranteed lifetime income options. HB 605 aligns with these best practices and will strengthen financial security for Maryland's public workforce.

In conclusion, contributing to a 401(k) is a smart financial decision. It lowers taxable income today while helping individuals build long-term financial stability. For middle-income workers, this dual benefit makes automatic enrollment an especially valuable tool. AARP strongly supports initiatives that enhance retirement savings and reduce financial vulnerability in later years.

For these reasons, we urge the committee to issue a favorable report on HB 605. Thank you for your time and consideration. If you have any questions or need additional information, please feel free to contact me at [tbresnahan@aarp.org](mailto:tbresnahan@aarp.org) or 410-302-8451.