

# G50L00

## Maryland Supplemental Retirement Plans

### Program Description

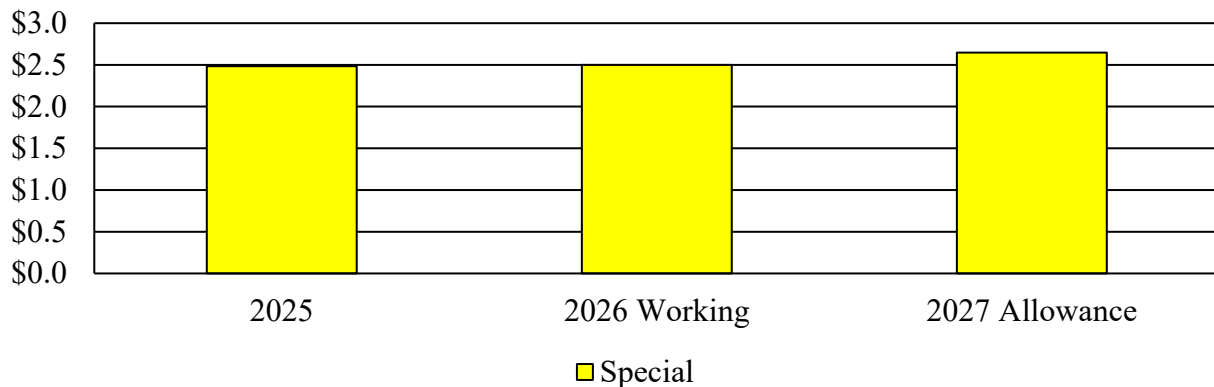
Maryland State Employees Supplemental Retirement Plans (MSRP) are administered by the MSRP Board of Trustees, as established in Title 35 of the State Personnel and Pensions Article. The Board has fiduciary responsibility over four defined contribution plan options: 401(k) and 457(b) plans for State employees; 403(b) plans for employees of State educational institutions; and a 401(a) State matching plan that was relaunched in fiscal 2024. MSRP staff support the Board of Trustees' work in selecting investment options with the advice of its contracted investment advisors. MSRP's Executive Director and Deputy Executive Director oversee all agency staff, contractors, and operations. MSRP's Member Services Team provides webinars, onsite education sessions, and information to State employees and human resources personnel. As a result of legislation requested by the Board, Chapter 616 of 2025 officially renamed MSRP from its original name – the Maryland Teachers and State Employees Supplemental Retirement Plans.

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. The board fee is currently composed of a 0.0425% 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 Empower Annuity Insurance Company of America (Empower) for plan administration. The Empower contract requires a management fee of 0.0335% of assets. Therefore, the reported total participant fee is 0.076% of plan assets and a monthly \$0.50 charge on specified accounts.

### *Operating Budget Summary*

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#### **Fiscal 2027 Budget Increases \$0.1 Million, or 5.9%, to \$2.6 Million (\$ in Millions)**



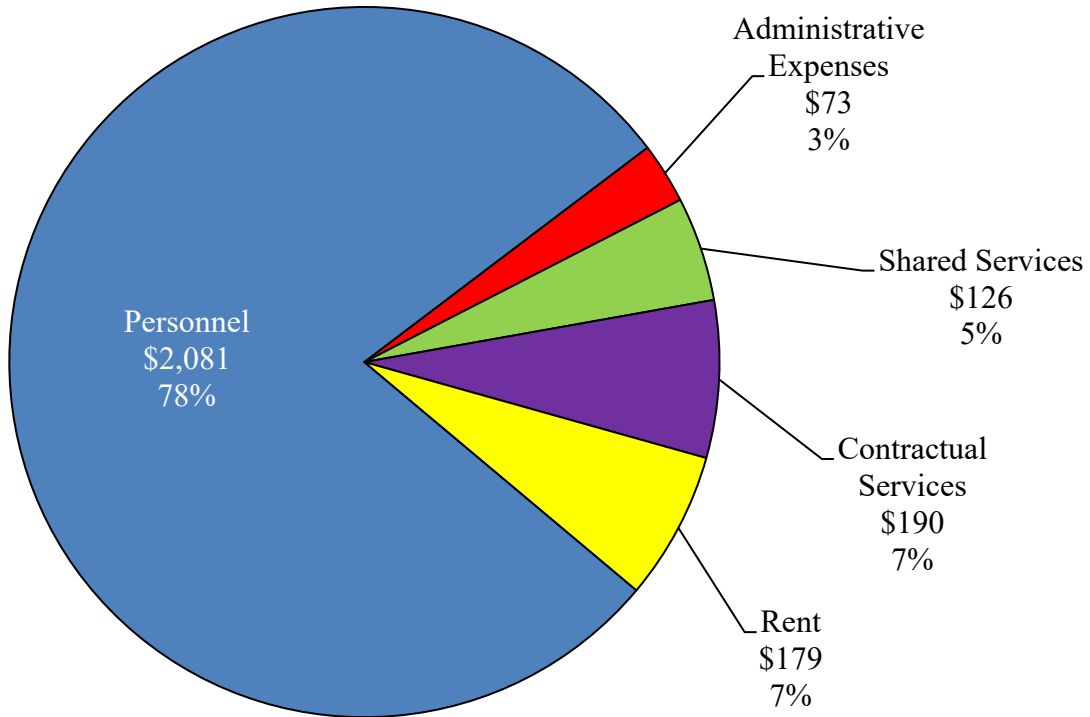
Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

