



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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G50L00 – Maryland Supplemental Retirement Plans

February 13, 2024
Senate Committee on Budget and Taxation
The Honorable Guy J. Guzzone, Chair

February 16, 2024
House Appropriations Committee
The Honorable Benjamin S. Barnes, Chair

Budget Position Statement and Response to Legislative Analysis
The Honorable T. Eloise Foster, Board Chair
Ronda Butler Bell, Executive Director
Nakeia Smith, Acting Deputy Executive Director & Chief Financial Office

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 question raised in the Department of Legislative Service’s analysis. We extend our thanks to Principal Policy Analyst Mr. Jason Kramer for all of his hard work and appreciate that his analysis concurs with the Governor’s allowance.

We are pleased to announce the Plans ended calendar year 2023 with an estimated \$5.3 billion in assets under management (“AUM”) , representing a 14.1% *increase* from the prior year’s AUM of \$4.6 billion. The increase in assets is, in part, due to the reactivation of the State Match program that was effective July 1, 2023. This program allowed actively deferring employees to receive a dollar-for-dollar match contribution (not to exceed \$600 per fiscal year). As a result, plan participation grew with over 2,000 new enrollments within the first six months.

MSRP should comment on the reason for the plans’ poor recent performance.

Factoring in a global pandemic and historic rate increases, equity markets remained resilient over the past 1-, 3-, and 10-years. At the end of 2023, Equity and Fixed income markets rallied and had strong fourth quarter performances in part due to a handful of large technology companies. U.S Equity rose to 12.1% and international equities rose 9.8%.

For the 1-, 3-, 5- and 10- year time frames, MSRP’s active investments are in the top 50% or better 93.5% of all time periods. The passive investments are in the top 75% or better 97.5% of all time periods.

Asset Allocation Funds

The T. Rowe Price Retirement Target-date Funds have consistently performed in the top quartile of peers on a 1-, 3-, and 10-year basis.

U.S. Equity Funds

Performance has been relatively strong versus benchmark and peers over all time periods.

The Delaware Value fund, which was a persistent underperformer, is a conservatively managed fund which was not able to keep up with such a strong market. This fund was removed from the Plans in December 2023. Other relative underperformance stems from the large growth fund managed by William Blair. Despite its underperformance, the fund remains in the top quartile versus its peers over longer time periods.

International Equity

The Plans' sole actively managed international equity fund outperformed its index over a 1- and 10-year period; 3-year performance is trailing the benchmark due to the sharp rotation favoring value stocks near the end of 2021 following the news of the Pfizer vaccine announcement. Long-term performance versus the benchmark and peers remains strong.

Fixed-Income Fund

The TCW Core Fixed Income Fund underperformed its index over a 1-, 3- and 10-year time period by narrow margins. A primary source of this underperformance came in 2022 as the fund had a longer duration compared to its index.