

*Senator Eloise Vitelli
Senate Majority Leader
3 State House Station
Augusta, ME 04333-0003
Office (207) 287-1515
Home (207) 443-4660*

*Testimony of Sen. Eloise Vitelli introducing
**LD 1622, An Act To Promote Individual Retirement Savings through a
Public-Private Partnership**
Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services
May 13, 2021*

Senator Sanborn, Representative Tepler, and esteemed members of the Health Coverage, Insurance and Financial Services Committee, my name is Eloise Vitelli, and I represent Senate District 23, which includes all of Sagadahoc County and the Town of Dresden in Lincoln County. I am pleased to be here today to introduce LD 1622, “An Act To Promote Individual Retirement Savings through a Public-Private Partnership.”

I spent my career of 38 years at New Ventures Maine, helping Mainers start their own small businesses and become financially self-sufficient. Upon my retirement in 2018, I began collecting Social Security, I started drawing on the savings I accumulated through my employer-sponsored retirement plan, and I continued bringing in earnings as a State Senator. I’m lucky enough to have a stable retirement resting upon the three pillars of financial security: earnings, savings, and Social Security.

Not everyone is as fortunate as I am, and many Mainers of retirement age are almost totally without one of these key pillars. Over half of respondents in a 2016 survey said they planned on working past the age of 65, with a contingent expecting to work into their 80s. One in three Mainers over the age of 65 relies on Social Security as their only source of income, but with an average monthly benefit of just \$1,100, this is simply not enough to get by. Yet despite these disappointing statistics, Mainers have an average of just \$3,000 in retirement assets to form their third pillar.

The data tell us that people are much more likely to save for their retirement if they have a savings program through their employer; 15 times more likely, in fact. But right now, this option is unavailable to over 200,000 Mainers. We need to be looking for a solution that supports our small business economy and gives Mainers the tools they need to save for retirement.

LD 1622, the Work and Save bill, offers that solution. The bill would create the Maine Retirement Savings Program, a way for working Mainers to contribute to an IRA directly from their paycheck. The Program would be administered by the Maine Retirement Savings Board, composed of the State Treasurer and eight members appointed by the Governor, representing experts in small business, labor, financial resiliency, retirement investment and more.

The program works like this: Employers who don't offer their own retirement savings plans will facilitate a deduction for their employees, safely, securely and simply straight from their paycheck. Employers do not contribute to the plan; they merely ensure the facilitation of the employee's contribution. The deducted funds go into an IRA, where they grow over time, following participants from job to job until that person is ready to retire.

I'll take some time to expand on some key features of the Program. First, the plan is portable, and the account belongs to the individual. As I previously mentioned, I worked for the same employer for 38 years. However, this is not the experience most people have. As people move from job to job, as most people do over the years, it's important that they not lose the progress they have made in saving for retirement. This program ensures that wherever someone is employed and wherever they go next, their savings will travel with them.

Second, the plan is opt-out. Data show that when workers must actively choose not to participate, they are 70 to 90 percent more likely to save. However, under this plan participants can pause contributions, change the amount they contribute, or stop contributing altogether at any time. This way, if someone's circumstances change, or if they get a job with a 401k or similar plan, they can easily make the choice that's right for them.

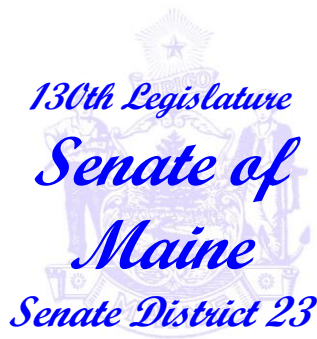
Third, by automating contributions, we simplify and streamline the savings process. When I first started my career, I was a young mother fully consumed with the responsibilities of daily life. Saving for retirement was the furthest thing from my mind. Automating my contributions to my retirement savings plan was an easy way to prepare for the future without needing to spend too much precious time and energy making it happen.

Implementing this Work and Save plan is not only good for workers, helping them build that crucial third pillar. It's good for our small businesses. Though offering retirement savings plans is costly and complicated right now, it is a benefit that can help attract and retain workers. By giving small businesses a simple and easy way to support their workers, we can help them compete with the larger businesses who may otherwise lure talent away.

The Work and Save plan will also take the pressure off of public assistance programs and the taxpayers who fund them by giving Mainers the tools to provide for themselves. Maine seniors who can't make ends meet on their own must turn to private charity or public programs for assistance. Maine's aging population means this problem is likely to get worse unless we do something about it. If every Mainer between the ages of 65 and 79 had just \$1,000 of additional retirement income per year, taxpayers would save up to \$15.6 million annually.

Now is the right time to implement the Work and Save program and give Mainers the tools they need to prepare for their own future. It's right for individuals and families, it's right for small businesses struggling to compete, and it's right for everyone who chooses to live or work in Maine.

There is one small amendment from the Attorney General to adjust the language around the initial funding to identify the appropriate source. I've submitted the correct language with my written testimony and can send it to your wonderful analyst.



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Thank you to the committee for your consideration, and I would be happy to answer any questions.

Requested Amendment:

Strike Section 5 of the bill and replace with the following language:

Transfer of settlement funds; fiscal year 2021-2022. Notwithstanding any other provision of law, the State Controller shall transfer \$1,600,000 of the funds received pursuant to, In the Matter of Moody's Corporation, Moody's Investors Services, Inc. and Moody's Analytics, Inc., Settlement Agreement (Me. Super. Ct., Ken. Cty., Feb. 3, 2017), no later than August 1, 2021 to the Enterprise Fund. Funds transferred pursuant to this Part must be used solely for consumer and antitrust activities identified in the court decree and approved by the Attorney General with the consent of the President of the Senate, the Speaker of the House of Representatives, the Majority Leader of the Senate and the Majority Leader of the House of Representatives.