## Fiscal 2027 Overview of Agency Spending

As shown in **Exhibit 1**, more than three-quarters of MSRP’s fiscal 2027 allowance is for agency personnel costs. Other large costs include funding for office and garage leases (7%), contractual services (7%), and shared statewide services (5%). MSRP’s largest contract is \$132,000 for investment advisory services with NFP Retirement, Inc. Administrator fees provided to Empower for retirement plan administration are not included in the MSRP budget, as the fees are collected directly from plan assets.

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**Exhibit 1**  
**Overview of Agency Spending**  
Fiscal 2027 Allowance  
(\$ in Thousands)



Source: Governor’s Fiscal 2027 Budget Books

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**Proposed Budget Change**

The fiscal 2027 allowance increases by \$148,502 in special funds, as shown in **Exhibit 2**. The entire nonpersonnel budget change is due to an increase in MSRP’s allocation for shared statewide services, with the largest increase for Department of Information Technology services.

**Exhibit 2  
Proposed Budget  
Maryland Supplemental Retirement Plans  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Total</b>
Fiscal 2025 Actual	\$2,484	\$2,484
Fiscal 2026 Working	2,500	2,500
Fiscal 2027 Allowance	2,648	2,648
Fiscal 2026-2027 \$ Change	\$149	\$149
Fiscal 2026-2027 % Change	5.94%	5.94%
 <b>Where It Goes:</b>		<b><u>Change</u></b>
<b>Personnel Expenses</b>		
Employee and retiree health insurance .....		\$73
Salary increases and associated fringe benefits, including fiscal 2025 cost-of-living adjustment and increments .....		63
<b>Other Changes</b>		
Shared services allocations .....		12
<b>Total</b>		<b>\$149</b>

Note: Numbers may not sum to total due to rounding.

## ***Personnel Data***

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	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 26-27</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	14.00	14.00	14.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>14.00</b>	<b>14.00</b>	<b>14.00</b>	<b>0.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 1/14/2026	0.00	0.00%
Vacancies Above Turnover	0.00	

- MSRP historically operates with very few vacancies. As of January 1, 2026, all positions are filled.

## ***Key Observations***

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### **1. Empower Made New Plan Administrator**

Prior to the expiration of its plan administration contract, in October 2024, the MSRP Board of Trustees issued a request for proposals for a new contract. The board voted in February 2025 to award the contract to Empower, and the Board of Public Works approved the award in April 2025. The contract with Empower became effective on September 18, 2025, and accounts became fully operational after a one-week blackout period that ended on September 25, 2025.

