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Maryland

Teachers & State Employees

Supplemental Retirement Plans

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G50L00 – Maryland Supplemental Retirement Plans

January 30, 2018

Senate Committee on Budget and Taxation
The Honorable Edward J. Kasemeyer, Chair

February 2, 2018

House Committee on Appropriations
The Honorable Maggie McIntosh, Chair

Budget Position Statement and Response to Legislative Analysis

Michael T. Halpin, Board Secretary/Executive Director

Debra L. Roberts, Director of Finance

Honorable Chairpersons and members of the Committees, thank you for this opportunity to comment on the status of the Maryland Supplemental Retirement Plans (MSRP) and to respond to the issue raised in the Department of Legislative Services analysis. We appreciate that the legislative analyst concurs with the Governor's allowance.

I am glad to report that the plans ended the 2017 calendar year with an estimated \$3.95 billion in assets (see Attachment 1), a 12% increase over the previous year. That increase was primarily the result of investment earnings that also delivered a 21.8% return for the S&P 500 Index. But the Plans are also strongly supported by employee contributions sufficient to offset many of the withdrawals expected in a large, mature program as MSRP. Likewise while employees retire or move on to other opportunities, the vitality of the Plans continues with a regular stream of new members enrolling.

The MSRP Board has been recognized nationally for a robust and innovative communication program carried out by MSRP representatives delivering educational sessions directly to employees at or near their workplaces statewide. We work alongside an experienced team of Nationwide representatives who assist in carrying the retirement savings message to all employees and helping them personally with their accounts or enrollments. A few years ago, we simplified the enrollment process to bare essentials, and we saw some improvement in new employee sign-ups. Last year we began a county-by-county campaign to challenge employees to consider how and what they chose for their MSRP account investments. Along with first the traditional, do-it-yourself method of developing a personal investment strategy, we had second the one-step method of selecting a target date retirement fund, and we added a third new option, a managed account service in which professionals select and adjust the member's investments for an additional fee. The result has been a healthy reconsideration of investments by members, and an increase in new enrollments as well. The yearly total of MSRP accounts in each Plan shows that a previous series of decreases turned to slight increases (see Attachment 2). Ultimately we ended the year with about 60,235 individual members (about 7,100 have multiple Plan accounts), our highest enrollment total ever.

The Department of Legislative Services analyst observes that according to the staffing analysis MSRP is able to perform all of its duties effectively with the current staffing complement, and performance has not suffered due to understaffing. However, four or five employees will be eligible to retire soon, and those positions will need to be filled. If all the eligible employees retired at the same time, it would likely have an impact on the

agency's ability to perform. The agency is asked to discuss redundancy and plans to maintain the performance of the agency during the impending retirements.

