National Pension Expert Hails MD Retirement Savings Legislation

Annapolis, MD – One of the nation’s leading pension experts today praised Maryland House Bill 421 – which would establish the Maryland Secure Choice Retirement Savings Program and Trust – as “a big step in the right direction to address the retirement security crisis in Maryland.”

Testifying before Maryland House of Delegates Economic Matters Committee, Hank Kim, Esq., executive director and counsel for the National Conference on Public Employee Retirement Systems (NCPERS), noted that HB 421 contains a number of similarities to NCPERS’ own proposal for state-based private sector retirement plans, the Secure Choice Pension (SCP).

“Specifically, we like that HB 421 would establish a state-sponsored public-private partnership to bring retirement security to Marylanders,” Kim testified. “We support the composition of the board that has representation for all stakeholders of the Plan and Trust. We support the HB 421 provision that makes participation in the Plan and Trust the default choice for employees. We support HB 421 provision that pools assets for investment purposes to take advantage of economies of scale and efficiencies created by pooled assets.”

Kim proposed two improvements to strengthen the long-term impact of the legislation. “First, we suggest HB 421 include a provision to permit employer contributions on behalf of participants,” he said. “Second, we suggest HB 421 include a provision that mandates distributions as annuities.”

NCPERS’ SCP proposal calls for a public-private partnership to provide retirement security for American workers, particularly those who work for small businesses and who don’t currently have a defined benefit pension. The proposal draws on the documented performance and efficiencies of public sector pension management and extends it to those in the private sector who face what is becoming a national retirement crisis. The concept is that the states – individually, or possibly in groups – would enact legislation to establish a state or regional SCP plan. SCPs would be multiple-
employer hybrid defined benefit pension plans, which would guarantee lifetime retirement income immune to stock market vagaries or sudden economic downturns, at no cost to taxpayers. The NCPERS proposal would largely eliminate financial and administrative burdens for private sector employers that want to create at-work retirement savings plans.

Kim said NCPERS developed its SCP proposal because “we knew that not only was there a need for revitalization of pensions in the private sector, but there was a keen desire by working Americans for the type of retirement security that public sector employees have earned and enjoy.”

According to US Bureau of the Census data, one million working Marylanders work for employers who offer no retirement plan, while another 200,000 do not participate in their employer plans. Less than half of small Maryland employers, those with fewer than 100 workers, offer a retirement arrangement. The result is that there are generations of Marylanders moving through their working years with little or no retirement savings and will have only Social Security to rely on. This lack of retirement income will impact individuals and the communities in which they reside. Nearly 90 percent of retirees stay in their communities. Without adequate income, these individuals will not be able to contribute to the tax base to pay for public services and may require income-support assistance.

“The long-term economic impact of inadequate retirement resources has forced many thought leaders and policymakers to take a fresh look at this growing crisis,” Kim said. “We applaud HB 421’s major sponsors – Delegates C. William Frick, Samuel Rosenberg and Dana Stein – for their leadership in addressing this problem now, while there is still time to avert a crisis.”

**About NCPERS**

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than $3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

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