## Empower Letter of Support for MD SB 270 (final).pd

Uploaded by: Keith Mancini

Position: FAV

January 28, 2025
The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Re: *Letter in Support of Maryland Senate Bill 270*

Dear Chair Guzzone,

We are writing in support of Maryland Senate Bill 270 which would implement an automatic enrollment arrangement for certain Maryland state employees by amending the State Personnel and Pension statute.

As the second largest retirement plan provider in the United States, we have the privilege of serving over 88,000 plans covering over 18 million participants. In this role, we work closely with private and public sector plan sponsors to institute policies that help workers reach their retirement goals.

Our experience shows that automatically enrolling participants in workplace savings arrangements has been extremely effective in helping participants achieve retirement security. These successes have led to Empower supporting federal automatic enrollment legislation for private sector plans.

Automatic enrollment should not merely be an available option to increase and expand coverage in private sectors plans. Empower is one of the largest providers to government defined contribution retirement plans. We serve 29 state retirement programs and more than four million public plan workers. We have helped public plans across the country navigate state requirements for automatic enrollment and ultimately implement and administer automatic enrollment solutions in those plans.

We enthusiastically support automatic enrollment legislation for public sector plans as well. Empower data indicates that public sector plans that have implemented automatic enrollment programs generate nearly 40% higher plan participation rates than plans without automatic enrollment.

SB 270 represents common-sense public sector automatic enrollment legislation. We strongly support the bill.

Sincerely,

Ed Murphy

**Edmund F. Murphy III** | President and CEO
**Empower**

cc:

michael.jackson@senate.state.md.us
The Honorable Michael A. Jackson
Senate Chair, Joint Committee on Pensions
3 West Miller Senate Office Building
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Annapolis, MD 21401

**SB270-2025Testimony.pdf**
Uploaded by: Michael  Jackson
Position: FAV

**Michael A. Jackson**
*Legislative District 27*
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Budget and Taxation Committee
*Subcommittees*
Pensions
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# *TESTIMONY - SENATE BILL 270*

## *BOARD OF TRUSTEES OF THE MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS – AUTOMATIC ENROLLMENT*

## *BUDGET & TAXATION COMMITTEE*

## *JANUARY 30, 2025*

Chair Hettleman and Fellow Pensions Sub-Committee Members:

Senate Bill 270 is a very straightforward piece of legislation that requires the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans to implement an automatic enrollment arrangement for these State employees who are hired on or after January 1, 2026.

The belief with this legislation is that authorizing automatic enrollment will allow the Board to support all new State employee participants as they plan for retirement. It would also provide thousands of new State employees this important benefit so that they will be able to supplement their retirement income to cover the gap that will exist between pre-retirement income and post-retirement income.

The aim of this legislation is to simply create a mutually beneficial situation for both the State and State employees.

**For the reasons listed above, I ask for a favorable report of Senate Bill 270.**

# SB 270 MD Teachers and State Employees Supp Retire
Uploaded by: Tammy Bresnahan
Position: FAV

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**SB 270 Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment**
**Senate Budget and Taxation Committee**
**January 30, 2024**

Good afternoon, Chair Guzzone and members of the Senate Budget and Taxation Committee. My name is Tammy Bresnahan, and I serve as 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 SB 270, *Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment*. We also thank Treasurer Davis and Senator Jackson for introducing this important legislation.

AARP is a nonpartisan, nonprofit organization dedicated to empowering individuals to achieve their goals 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.

SB 270 requires the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) to implement an automatic enrollment process for eligible state employees. Importantly, while this bill establishes automatic enrollment, employees retain the choice to opt out if they prefer not to participate.

Research consistently shows that automatic enrollment increases savings rates by removing barriers to participation. Currently, only about half of U.S. workers have access to an employer-sponsored retirement plan. This bill addresses that gap by providing state employees with enhanced opportunities to save for retirement and secure income for their future. 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 increase significantly.