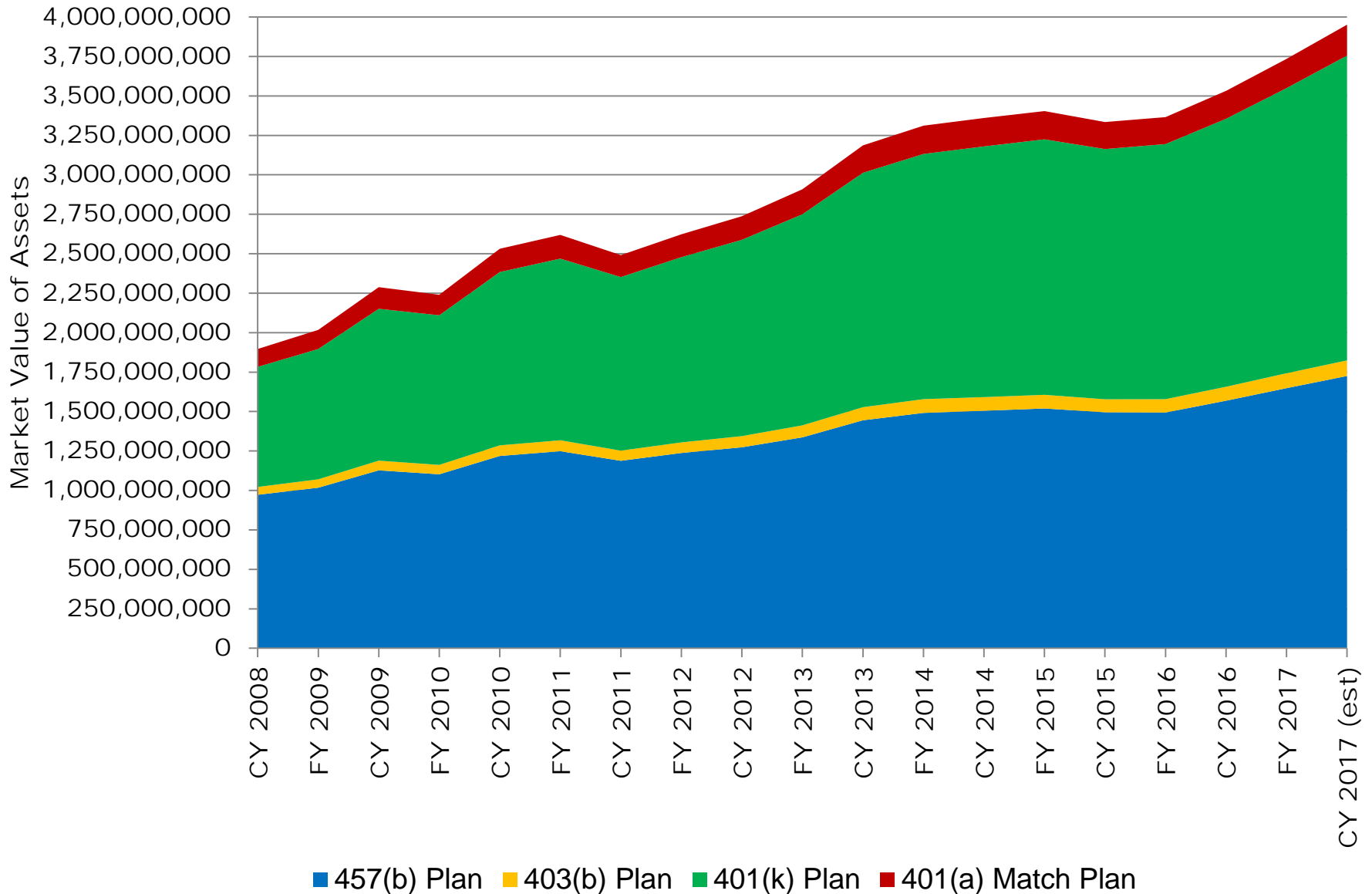
State agencies like many other employers have been facing the possibility of a mass exodus of aging workers from the workforce for years now; however, the concern about a sudden mass exodus has not materialized. Employees generally do not retire at the same time and key employees typically give more than two weeks' notice. MSRP does not believe that it will have difficulty filling vacancies in a timely manner. MSRP is indeed such a small agency that all personnel work very closely together and across specific job assignments. Past recruitments for administrative support staff and for field representatives have developed immediate and experienced candidates. A technical staff person who retired last month had given us more than six months' notice of her plans. Another staff person recently informed us of plans to retire a year from now. Other MSRP staff who are eligible to retire now or in the near future will also likely make plans and inform us well in advance.

We are committed to maintain a dedicated and personal effort to educate and encourage Plan participation and overall financial health for employees. We believe this is the key to long term success for the Plans.

In conclusion, the Board of Trustees of the Maryland Supplemental Retirement Plans appreciates this careful review and discussion of the plans, and the Committees' longstanding support for the Board's efforts. We are committed to continuing to work with you as well as executive branch leaders to protect the long-term financial interests of State employees and their families.

Attachments

Total Assets in Member Accounts in the Maryland Supplemental Retirement Plans



Accounts in each of the Plans: Currently Represents about 60,235 Members