#### **Cost Reductions for Members**

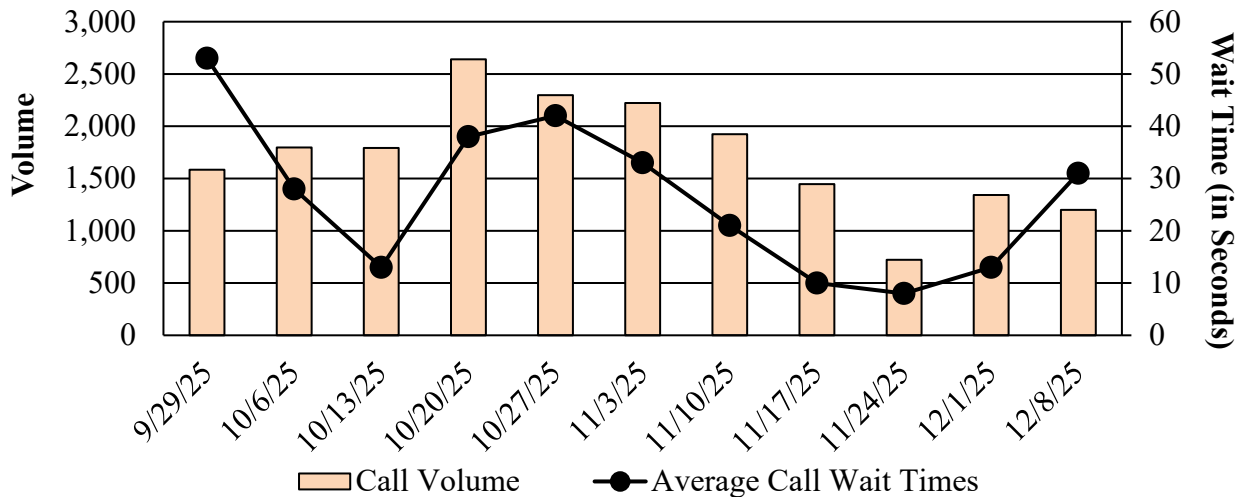
The five-year base contract with Empower is valued at approximately \$19 million, with a \$9 million two-year renewal option. Plan administrator fees are omitted from the budgetary process, as fees are directly collected by the administrator from member accounts under the contract. The change in vendors resulted in a reduction to the fee imposed on member accounts. While the MSRP charges remain the same, plan administrator fees were reduced from 0.0775% of account assets to 0.0335% of account assets (up to \$2,000 annual maximum fees per member account). Due to the reduced fees for Empower, plan administrator fees for fiscal 2026 are estimated to be \$2.4 million less than fiscal 2025 amounts.

## Transition

Following the award approval, MSRP worked with the Office of the Comptroller Central Payroll Bureau (CPB) and agency heads, including independent agencies, to notify them of the transition and connect them with Empower. Empower is contractually responsible for all payroll data security, other technical issues, data file testing, and data file transfers, and Empower works directly with the payroll centers to facilitate all necessary processes. Empower held 35 virtual meetings with CPB starting in May 2025 and is still holding meetings on an as-needed basis. Empower also held 49 virtual meetings with independent payroll centers from May to October 2025.

MSRP’s Member Services Education Team is responsible for providing education sessions to all State employees. MSRP and Empower led 13 onsite education sessions at various State agencies between October and November 2025. The agency and vendor also held 5 joint webinars for State employees. Empower has selected PRM Consulting to carry out retirement consultations with members, including enrollment and selection assistance. Empower tracks abandonment rates and survey results, reporting 2.5% abandonment rates from September to December and a 4.51-out-of-5 survey rating for quality of overall experience. Empower also tracks and reports call center data on a weekly basis, as shown in **Exhibit 3**. Call center volume peaked in late October and largely trended with the average speed of answer. As noted previously, there was a one-week blackout period in late September 2025 during which members could not access their accounts, as they were being transferred from Nationwide, the prior plan administrator, to Empower.

**Exhibit 3**  
**MSRP Members and Contributing Members**  
**September to December 2025**



MSRP: Maryland Supplemental Retirement Plans

Source: Maryland Supplemental Retirement Plans

## 2. Funding Continues for Match Program

Chapter 100 of 2023 reinstated the Deferred Compensation Match Program, mandating that the State provide an annual match of up to \$600 for State employees who participate in a supplemental retirement plan. While the General Assembly added general funds for this purpose in fiscal 2024, the Governor eliminated funding in fiscal 2025 and 2026 in favor of requiring agencies to fund the mandate through savings generated elsewhere in the budget. Committee narrative in the 2025 *Joint Chairmen’s Report* requested that the Department of Budget and Management (DBM) utilize a dedicated subobject in agency budgets to track deferred compensation matching funds. DBM reported fiscal 2025 expenditures for deferred compensation in a dedicated subobject, totaling \$12.5 million in total funds. The fiscal 2026 working appropriation, however, lacks funding in a dedicated subobject, so agencies still need to find funding in the current year to manage match obligations.