To maximize the impact of retirement savings plans, AARP recommends features such as payroll deductions, low-cost diversified investment options, adequate default contribution rates, automatic escalation of contributions, and options for periodic or guaranteed lifetime income payments. SB 270 aligns with these best practices and will strengthen financial security for Maryland's public workforce.

AARP strongly supports initiatives that help individuals save for retirement and reduce financial vulnerability in later years. For these reasons, we urge the committee to give SB 270 a favorable report.

Thank you for your consideration. If you have questions or would like additional information, please feel free to contact me at tbresnahan@aarp.org or 410-302-8451.

# MD SB270 Autoenroll KDC 2025.pdf
Uploaded by: William Biddle
Position: FAV

ANDY BESHEAR
GOVERNOR

WILLIAM C. BIDDLE
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

**SB 270 - STO Testimony for B&T.pdf**
Uploaded by: Dereck Davis
Position: FWA

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 with Amendments**

**Senate Budget and Taxation Committee | Pensions Subcommittee**

**January 30, 2025**

Thank you for the opportunity to express my support for Senate Bill 270, which establishes automatic enrollment in the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) for employees hired on or after January 1, 2026. I write both as State Treasurer and as a member of the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP Board).

The legislation is familiar to this Committee, which passed Senate Bill 322 last session with a near-unanimous vote. For the reasons stated below, I request that the Committee give Senate Bill 270 a favorable with amendments 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.[1] A

[1] "Automatic Enrollment Study," Maryland Teachers and State Employees Supplemental Retirement Plans, page 2 (August

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.[2]

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[3] 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 |
|---|---|---|---|---|---|
| **Maryland** | | **$36,093** | | | **7%** |
| 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

2023), citing "Using Automatic Enrollment in Local Government Retirement Plans to Increase Savings," Center for State & Local Government Excellence (June 2014).

[2] 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).

[3] 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 implement auto enrollment, while Kentucky and Ohio are among the states that have very recently implemented auto enrollment.

**Amendments**

In good faith, I recently met with representatives of the American Federation of State, County and Municipal Employees (AFSCME) Maryland Council 3 and other interested parties to understand various perspectives on the bill. As a result of those meetings, I propose three amendments for the Committee's consideration.

***Flexibility for Higher Education Institutions***

During the 2024 session, the House Appropriations Committee passed Senate Bill 322 with an amendment to authorize 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. I support amending Senate Bill 270 in this fashion, because higher education institutions could select the default supplemental retirement plan for their employees, while the majority of State employees (approximately two-thirds) would be automatically enrolled in MSRP's plan.

***Specifying a Minimum Deduction Amount***

The next amendment specifies that the default deduction amount, which will be set by the MSRP Board, may not exceed $25.00. By establishing a ceiling on the minimum contribution amount, the amendment 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 last 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. This establishes a face-to-face touchpoint to ensure that employees know about the retirement savings offering and the opt-out timeframe.

With the amendments reflected on page 4 of this testimony, I respectfully request a favorable with amendments report on Senate Bill 270. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.

# PROPOSED AMENDMENTS

BY: Chair, Senate Budget and Taxation Committee
(To be offered in the Senate Budget and Taxation Committee)

## AMENDMENTS TO SENATE BILL 270
(First Reading File Bill)

AMENDMENT 1

On page 1, in line 6 after "employees;" insert "authorizing a certain employing institution to automatically enroll employees into a certain supplemental retirement plan;".

AMENDMENT 2

On page 2, in line 15, strike "**THE**" and substitute "**(1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SECTION, THE**"; in line 17, after "plan." insert:

"**(2) AN EMPLOYING INSTITUTION REFERENCED UNDER § 30-401 OF THIS ARTICLE MAY AUTOMATICALLY ENROLL EMPLOYEES INTO THE SUPPLEMENTAL PLAN THAT THE EMPLOYING INSTITUTION CHOOSES.**".

AMENDMENT 3

On page 2, in line 25, after "**BOARD,**" insert "**NOT TO EXCEED $25,**".

