

**Testimony of State Farm Mutual Insurance Company  
In Opposition to LD 1622  
*An Act to Promote Individual Retirement Savings through a Public-Private  
Partnership***

*Joint Standing Committee on Health Coverage, Insurance and Financial Services  
May 13, 2021*

State Farm Mutual Insurance Company is the largest property and casualty insurer in the United States. Maine State Farm agents, as small business owners, employ a combined total of 218 employees throughout the state.

State Farm supports comprehensive efforts to educate consumers about the many retirement savings products offered in the current marketplace. Availability of and access to options are not the problem, as there already exists a strong, vibrant private sector retirement plan market comprised of diverse, affordable choices to consumers. IRAs and other retirement savings vehicles, such as annuities, are available to all workers.

A state-run retirement plan for private employers and employees, however, would increase costs for taxpayers, place additional burdens on agents as small business employers, and damage the private market through unfair competition. If states create mandatory retirement plans for private employers, the diverse and competitive private sector should be allowed to provide an array of funding choices for those plans. For these reasons, State Farm believes participation in any such plan should be voluntary and at the discretion of the business owner and the employer, not mandated by the government.

State Farm instead advocates an approach that would help small employers to offer workplace savings opportunities, by limiting administrative burdens on employers. A state-run retirement plan would only put the state in competition with the private sector for the investment of retirement dollars contributed by the employees of private sector businesses. Mainers would be better served if the state uses its resources to educate its citizens about the importance of saving for retirement, rather than implementing its own costly state-run plan.

State-run retirement plans also potentially create conflicts between laws enacted by individual states and federal law governing retirement plans. It is similarly worth noting that, while some states have effectively managed pension plans for state employees, others have continued to mismanage state pension funds. Maine should

review consumer losses under state-administered investment and pension programs when considering another government-run investment program.

Should Maine wish to pursue small employer programs, it should follow the approach taken by the state of Washington. Washington's Retirement Marketplace creates a small business retirement marketplace that focuses on small employers and promoting retirement savings by workers. The law relies on private sector retirement products rather than setting up a state-run retirement plan. Participation in the marketplace is completely voluntary for employers and employees. All private sector financial services firms that meet conditions set forth in the law are eligible to offer plans through the marketplace. See <http://lawfilesex.leg.wa.gov/biennium/2015-16/Pdf/Bills/Session%20Laws/Senate/5826-S.SL.pdf>. New Jersey has enacted a similar small business retirement marketplace following Washington's model. See <https://www.njleg.state.nj.us/2014/Bills/PL15/298.PDF>.

Thank you for your attention to State Farm's testimony on LD 1622. Please do not hesitate to contact us for further information as the Committee considers the proposed legislation.