The fiscal 2027 budget as introduced includes \$8.8 million in total funds (excluding higher education) at the agency level for the match in a dedicated subobject. Budgeted amounts are largely based on actual expenditures. Enrollment remains open, and the match will continue to be paid to all who qualify.

The match has driven significant growth in supplemental plan participation. The 401(a) plan, which is where the State’s match is deposited, added more than 2,000 new members in the first six months of the match being offered. In fiscal 2025, the total number of plan members increased by more than 5%, the largest increase since the State began reporting this data. The number of contributing members increased by 8.5%. However, as a share of the eligible population, both categories were largely stable, meaning that the growth was driven largely by the expansion in the State workforce. As shown in **Exhibit 4**, MSRP is projecting a moderate increase in both plan membership and contributing members in fiscal 2026 and 2027, reflecting a higher percentage of eligible employees enrolled.

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**Exhibit 4**  
**MSRP Members and Contributing Members**  
**Fiscal 2011-2027 Est.**

<u>Year</u>	<u>Total Members</u>	<u>% Change</u>	<u>% Eligible</u>	<u>Contributing Members</u>	<u>% Change</u>	<u>% Eligible</u>
2011	58,993		75%	36,184		46%
2012	58,121	-1.5%	76%	35,263	-2.5%	46%
2013	57,477	-1.1%	74%	34,373	-2.5%	44%
2014	57,486	0.0%	74%	33,932	-1.3%	44%
2015	58,311	1.4%	74%	34,302	1.1%	44%
2016	59,144	1.4%	76%	34,175	-0.4%	44%
2017	59,632	0.8%	77%	34,219	0.1%	44%

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<u>Year</u>	<u>Total Members</u>	<u>% Change</u>	<u>% Eligible</u>	<u>Contributing Members</u>	<u>% Change</u>	<u>% Eligible</u>
2018	60,696	1.8%	78%	34,278	0.2%	44%
2019	61,703	1.7%	79%	34,214	-0.2%	44%
2020	62,322	1.0%	80%	36,644	7.1%	44%
2021	61,655	-1.1%	79%	35,463	-3.2%	46%
2022	60,681	-1.6%	78%	31,629	-10.8%	41%
2023	61,026	0.6%	70%	34,500	9.1%	44%
2024	60,966	-0.1%	69%	35,240	2.1%	40%
2025	64,174	5.3%	69%	38,240	8.5%	41%
2026 Est.	71,260	11.0%	77%	41,240	7.8%	45%
2027 Est.	79,061	10.9%	85%	44,240	7.3%	48%

MSRP: Maryland Supplemental Retirement Plans

Source: Maryland Supplemental Retirement Plans

**MSRP should comment on why it anticipates significant growth in the share of eligible employees who enroll in a supplemental plan.**

### **3. Fund Balance Nears Target**

As shown in **Exhibit 5**, MSRP closed fiscal 2025 with a fund balance of \$592,140, which represents 24.2% of the agency’s operating expenses, just below the agency’s target of 25%. MSRP projects a fiscal 2026 fund balance of approximately \$768,234, or 28.7% of operating expenses, based on 9% anticipated growth in assets.

**Exhibit 5**  
**Assets and Participants Fees**  
**Fiscal 2023-2026 Est.**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 Est</u>
Net Total Assets (\$ in Billions)	\$5.32	\$5.91	\$6.27	\$6.83
<b>Plan Administrator Fees</b>	<b>\$3,783,753</b>	<b>\$4,354,442</b>	<b>\$4,461,328</b>	<b>\$2,089,068</b>
As % of Assets	0.07%	0.07%	0.07%	0.03%
Board Asset Fee	\$1,629,367	\$1,984,296	\$2,252,047	\$2,454,731
As % of Assets	0.03%	0.03%	0.04%	0.04%
\$0.50 Monthly Charge Per Account	\$380,192	\$352,601	\$363,941	\$396,696
One-time Settlement Revenue	0	0	0	0
Adjustment for Timing Differences*	-344,634	90,398	00	0
<b>Total Board Revenue</b>	<b>\$1,664,925</b>	<b>\$2,427,294</b>	<b>\$2,615,988</b>	<b>\$2,851,427</b>
Operating Expenses	\$2,320,912	\$2,311,169	\$2,454,434	\$2,675,333
Adjustment for Timing Differences*	-44,853	-23,950	6,080	0
<b>Total Operating Expenses</b>	<b>\$2,365,765</b>	<b>\$2,335,119</b>	<b>\$2,448,354</b>	<b>\$2,675,333</b>
Carryover Balance	\$332,331	\$424,506	\$592,140	\$768,234
Carryover Balance as % of Operating Expenses	14.0%	18.2%	24.2%	28.7%

\*Timing adjustment is needed to align with Financial Management Information System accounting. Expenditures are budgeted on a fiscal year, while plans and revenues are on calendar years.

