



**MARYLAND STATE TREASURER**  
**Dereck E. Davis**

**Senate Bill 270: Board of Trustees of the Maryland Teachers and State Employees  
Supplemental Retirement Plans – Automatic Enrollment**

**Position: Favorable**

**House Appropriations Committee**

**March 25, 2025**

Thank you for the opportunity to express my support for Senate Bill 270, which passed the Senate unanimously. Although not marked as crossfiles, Senate Bill 270 and [House Bill 605](#) are identical as introduced. In its current posture, Senate Bill 270 incorporates three amendments that I offered at the hearings for both bills, as well as an additional amendment to enhance notice requirements. During the 2024 session, this Committee approved similar legislation ([Senate Bill 322](#)) that would have established automatic enrollment in the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) for new employees.

For the reasons stated below, I request that the Committee give Senate Bill 270 a favorable report.

**Need for Policy Change**

It is well documented that many retirees are ill-prepared for retirement; a fact that I have testified to repeatedly since becoming Treasurer and serving on various State retirement boards. While MSRP continually strives to expand its outreach to State employees, there are still many State employees who do not utilize the Plans. As of the third quarter of 2024, only 40.5% of all eligible State employees were actively participating in their supplemental retirement savings by deferring/contributing to MSRP Plan accounts. This kind of underutilization is common in states with defined benefit plans, as the focus is often on those plans instead of other plans that are available.

A 2023 survey of existing studies on employee retirement readiness revealed, not surprisingly, that a common impediment to retirement saving is the requirement to self-enroll. According to research compiled by the Center for State & Local Government Excellence, nearly three-quarters (74%) of working adults prefer to be automatically enrolled in a retirement savings plan by their employer.<sup>1</sup> A

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<sup>1</sup> “Automatic Enrollment Study,” Maryland Teachers and State Employees Supplemental Retirement Plans, page 2 (August 2023), citing “Using Automatic Enrollment in Local Government Retirement Plans to Increase Savings,” Center for State &

2021 survey by Principal, a financial services provider, found that 84% of employees reported that automatic enrollment was the reason they began saving for retirement and that they would not have started saving as early if they had to enroll on their own.<sup>2</sup>

Senate Bill 270 takes the onus off new employees by reducing administrative barriers for those who want to participate and preserving choice for those who want to opt-out. Participants would be able to adjust their contribution amounts up or down at any time or could elect to cease or resume all payroll deductions as they so choose. Employees not wishing to participate would have 90 days from the date of the first automatic payroll deduction to elect to opt-out and be refunded the amount of the contribution as well as any earnings.

## National Landscape

Establishing automatic enrollment in this manner brings Maryland in line with [25 states](#) and many private-sector employers. As part of MSRP's 2023 survey of existing studies, the agency profiled four states<sup>3</sup> that have adopted automatic enrollment. The data demonstrates that each of these states implemented automatic enrollment at a time when their lowest-paid employees made less than Maryland's lowest-paid employees currently make. In several of the states, the respective defined benefit pension plans deducted a greater percentage of their employees' salaries than the seven percent currently deducted from Maryland employees' pay. Taken together, these examples contextualize Senate Bill 270 as a reasonable approach that will help to address the retirement savings crisis facing our State.

State	Start of Auto Enrollment	Lowest State Salary FY 2025	Lowest State Salary at Start of Auto Enrollment	Auto Enrollment Deduction Amount	Defined Benefit Pension Percent of Salary Deducted
<b>Maryland</b>		<b>\$36,093</b>			<b>7%</b>
Ohio	10/1/2022	\$28,122	\$26,000	\$25 per pay	10%
Kentucky	7/1/2019	\$18,984	\$15,948	\$15 per pay	9%
South Dakota	7/1/2009	\$26,956	\$15,080	\$25 per pay	6%
Texas	9/1/2008	\$24,893	\$17,376	1% of salary per pay	6%

Source: MSRP

## Senate Amendments

The Senate adopted the three amendments that I offered at the hearing for both Senate Bill 270 and

Local Government Excellence (June 2014).

<sup>2</sup> [Principal® survey: 84% of workers say auto-enrollment key to saving earlier for retirement, but only one-third of employers provide the feature | Principal](#) (July 15, 2021).

<sup>3</sup> MSRP's Automatic Enrollment Study contains detailed profiles on these four states' plans. These states were chosen because Texas and South Dakota were among the first states ever to implement auto enrollment, while Kentucky and Ohio are among the states that have very recently implemented auto enrollment.

House Bill 605 and an additional amendment. These amendments strengthen the bill by incorporating feedback from higher education institutions and the American Federation of State, County and Municipal Employees (AFSCME) Maryland Council 3.

***Flexibility for Higher Education Institutions:*** The first amendment authorizes higher education institutions that participate in the Optional Retirement Plan and have the option of providing their own supplemental retirement plan to automatically enroll employees in the plan that the institution chooses. While the majority of State employees (approximately two-thirds) would be automatically enrolled in MSRP's plan, the amended bill provides flexibility for uniquely situated higher education institutions.

***Specifying a Default Deduction Amount:*** The second amendment specifies that the minimum/default deduction amount, which will be set by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP Board), may not exceed \$25.00. The third amendment requires employees that are automatically enrolled to receive notice of the default contribution amount. By establishing a ceiling on the minimum/default contribution amount and requiring notice, the amended bill should alleviate concerns about affordability for the State's lowest paid employees and provide more certainty about the amount that will be contributed from employees' pay.

***Enhancing Outreach to Employees:*** The fourth amendment requires employees to be offered a virtual or in-person counseling appointment regarding the supplemental retirement plan and the period for opting out of the plan. With this change, the amended bill establishes a face-to-face touchpoint to ensure that employees know about the retirement savings offering and the opt-out timeframe.

I respectfully request a favorable report on Senate Bill 270. Please contact Laura Atas, Deputy Treasurer for Public Policy ([latas@treasurer.state.md.us](mailto:latas@treasurer.state.md.us)), with any questions.