AMENDMENT 4

On page 3, in line 1, after "**(1)**", insert "**OFFERED A VIRTUAL OR IN-PERSON COUNSELING APPOINTMENT TO DISCUSS THE SUPPLEMENTAL RETIREMENT PLAN AND THE TIMELINE FOR DISCONTINUING PARTICIPATION;**

**(2)**"; in line 17, strike "**(2)**" and substitute "**(3)**".

## TIAA Written Testimony MD SB 270 01 30 25 FINAL.pd
Uploaded by: Joshua Freely
Position: FWA

**Joshua Freely**
Regional VP, State Government Relations

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January 30, 2025
*Submitted Electronically*

**Re: Maryland Senate Bill No. 270 – Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment**

Mr. Chair and Members of Budget and Taxation Committee,

Teachers Insurance and Annuity Association of America ("TIAA") would like to express its unqualified support for Senate Bill No. 270 (SB 270) which requires automatic enrollment of new state employees into supplemental retirement plans starting January 1, 2026, with options to opt out or adjust contributions. Founded in 1918, TIAA is the leading provider of retirement services for those in academic, research, medical, and cultural fields. Over our century-long history, TIAA's mission has always been to aid and strengthen the institutions, retirement plan participants, and retail customers we serve and to provide financial products that meet their needs. TIAA has a long history working in partnership with the state of Maryland, where we currently manage over $30.5 billion in retirement assets for over 141,000 Maryland residents. Reflecting our commitment to ensure that all Americans have the opportunity for a dignified retirement, we believe that automatic enrollment policies like those proposed in SB 270 are key to addressing the looming retirement crisis nationwide.

Two years ago, TIAA introduced our "Retirement Bill of Rights," which crystallizes the continued need to advance changes that will help more Americans achieve a secure retirement. Despite the efforts of TIAA and the broader retirement industry, there are still many workers who do not have access to a retirement plan, sufficient savings to last them through their retirement, or reliable sources of retirement income beyond Social Security. One of our core beliefs at TIAA is that employers should make it easy for employees to enroll in workplace retirement plans and increase their savings, and that these plans should offer in-plan options that will provide participants with retirement income for life. One way that employers can make it easier for employees to enroll in workplace plans is to include auto-enrollment as a plan feature. And because we are champions of employee choice when it comes to saving for retirement, we firmly believe that workplace retirement plans should always offer employees the right to opt out, change their investments, or change their contribution amount.

The auto-enrollment feature was originally designed to significantly increase employee participation in workplace retirement savings plans by automatically enrolling them in their employer's defined contribution plan unless they actively choose to opt out. This feature effectively removes the barrier of the enrollment process, which often prevents employees from saving g enough for retirement, simply due to procrastination or lack of awareness about the existence of a workplace plan. Despite the popularity of defined contribution savings plans among employers, participation by employees has been a persistent concern for policymakers. For decades, large numbers of employees have failed to take full advantage of the chance to save for retirement that these plans offer. Not only are these workers missing out on tax-deferred opportunities to save for retirement, many are forfeiting money they could otherwise have received by not taking advantage of their employer's matching contributions.

The passage of the Pension Protection Act of 2006 (PPA) cleared the way for significant simplification and automation with respect to employee participation in defined contribution plans. The PPA included a number of fiduciary and tax incentives that were designed to encourage employers to adopt various automatic provisions, including auto-enrollment, in their retirement plans. But the PPA arguably does not go far enough. More recently, federal policymakers have focused on the need to increase participation and the benefits of auto-enrollment. In 2022, Congress continued to move forward with efforts to improve the private retirement system by passing the SECURE 2.0 Act. Among other things, SECURE 2.0 provides that starting in 2025, if an employer starts a defined contribution plan, the plan must automatically enroll eligible employees.

