



ANDY BESHEAR  
GOVERNOR



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EXECUTIVE DIRECTOR

January 28, 2025

The Honorable Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West Miller Senate Office Building  
Annapolis, Maryland 21401

**Re: Senate Bill 270 – Auto Enrollment Bill**

Dear Chairman Guzzone and Members of the Senate Budget and Taxation Committee,

Since the implementation of auto-enrollment in Kentucky, over 20,000 participants have been automatically enrolled in the Kentucky Deferred Compensation 401(k) Plan. This program has been a resounding success for the Commonwealth, providing essential retirement saving opportunities for employees who might not have participated otherwise. I write to you today in support of Senate Bill 270 and to share the significant positive impact auto-enrollment has had in Kentucky.

**Successes in Kentucky's Auto-Enrollment Program**

1. **Increased Participation:** Auto-enrollment has reversed a prior trend of declining plan participation and balances due to an aging participant base. Before auto-enrollment, the Kentucky Deferred Compensation Plan was shrinking. Now, it is growing, with over 88,000 participants—a notable increase from the estimated 66,000 participants we would have today without this initiative.
2. **High Retention Rates:** Approximately 94% of auto-enrolled participants remain in the program during their opt-out period, with many increasing their contributions over time. This consistent retention rate over a 5.5-year period highlights the program's effectiveness in fostering long-term savings habits.
3. **Enhanced Contributions:** While auto-enrolled participants initially contribute a default amount of \$15.00 per paycheck, their average deferral amount across all plan types (401(k), 457(b), and IRA) has grown to over \$142.00. This demonstrates the program's success in encouraging participants to take greater control of their financial futures.
4. **Significant Plan Growth:** Auto-enrollees now account for over \$34 million of the Kentucky Deferred Compensation Plan's total balance. These funds represent savings that likely would not have been accrued without the auto-enrollment initiative.

## **The Psychology Behind Auto-Enrollment**

Kentucky's success underscores the power of behavioral economics. By shifting the requirement from opting in to opting out, we addressed a key impediment to action: the reluctance to complete a form. Many individuals—whether enrolling or opting out—simply avoid filling out forms. Auto-enrollment leverages this tendency to create a path of least resistance toward saving for retirement.

## **A Call to Action**

The benefits of auto-enrollment in Kentucky demonstrate the transformative potential of Senate Bill 270. By enacting this legislation, Maryland can expand retirement savings opportunities for its workforce, mirroring the successes we've seen in Kentucky. I encourage you to support this initiative and help ensure more employees are prepared for a secure retirement.

Thank you for your dedication to advancing retirement savings and for the opportunity to share Kentucky's experience. I am confident that auto-enrollment will yield similarly positive outcomes in Maryland, and I look forward to celebrating the success of your program.

/s/ William C. Biddle