



53 Baxter Boulevard, Suite 202 | Portland, ME 04101  
1-866-554-5380 | Fax: 207-775-5727 | TTY: 1-877-434-7598  
aarp.org/me | aarpme@aarp.org | twitter: @aarpmaine  
facebook.com/AARPMaine

May 7, 2015

**Testimony of Amy Gallant, Advocacy Director, AARP Maine, in support of LD 1318, An Act to Promote Individual Private Savings Accounts through a Public-Private Partnership.**

Good afternoon Senator Whittemore, Representative Beck, and members of the Joint Standing Committee on Insurance and Financial Affairs. My name is Amy Gallant and I am the Advocacy Director for AARP in Maine representing more than 230,000 members 50+ statewide. AARP is a non-profit, non-partisan member organization representing the interests of 50+ Mainers and their families.

Too few Mainers are saving for retirement, and not enough is saved for a financially secure retirement. 254,000 Mainers do not have access to a retirement savings plan at work.<sup>1</sup> That's 48 percent of the entire private sector workforce in Maine. The typical working household in Maine only has \$3,000 saved in retirement assets, and the average retirement income is \$12,000 annually.<sup>2</sup> 1 in 3 Maine seniors rely entirely on Social Security, an income of just \$1,100 per month.<sup>3</sup>

Nationally, 76 percent of workers earning less than \$20,000 are not offered a retirement plan or pension through their employer, although nearly 80 percent of workers earning between \$15,000 and \$20,000 report it is "very important" to be able to save for retirement through payroll deductions.<sup>4</sup> Just under half of those earning between \$20,000 and \$50,000 are offered a retirement plan through their employer.<sup>5</sup> With an aging population and a rapidly retiring workforce, AARP believes that there are five essential steps to a solution to address this potential retirement crisis; availability, automatic enrollment, ease of investment, automatic escalation, and lifetime income streams.<sup>6</sup>

I would like to highlight availability and automatic enrollment.

Availability. Research shows that we are 15 times more likely to save if our employer offers a plan. Only 4.6% of workers save when the plan is not offered through an employer, compared to 71.5% of those who save through an employer offered plan.<sup>7</sup>

<sup>1</sup> AARP's Public Policy Institute, "Americans without a Retirement Plan by State" (2014).

<sup>2</sup> Gary Koenig & Lina Walker, "Why Social Security and Medicare Are Vital to Older Americans in Maine, AARP Public Policy Institute Fact Sheet", August 2013.

<sup>3</sup> "Social Security is a Critical Income Source for Older Americans: State-Level Estimates, 2007-2009." AARP Public Policy Institute.

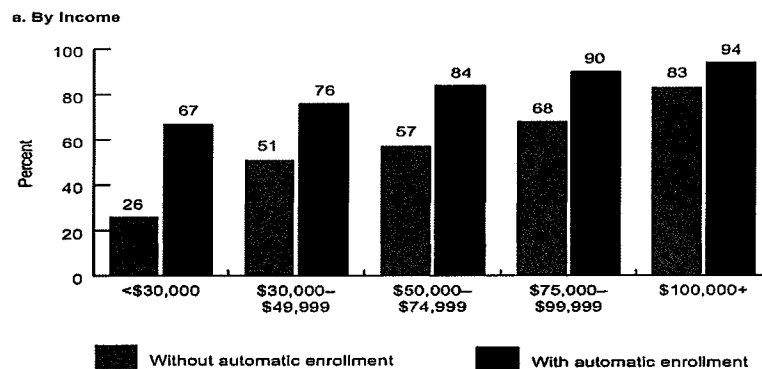
<sup>4</sup> Employee Benefit Research Institute, and Matthew Greenwald and Associates, In, 2011 Retirement Confidence Survey.

<sup>5</sup> NCPERS, Analysis of Current Population Survey, March 2011 Supplement.

