



DATE: May 11, 2021

TO: Senator Heather Sanborn, Co-Chair
Representative Denise Tepler, Co-Chair
Members, Committee on Health Coverage, Insurance and Financial Services

FROM: William H. Laubenstein III
President
Maine Association of Retirees

RE: LD 1622 An Act To Promote Individual Retirement Savings through a Public-Private Partnership

The Maine Association of Retirees (MAR) represents 14,000 retired public sector employees in Maine. While most public sector workers in Maine are covered by a pension plan, many private sector employees are not. MAR endorses the intent of this bill to develop a voluntary program to offer individual defined contribution retirement accounts for persons who do not have access to a qualified retirement plan through their employers or who are self-employed.

LD 1622 can address several shortcomings in the current retirement savings picture. According to the Congressional Research Service, nationally 70% of all private sector workers have access to a pension plan, but only 55% participate. The numbers are worse for part-time workers, where only 40% have access to a plan and only 22% participate.* While defined contribution pension plans are popular, many workers report not having confidence in their ability to make good investment decisions. ** The most recent National Retirement Risk Index shows that half of households will not have enough retirement income to maintain their pre-retirement standard of living, even if they work to age 65 and annuitize all their financial assets, including the receipts from a reverse mortgage on their homes.***

While this is national data, we can assume that the picture for Maine is likely worse because of the trend toward part-time employment in service sector jobs. LD 1622 will create a vehicle to promote financial literacy, boost savings and assist workers to make good investment decisions for those not covered by employer-sponsored savings plans.

LD 1622 is a bill that will benefit all taxpayers in Maine, as those who have adequate retirement savings are less likely to rely on public assistance, and are more likely to enjoy a better quality of life. For all these reasons, we ask the Committee to vote the bill “Ought to Pass.”

*Congressional Research Service, “Worker Participation in Employer-Sponsored Pensions-Data in Brief,”
December 2020

** Federal Reserve System, “Report on the Economic Well-Being of U.S. Households in 2018 - May 2019”

***Center for Retirement Research, Boston College, “National Retirement Risk Index” January 2021

Cc: Senator Eloise Vitelli

Leading the Way for Maine Retirees

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