



G50L00 – Maryland Supplemental Retirement Plans

MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans
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February 7, 2023

Senate Committee on Budget and Taxation
The Honorable Guy J. Guzzone, Chair

February 10, 2023

House Appropriations Committee
The Honorable Benjamin S. Barnes, Chair

Budget Position Statement and Response to Legislative Analysis

Hon. T. Eloise Foster, Board Chair
Ronda Butler Bell, Secretary and Executive Director
Debra L. Roberts, Deputy Executive Director/Chief Financial Officer

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

The Plans ended the CY 2022 (calendar year) with an estimated \$4.3 billion in assets (see Attachment 1), representing a 16.3% decrease from the prior year. The decrease resulted from trailing equity returns with high inflation and slightly cooling economic growth. At the end of the year, however, higher returns provided some relief from the market volatility during the previous quarters as the federal rate increased and strong domestic equity performed at 7.2%, with international equities performance rising above 14%.

During 2022, our efforts to educate participants with webinars covering subject areas, including increasing deferrals, investment savings, and financial wellness, resulted in over 300 webinars with 21K attendance, a nearly 50% increase from the prior year. In addition, our annual savings Expo, now completely virtual, provided almost 10K unique visitors during a week-long opportunity to meet with licensed financial advisors and other agencies that support retirement readiness for state employees. ***MSRP should comment on the drop in the number of total members and contributing members.***

Lingering Impact of Secure Act 1.0 Hardship provisions and Increasing Retirements

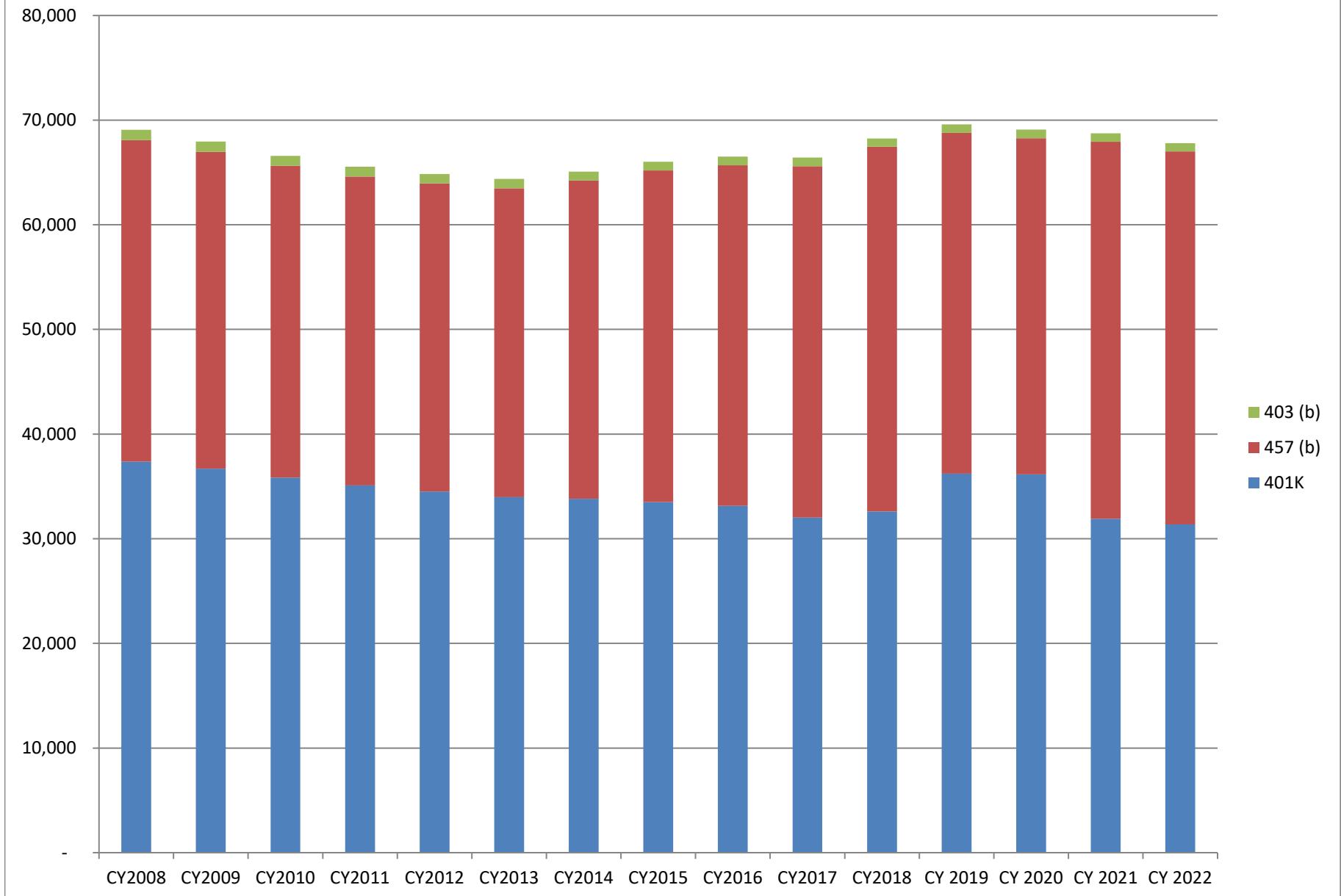
SECURE Act 1.0 (the “Act”) was enacted in January 2020 and implemented by MSRP shortly thereafter. The Act provided more lenient provisions allowing participants to access funds with less restrictive penalties. Since MSRP approved the implementation of the Act, participants experiencing financial difficulties due to the COVID-19 pandemic applied and received hardship payments; and, in many cases, suspended contributions.

During CY 2022, contributions to the Plans declined for most of the year (3 out of 4 quarters). The decrease ranged between 9%-13% (contribution suspensions and roll-out); at the same time, hardship withdrawals steadily increased, precipitating an overall contribution reduction for the year compared with CY 2021. Participant data shows that, as hardship withdrawals increased, contributions decreased proportionally from suspensions and increased transfer roll-out activity.

The State's Plans comprise a mature population with growing retirements occurring yearly; declines in contributing participants a direct result. The slight decrease in membership occurs when a participant separates from the State and elects to transfer funds out of the Plan (roll-out). Ultimately, the decreases in contributions during 2022 result from suspending deferrals, retirements, and roll-overs from employees' separating from service.

If enacted, proposed legislation from HB0296 and SB0006 provides auto-enrollment for new state employees and thus furthers our efforts to support participant contributions and retirement readiness for State employees.

Participant Count by Plan



Asset Values By Plan