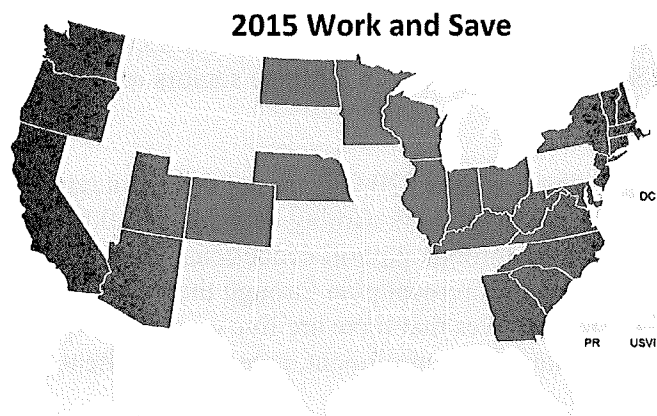
<sup>6</sup> Sarah Mysiewicz Gill, AARP Senior Legislative Representative, "Work and Save Presentation and Analysis", 2015.

<sup>7</sup> Data compiled by AARP's Public Policy Institute from unpublished estimates from the Employee Benefit Research Institute of the 2004 Survey of income and Program Participation Wave 7 Topical Module (2006 data). See also Brookings' Retirement Security Project and WhiteHouse.gov

Automatic enrollment. 97 percent of employees in auto-enrollment firms approve of auto-enrollment, even among those who choose to opt out.<sup>8</sup> The following chart<sup>9</sup> displays the rate of enrollment by income with and without automatic enrollment. As you can see, the most significant difference in enrollment rate is at the lowest income, those who are least financially secure while working and in retirement.



Maine is not alone in considering a state based solution to this issue. In 2012, Massachusetts passed a similar plan for non-profits, and California passed a feasibility study. In 2013, Oregon passed a similar study and is pursuing legislation to set up a state plan this Session. Last year, in 2014, Minnesota and Connecticut each passed a feasibility study, and over a dozen states considered legislation, including Washington, Indiana, Nebraska, Wisconsin, Ohio, Colorado and Arizona. This year, bipartisan laws have been passed in Illinois and Washington and bipartisan studies in Utah and Virginia. The following map displays the states currently working on this issue.<sup>10</sup>



Finding a solution is good for retirees, their families and communities, employers and small businesses. Small business owners agree that providing retirement benefits help recruit good employees, although 64 percent do not provide a retirement savings option because it is too expensive, and half do not because it's too complicated.<sup>11</sup> A marketplace such as that described in LD 1318 will provide an accessible option for all businesses in Maine, including those who are self-employed, that is simpler and no cost to the employer.

The proposal specifically targets businesses in Maine with 10 or more employees, which according to the Maine DOL Center for Workforce Research and information,<sup>12</sup> includes 9,543 businesses. Out of the 45,545 businesses in Maine (excluding self-employed), 28,357 have between 0 and 4 employees, 7,654 have between 5 and 9 employees, and the remainder (9,543) have 10 or more. By targeting businesses with 10 or more employees, retirement savings plans could be offered to 378,367 Maine workers.

<sup>8</sup> David Laibson Harvard University and NBER July 2008.

<sup>9</sup> How America Saves: 2013 (Valley Forge, PA: Vanguard, 2013).

<sup>10</sup> Sarah Mysiewicz Gill, AARP Senior Legislative Representative, "Work and Save Presentation and Analysis", 2015.

<sup>11</sup> NCPERS.

<sup>12</sup> Maine Department of Labor Center for Workforce Research and Information, <http://www.maine.gov/labor/cwri/data/qcew/QCEW-Employment-Size-Maine-March.xls>.

Investing in a solution to retirement for all Mainers will save taxpayer dollars. A recent study in Utah found that a 10 percent increase in savings of the third least prepared for retirement will save taxpayers \$194 million over the next 15 years.<sup>13</sup>

AARP thanks Representative Beck for your leadership on this issue. We urge the committee to support this legislation, so more Mainers can support themselves in retirement.

Thank you for your time today. I would be happy to answer any questions.

Amy Gallant  
Advocacy Director  
AARP Maine  
[agallant@aarp.org](mailto:agallant@aarp.org)  
(207) 776-6303

---

<sup>13</sup> Notalyis.