Studies and anecdotal accounts alike have indicated that automatic enrollment could succeed in dramatically increasing 401(k) participation. One study, for example, documented a 48-percentage point increase in 401(k) participation among newly hired employees and an 11-percentage point increase in participation overall at one large U.S. company 15 months after the adoption of automatic enrollment. The authors also noted that automatic enrollment has been particularly successful at increasing 401(k) participation among those employees least likely to participate in retirement savings plans, namely those who are young, lower-paid, Black, or Hispanic.[1]

SB 270 would automatically enroll state employees into the state's supplemental retirement plan, which provides additional savings on top of the employee's core retirement. TIAA believes there are numerous benefits to automatically enrolling employees into supplemental plans. These benefits of include:

- Helping to attract and keep talented employees.
- Increasing plan participation among rank-and-file employees.
- Allowing for salary deferrals into certain plan investments if employees do not select their own investments.
- Simplifying the selection of investments appropriate for long-term retirement savings since employees are defaulted into an appropriate investment (*i.e.*, age-based investments such as target date funds).
- Helping employees begin saving for their future.
- Offering significant tax advantages (including deduction of employee contributions and deferred taxation on contributions and earnings until distribution).

TIAA appreciates the opportunity to express our support for SB 270. We believe that automatically enrolling state workers in the state's supplemental retirement plan is an excellent public policy advancement that will significantly improve these employees' ability to save for a secure retirement. I am happy to answer any questions the Committee might have.

Sincerely,

Joshua Freely

Regional VP, State Government Relations

[1] *See* Butrica, Barbara A., Keenan Dworak-Fisher, and Pamela Perun, "Pension Plan Structures before and after the Pension Protection Act of 2006," Urban Institute (Sep. 2015), *available at*: https://www.dol.gov/sites/dolgov/files/EBSA/researchers/analysis/retirement/pension-structures-before-after-2006-act.pdf.

**SB270_AFSCME3_UNF.pdf**
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Patrick Moran – President

**SB 270 – Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment**
**Budget and Taxation Committee**
**January 30, 2025**

**Position: UNFAVORABLE**

AFSCME Council 3 represents 45,000 state, county, and municipal employees across Maryland, and we respectfully oppose Senate Bill 270. This bill mandates that the State Board of Trustees for the Maryland Teachers and State Employees Supplemental Retirement Plans implement automatic enrollment for state employees hired after January 1, 2026. While we acknowledge and appreciate efforts to enhance the retirement readiness of our members in state government, we believe this legislation takes the wrong approach to achieving that goal.

First, the amount to be deducted is not specified. Many of our members are living paycheck to paycheck, and while the intention behind this legislation may be noble, additional, unspecified deductions are simply unaffordable for many at this time. Additionally, we are concerned that a Board—on which we have no dedicated representation—would have the authority to determine the contribution amount.

Second, we are concerned that the process to opt out or transfer funds after contributions have been made may be too complex for many of our members. This could limit their ability to make the financial decisions that best meet their needs. Our members consistently express a desire for greater support with financial planning services, enabling them to make informed choices that align with both their short-term and long-term financial goals. We worry that SB 270 limits this choice.

Finally, we believe SB 270 will disproportionately affect our lowest-paid state employees. When the Board sets a flat deduction amount, those with the lowest wages end up bearing the heaviest burden. For example, deducting $25 per pay from an office secretary's paycheck will have a far greater impact on their finances than it would for the executive they support administratively.

For these reasons, we encourage the committee to provide an unfavorable report on SB 270. Thank you.

**SB270_MSEA_Zwerling_UNF.pdf**
Uploaded by: Samantha Zwerling
Position: UNF

MARYLAND STATE EDUCATION ASSOCIATION

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

**Senate Budget and Taxation Committee**
**January 30, 2025**

**Samantha Zwerling**
**Government Relations**

The Maryland State Education Association respectfully opposes Senate Bill 270. Senate Bill 270 would require the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) to auto enroll all eligible state employees hired on or after January 1, 2026 in a supplemental retirement plan. Under the bill, an eligible employer must deduct an amount from the employee's wages for a contribution to a supplemental retirement plan, unless the employee withdraws from the plan or elects to stop making contributions to the plan. The MSRP would have the authority to establish the minimum deduction amount from the employee's wages, unless the employee elects a different deduction amount, ceases all contributions to the plan, or withdraws from the plan.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students so they can pursue their dreams. MSEA also represents over 40 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

While this legislation does not directly impact MSEA's members, our union shares the concerns raised by AFSCME regarding the detrimental impact this legislation could have on the state's public servants. MSEA appreciates the sponsor's intent with finding ways to ensure workers have savings in place for a secure retirement, however, certain public employees who are living paycheck-to-paycheck and struggling to make ends meet should not be burdened with automatic enrollment into a supplemental retirement plan that they may not be able to afford.

