



MarylandSaves Announces Launch of New Automatic Retirement Savings Program

Hunt Valley, Maryland / November 22, 2021 – Today Chair Josh Gotbaum announced that MarylandSaves will begin offering its new automatic workplace retirement and emergency savings program next summer.

Building on the experiences of programs in other states, MarylandSaves will be the first such program that helps people have reliable income *after* they retire. Savers in the program will automatically be converted into a monthly paycheck at retirement age unless they choose otherwise. They will also have an option to increase their Social Security payments by deferring Social Security enrollment and receiving their MarylandSaves funds first instead.

The program will be administered by a team composed of Vestwell, Sumday, and BNYMellon, selected after a rigorous competitive process. All savings will be professionally managed at negotiated low rates by BlackRock, State Street Global Advisors, Lincoln Financial Group, and T. Rowe Price.

“Beginning next summer,” Gotbaum said, “more than one million Marylanders will have a better chance for financial security. Building on years of work both here and in other states, our program will be a rarity: an automatic workplace retirement program that doesn’t stop working when you retire and need it most.”

About Our Automatic Workplace Savings Program

MarylandSaves is a state-sponsored program designed to make it as easy as possible for businesses to offer their employees a voluntary, automatic, low-cost, portable retirement and emergency savings plan. Under Maryland law, established businesses that use an automatic payroll system are required either to offer a retirement plan or to sign their employees up for the MarylandSaves program. Businesses that do so will receive \$300 per year via a waiver of the Maryland business annual filing fee. Employers will have no payment obligations, have no federal reporting requirements, and will pay nothing to MarylandSaves for the service.

Employee participation is completely voluntary. Employees are automatically enrolled, but they can withdraw funds, choose investment options, change their savings amount, or opt out entirely at any time. Account fees will be lower than commercial alternatives and savers keep their accounts when they change jobs.

Better Savings & Retirement Options

Emergency Savings First Initially, funds will go into an emergency savings account using the Lincoln Financial Stable Value Fund. This Fund currently has a guaranteed interest rate of 1.4% and there are no separate investment fees.

Then Automatic Retirement Savings After the emergency savings account is funded, the participant's contributions will be invested in the age-appropriate BlackRock Target Date Fund. Optional investment choices include an Income Fund (State Street Aggregate Bond Index Fund, Class K), and a Growth Fund (T. Rowe Price Global Growth Stock Fund).

Real Options at Retirement

MarylandSaves is the first state-sponsored automatic private retirement program that will provide options designed to help after someone retires. The default option will be a monthly payment calculated, but not guaranteed, to last a saver's lifetime. This managed payout approach will take a lot of the guesswork out of retirement.

In addition, savers will have a chance to increase their Social Security payments by drawing down their MarylandSaves account first and applying for Social Security later. Because most Americans begin claiming Social Security before their full retirement age of 67, they don't get their full benefits. MarylandSaves' Social Security Bridge option will allow savers to use their MarylandSaves as income to defer claiming Social Security and thereby increase their benefit by 8% for every year they defer their Social Security application. Hon. Kathleen Kennedy Townsend, a former MarylandSaves board member who initially proposed the idea, said "We want to encourage people to make the most of their Social Security benefits. Waiting to claim Social Security can increase your monthly benefits by up to 8% per year. If MarylandSaves allows participants to defer until age 70, they can increase their monthly benefit by more than 50%. That would make a real difference in their quality of life."

"When people think about a retirement plan, most of us only focus on the next few years, but retirement planning should include what happens after retirement," said MarylandSaves' acting Executive Director, Glenn Simmons. "Our program will serve 1.2 million Marylanders who until now couldn't save at work. Soon, without having to go to a bank or insurance company, they'll have a more secure future."

About MarylandSaves

The Maryland Small Business Retirement Savings Board was created by the State of Maryland in 2016. The board consists of the State Treasurer and Secretary of Labor, both ex officio, and three persons appointed by each of the Governor, the President of the Senate, and the Speaker of the House of Delegates. Funded by startup loans from the State, the Board designed the workplace retirement and emergency savings program. The Board incorporated the Maryland Small Business Retirement Savings Program, Inc. and hired an executive director to manage the staff, provide advice, and oversee the process of selecting the program and investment managers.

Mr. Simmons joined MarylandSaves as director of marketing in 2018 and then became Deputy Executive Director. He assumed the executive director responsibilities upon the resignation of the previous director, John Wasilisin.

MarylandSaves was advised in program development and negotiation by the Aon, the AKF Consulting Group, and by the law firm of K&L Gates.

Further information can be found at MarylandSaves.org.

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