

Testimony in Support of LD 1318, An Act To Promote Individual Private Savings Accounts through a Public-private Partnership

Dear Senator Whittemore, Representative Beck, and members of the Joint Standing Committee on Insurance and Financial Services, my name is Jody Harris. I am the associate director of the Maine Center for Economic Policy (MECEP). I am here today to testify in favor LD 1318 to give hard-working Mainers a retirement savings option.

According to the Working Poor Families Project, nearly 60% of Maine workers (age 18 and over) do not have a retirement plan through their employer.¹ There are a number of reasons for this:

Part-time workers are mostly ineligible for employer retirement plans. Just over 40,000 Mainers work in part-time jobs. Maine has the sixth highest rate of “involuntary part-time” employment in the nation. And this number has not improved at all since the bottom of the recession.² This is not because Maine people want to work part-time, but because those are the jobs that are available. In fact, over 50,000 Mainers (8% of our workforce) work more than one part-time job.³

Workers at small businesses generally do not have a retirement plan. Nearly 80% of those who work for a small business employer do not have access to a retirement savings option at work. Retirement savings products currently available to small businesses are complex to establish and come with high fees or yield low returns making it difficult for small business to offer these plans.⁴

Women in the workforce face challenges that not only keep them from accessing a pension plan, but make the value of the pension when she retires less than her male counterparts. More women than men are employed in those part-time jobs lacking retirement savings. They earn less in their lifetime both because of the wage gender gap, and because they are more likely to take time off to be caregivers of both children and aging parents. And women live longer than men, making them more likely to deplete their already-meager retirement savings.⁵

Finally, while Social Security is an important piece of the puzzle, it was never meant to be a person’s entire income in retirement. The average Social Security benefit in Maine was a modest \$12,691 in 2012,⁶ certainly not enough to live on.

LD 1318 would provide an easy, portable savings option for Maine workers, regardless of their work hours, and their employers would facilitate this with their administrative costs reimbursed. We believe this bill offers an effective and efficient tool to help working Mainers be more secure in their retirement.

Thank you for your consideration. Thank you for your service to the people of Maine.

¹ Working Poor Families Project, Population Reference Bureau analysis of March 2012-2014, Current Population Survey Supplement.

² MECEP Analysis of Bureau of Labor Statistics, July 2014. Available at: <http://blog.mecep.org/2014/08/july-jobs-report-maine-continues-to-lag-us-new-england-recovery/>.

³ Working Poor Families Project, Source: Population Reference Bureau analysis of 2014 Basic Monthly Current Population Survey.

⁴ Maine Work & Save Program: Giving Maine workers an option to save. AARP: Portland, ME, undated.

⁵ Permanent Commission on the Status of Women in Maine. Status of Women and Girls in Maine, December 2012.

⁶ Social Security Works for Maine. Social Security Works: Washington DC, 2013. The full report is available at <http://strengthensocialsecurity.org/statereports2013>.