Rather, state employees should maintain the choice of whether they wish to opt-in to a supplemental retirement plan, which will provide more time and flexibility to make an informed decision about their personal finances. Additionally, MSEA echoes

AFSCME's concerns that there are no employee representatives on the MSRP. MSEA believes that public employees' retirement interests would be better served by having employee representation on the MSRP.

**We respectfully urge the committee to issue an Unfavorable Report on Senate Bill 270.**

**SB0270- MSRP Information 01.30.2025.pdf**
Uploaded by: Ronda Bell
Position: INFO

MSRP

*Maryland*
*Teachers & State Employees*
*Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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Or 1–800–735–2258

Fax: 410–659–0349

Agency Website:
msrp.maryland.gov

Plan Administrator:
1-800-545-4730
marylanddc.com

# MEMORANDUM

**Date:** January 30, 2025

**To:** Hon. Guy Guzzone, Chair
Senate Budget and Taxation Committee

**From:** Hon. T. Eloise Foster, Board Chair *T. Eloise Foster*
Ronda Butler Bell, Executive Director & Board Secretary *Ronda B. Bell*
Maryland Teachers & State Employees Supplemental Retirement Plans

**Re:** **Information – SB0270**
**Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment**

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Mr. Chair and members of the Committee, on behalf of the Maryland Teachers & State Employees Supplemental Retirement Plans Board of Trustees (the "Board"), we submit this memorandum to provide information relative to Senate Bill 270.

Retirement industry research deems automatic enrollment in supplemental retirement plans an effective tool for employee retirement readiness. Private sector retirement plan sponsors have been deploying automatic enrollment since 2006.

The Maryland Teachers & State Employees Supplemental Retirement Plans ("MSRP") is a State employee benefit available to all eligible Executive, Legislative, and Judicial branch employees. The Plans serve as a retirement savings supplement to State pension and Social Security benefits. MSRP offers eligible State employees 401(k), 403(b), and 457 Plans. Employees may choose from a variety of investment vehicles, including the Investment Contract Pool (offered in the 401(k) and 457 Plans), which is a stable value principal preservation vehicle. Employees have the ability to adjust the amount of their initial payroll contributions/deferrals to MSRP at any time and may elect to cease or resume payroll deductions as desired.

MSRP is governed by a nine-member Board of Trustees that is appointed by the Governor. The Board oversees and makes decisions on the Plans' investment offerings based upon the expert advice of its external investment advisor contractors (currently, NFP Retirement, Inc. and T. Rowe Price). The Trustees are fiduciaries who have a statutory duty to act solely in the best interest of Plan participants. By law, 6 of the 9 members must be active or plan-eligible State employees (SPP § 35–202). Only one-third of the Board seats are designated for members of the public.

Currently, 4 Trustees are active Maryland State Government employees and 1 Trustee is a plan-eligible member (a retired State employee with an active MSRP account who was initially appointed to the Board as an active State employee). There is currently a vacancy for a plan-eligible member.

MSRP has a dedicated customer service team through our Plan Administrator vendor (currently Nationwide Retirement Solutions) and an internal State agency education team. The agency's staff are State employees, not external vendors. The Director of Member Services and Member Services Education Specialists are Certified Retirement Counselors® and maintain the CRC® credential. The Member Services Team provides State employees with one-on-one consultations (as requested) and numerous webinars and in-person education sessions on a variety of retirement readiness and financial literacy topics.

If SB 270 becomes law, the Board will be required to automatically enroll new State employees who are hired on or after January 1, 2026.