



April 10, 2025

Senator Donna Bailey, Chair
Rep. Kristi Mathieson, Chair

Joint Standing Committee on Health Coverage, Insurance and Financial Services

Testimony of Elizabeth Bordowitz, Executive Director of the Maine Retirement Savings Board in opposition to LD 1283

Senator Bailey, Representative Mathieson and distinguished members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, I am Beth Bordowitz of Portland, Maine.

I am here this afternoon to offer testimony in opposition to *LD 1283, An Act to Allow Employees Covered Under the Maine Retirement Savings Program to Elect to Enroll and Unenroll in a Payroll Deduction for an Individual Retirement Account*.

The Maine Retirement Savings Board was created by legislation in 2021. As required by the statute, the Governor appointed and the Senate approved board members who held their initial meeting in April 2022. The Board was charged with implementing a Program to provide a workplace retirement savings opportunity for the 40% of Maine workers without access to such a workplace retirement plan.

The Board launched a pilot of the Program in October 2023 and launched the Program statewide in January 2024.

The Program requires that all Maine employers with five or more Maine employees that do not offer a qualified workplace retirement plan register their business with MERIT. They must register all Maine employees. After which the Program reaches out to the employees to let them know about the Program and their options in the Program: how to choose the amount they would like to invest, how to choose their investments, and how to opt out if that is their preference.

After one full year of operations, over 13,000 Maine employees have taken the responsibility to prepare for a secure retirement through MERIT. They have invested

over \$11,000,000, generally at the rate of \$50 - \$60 per paycheck. In short, the Program is fulfilling its intended goal of closing the retirement savings gap between employees who have the benefit of access to a workplace retirement plan and employees who do not.

The proposed legislation would modify the Program so that individual employees must opt in to the Program, rather than be enrolled by their employer and opt out.

This proposal is against the trend and best practices in workplace retirement programs. Under federal law, employers starting a new 401k program must establish automatic enrollment - their employees will be enrolled and have the opportunity to opt out, just as is the case with MERIT. This requirement was enacted because research finds people are 20 times more likely to save if they have a workplace retirement plan with automatic enrollment.

This proposal would dismantle an essential element of the Program. The entities that provide the program administrative support for these programs are clear that they will only provide administrative support if the Program requires employer participation and has automatic enrollment for employees. That is required for Maine to continue to participate in the Partnership for a Dignified Retirement (PDR), which allows Maine employees to access retirement savings at a reduced cost. The Interstate Adherence Agreement provides in part:

"2. State Maintenance Duties. Each State agrees, throughout the duration of their participation in the PDR, to adhere to the following requirements.

A. Mandatory Participation. Participation by Required Employers from each State must be mandated by that State's laws. The mandate must include automatic enrollment of the employees of each Required Employer into an IRA with the opportunity for an Employee to opt out. Required Employers at a minimum include all of a State's private employers who have been in business for at least twenty-four consecutive months, who do not offer a qualified retirement plan and who employ five or more employees."

The experience of the States of Hawai'i and New Mexico is illustrative of the problem this proposal creates. Hawai'i passed legislation to enact a state administered Roth IRA Program that provides for employees to opt in to the program. To date they

have not been able to procure a Program Administrator. In 2020 the New Mexico legislature enacted a state retirement savings program that is voluntary for both employers and employees. The New Mexico Treasurer's Office issued a Request for Proposals for Program Management of the enacted program. No one expressed interest in providing the necessary program management. A study undertaken for the New Mexico plan by the Center for Retirement Research at Boston College estimated that no more than 1% of eligible New Mexico employees would participate in a plan with those parameters and it would take two decades for the Program to become cost neutral.

Thus, if LD 1282 is enacted, MERIT will be removed from the partnership and required to start over in looking for a Program Administrator. Based on the experiences of Hawai'i and New Mexico, I believe that there would be no organizations that would be willing to work with a state on those terms.

MERIT is succeeding as it was intended to. The need that it was created to address remains.

I appreciate your ongoing support of this important program and urge you to vote against this bill.