Note: Plan Administrator Fees are provided to the contracted retirement plan administrator directly and are not included in the calculation of the fund balance. The carryover balance for fiscal 2026 is projected.

Source: Maryland Supplemental Retirement Plans; Department of Legislative Services

#### 4. Plan Performance Underperforms Benchmarks

As shown in **Exhibit 6**, MSRP plan options gained 10.7% in fiscal 2025, failing to reach single-year return benchmarks. Three-, 5-, and 10-year returns performed comparably to plan benchmarks. **MSRP should comment on the plans’ recent underperformance.**

**Exhibit 6**  
**MSRP Average Rates of Return**  
**Fiscal 2023-2025**

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Annual Average Rates of Return as of June 30, 2025</b>				
MSRP Options	10.7%	13.4%	12.2%	10.5%
Benchmark Indices	11.8%	13.5%	12.0%	10.1%
<b>Annual Average Rates of Return as of June 30, 2024</b>				
MSRP Options	16.2%	5.2%	10.9%	9.7%
Benchmark Indices	15.3%	5.1%	10.2%	9.0%
<b>Annual Average Rates of Return as of June 30, 2023</b>				
MSRP Options	-13.3%	3.6%	5.2%	7.0%
Benchmark Indices	-12.6%	4.1%	5.0%	7.6%

MSRP: Maryland Supplemental Retirement Plans

Source: Governor’s Fiscal 2027 Budget Books

#### 5. 403(b) Plan Freeze Effective January 1, 2026

In May 2025, the Board approved freezing the 403(b) plan to new contributions and new enrollments, effective January 1, 2026. The Board enacted this change on recommendation from investment advisors due to changes in securities laws that preclude 403(b) plans from accessing certain types of investments. MSRP communicated the freeze to affected employees and State human resources benefit coordinators in July 2025 and November 2025 to allow participants time to open alternate MSRP accounts and avoid interruptions in payroll contributions/deferrals to the plans. 403(b) plan participants include State employees who work for the University System of MD, Morgan State University, St. Mary’s College of MD, eligible community colleges, the Higher Education Commission, and other eligible employers. All 403(b) plan-eligible employees are also eligible to participate in the 401(k) and 457(b) plans offered by MSRP.

***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1  
Object/Fund Difference Report  
Maryland Supplemental Retirement Plans**

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
<b>Positions</b>					
01 Regular	14.00	14.00	14.00	0.00	0.0%
02 Contractual	0.00	0.00	0.00	0.00	N/A
<b>Total Positions</b>	<b>14.00</b>	<b>14.00</b>	<b>14.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>Objects</b>					
01 Salaries, Wages, and Fringe Benefits	\$1,899,962	\$1,939,591	\$2,075,732	\$136,141	7.0%
02 Technical and Special Fees	0	5,100	5,100	0	0.0%
03 Communications	16,277	12,600	12,600	0	0.0%
04 Travel	7,874	28,000	28,000	0	0.0%
07 Motor Vehicle Operation and Maintenance	11,965	11,760	11,760	0	0.0%
08 Contractual Services	357,004	299,068	311,419	12,351	4.1%
09 Supplies and Materials	12,399	12,724	12,724	0	0.0%
11 Equipment – Additional	255	12,885	12,885	0	0.0%
13 Fixed Charges	178,661	178,002	178,012	10	0.0%
<b>Total Objects</b>	<b>\$2,484,397</b>	<b>\$2,499,730</b>	<b>\$2,648,232</b>	<b>\$148,502</b>	<b>5.9%</b>
<b>Funds</b>					
03 Special Funds	\$2,484,397	\$2,499,730	\$2,648,232	\$148,502	5.9%
<b>Total Funds</b>	<b>\$2,484,397</b>	<b>\$2,499,730</b>	<b>\$2,648,232</b>	<b>\$148,502</b>	<b>5.9%</b>

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.