



53 Baxter Boulevard, Suite 202 | Portland, ME 04101  
Phone: 866-554-5380 | Fax: 207-775-5727 | TTY: 877-434-7598  
aarp.org/me | me@aarp.org | twitter: @aarpmaine  
facebook.com/aarpmaine | instagram.com/aarpme

## **Testimony in Favor of LD An Act to Promote Individual Retirement Savings through a Public-Private Partnership**

Greetings Chairs Sanborn and Tepler, and members of the Joint Committee on Health Insurance Coverage and Financial Services.

My name is Pat Pinto and I am the Volunteer State President for AARP Maine. AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. On behalf of our more than 200,000 members statewide, thank you for the opportunity to share testimony today in favor of LD 1622. This important bill will benefit working Mainers as well as small and medium-sized businesses for generations to come.

Retirement savings in Maine is in crisis and the pandemic has made it worse. More than 207,000 Maine workers aged 18 to 64 have no access to a retirement savings program. Few of these employees save on their own and when they do, they save less than \$2,500 towards retirement. According to the Maine Department of Labor, during the Covid-19 pandemic, Maine lost more jobs on a percentage basis than in any recession in the past 50 years.<sup>1</sup> This means even more Mainers facing deeper retirement savings deficits and more workers with only Social Security to fall back on when they reach retirement age.

The statistics are even more dire for women. A report by the National Institute on Retirement Security states that "...even though women generally live longer than men, they are forced to do so on significantly less retirement income...and the gender pay gap eventually becomes a retirement wealth gap."<sup>2</sup> This contributes to the fact that almost 10% of Maine women 65 and older, fall below the poverty line.

Another Maine sector with limited opportunity for retirement savings is the 10% of Mainers who are self-employed<sup>3</sup> including farmers, fishermen, contractors, artists, foresters and loggers, or the fast-growing gig-workers population. Nationally, the self-employed ages 50-64 have lower rates of participation in workplace retirement plans and claim Social Security earlier, which reduces monthly benefits for their life.<sup>4</sup>

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<sup>1</sup> <https://www.maine.gov/labor/cwri/publications/pdf/JobImpact-COVID.pdf>

<sup>2</sup> <https://www.nirsonline.org/reports/stillshortchanged/>

<sup>3</sup> <https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/pdf/self-employment-in-the-united-states.pdf>

<sup>4</sup> <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/09/as-the-self-employed-near-retirement-are-they-prepared>

This legislation also covers nonprofit Maine organizations which employ 1 out of every 6 Maine workers, over 98,000 employees.<sup>5</sup> The largest nonprofits may offer retirement plans, but medium and small groups cannot afford to do so. This means that Mainers who work every day to better our state in so many different ways, are unable to save for their retirement.

LD 1622 provides a common-sense public-private solution to these problems and also benefits and taxpayers. Employees of small and medium businesses, as well as the self-employed and independent contractors, will be able to save an amount they choose from each paycheck and watch their contributions grow over the years until retirement. Their savings will be "portable" and go with them if they change employers.

Many small and medium-sized Maine businesses cannot afford to offer their employees a retirement plan. Under LD 1622, businesses will be able to do so because they will not contribute financially to the plan and need only to set up the payroll deduction. Plus, they will see additional benefits. An employer focus group convened by the Pew Charitable Trusts concluded that "Most employers who offer a retirement savings plan said a plan helps attract and retain talent."<sup>6</sup> It levels the playing field so that businesses can better compete for employees. LD 1622 also protects employers from any liability for issues surrounding the administration of the plan or the investment results.

Taxpayers will also benefit. The AARP Public Policy Institute estimates that Maine can save \$23 million over a 14-year period by helping people save for their own retirement. The savings would come from a reduced need for programs such as Medicaid, Supplemental Security Income, Supplemental Nutrition Assistance and housing assistance.<sup>7</sup> The expectation is also that after a brief start-up period, there will be no continuing administrative costs to the state. A similar program in Oregon became self-sustaining after just 2 years.<sup>8</sup>

Registered Maine voters have shown widespread public support for a workplace retirement savings option. In a 2019 AARP Maine survey,<sup>9</sup> 98% of respondents believe it is important to be able to save at work for retirement and 84% of workers without access to workplace savings said they would take advantage of one if it is available.

LD 1622 also literally provides a seat at the table for representatives of each critical component: employees and employee associations, employers, retirees, and a financial expert in the field of retirement saving, plans and investment. They will all be voting members of the plan's administrative body, the Maine Retirement Savings Board. Private sector investment expertise will also be used to administrator the program and manage the investments. The Legislature itself will play a crucial role through the Office of Program

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<sup>5</sup> <https://www.nonprofitmaine.org/about-nonprofits/>

<sup>6</sup> <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/09/business-owners-perspectives-on-workplace-retirement-plans-and-state-proposals-to-boost-savings>

<sup>7</sup> [https://www.aarp.org/content/dam/aarp/ppi/2017/04/AARP1150\\_FS471\\_Maine\\_May1v2.pdf](https://www.aarp.org/content/dam/aarp/ppi/2017/04/AARP1150_FS471_Maine_May1v2.pdf)

<sup>8</sup> <https://cri.georgetown.edu/wp-content/uploads/2019/03/Infographic-19-02-OregonSaves-Update-3-1.pdf>

<sup>9</sup> Copy attached

Evaluation & Government Accountability and as members of the Joint Standing Committee on Government Oversight.

A March 2020 Aspen Institute program, "RE-IMAGINING RETIREMENT AMID NEW UNCERTAINTY" concluded that "As businesses recover in the wake of the pandemic, gaps [in retirement savings] are likely to widen, heightening the need for bold legislative and regulatory advances that ensure sufficient savings for all...When workers have access to payroll-deduction-based retirement programs, they are 15 times more likely to save. Add auto enrollment and they're 18 times more likely. **The time is now for leadership among private sector and public policy leaders to make automatic enrollment savings plans available to all.**<sup>10</sup>" Please join AARP Maine in supporting LD 1622. It's the right thing to do for Mainers and the right time to do it.

Pat Pinto  
AARP Maine Volunteer State President

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<sup>10</sup> [https://www.aspeninstitute.org/wp-content/uploads/2020/10/AspenFSP\\_2020-RetirementReport.pdf?\\_ga=2.85400473.1870116571.1607360702-439436106.1600175212](https://www.aspeninstitute.org/wp-content/uploads/2020/10/AspenFSP_2020-RetirementReport.pdf?_ga=2.85400473.1870116571.1607360702-439436106.1600175212)

