



May 6, 2015

The Honorable Rodney L. Whitmore, Chair
The Honorable Henry E. M. Beck, Chair
Committee on Insurance and Financial Services
100 State House Station
Augusta, ME 04333

RE: LD 1318 – An Act to Promote Individual Private Savings Accounts through a Public-private Partnership

Dear Chairs Whitmore and Beck:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is a national trade association which brings together the shared interests of hundreds of broker-dealers, banks and asset managers. Many of our members have a strong presence in Maine, where they provide services to investors and retirement plans, including advisory services, investment opportunities and plan recordkeeping.

We appreciate the opportunity to provide feedback on LD 1318, legislation that would create a Roth IRA style state run retirement plan for private sector workers. We applaud Representative Beck for recognizing that there is a retirement savings challenge in this country. We, however, believe that a state run retirement savings plan for private sector workers is a step in the wrong direction.

We encourage you to consider the following as you analyze this legislation:

- (1) The market for retirement savings alternatives in Maine is already robust and highly competitive. There are currently more than a thousand individuals in Maine working in the securities industry and more than 25,000 people in the State employed by entities falling within the broader category of finance and insurance. These industries all provide numerous fairly priced retirement savings options, including 401(k), 403(b), 401(a), and 457(b) plans, as well as SIMPLE, SEP and traditional and Roth IRAs. Where an employer does not provide a plan, IRAs are readily available on-line and at most financial institutions in the State. Before you consider developing a state run retirement savings structure that competes with the private marketplace, we would encourage you to explore whether education about the many existing options would address the issue at substantially lower cost.
- (2) Since similar legislation was considered and unanimously rejected last year, the federal government has launched a new retirement program known as myRA (www.myRA.treasury.gov). It is a simple, safe, affordable, and voluntary way for employees to save for retirement. The program provides all the tax benefits of a Roth IRA, is fully portable, requires no employer contribution, and is provided with no fees to the saver. Enrollment takes about 10 minutes and is available to any employee with access to direct deposit. We would encourage you to consider the full potential of this carefully developed program before considering developing an expensive state alternative.

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA has offices in both New York and Washington, D.C. For more information, visit <http://www.sifma.org>.

- (3) With a variety of options already available, factors other than access may be keeping people from saving. One obvious factor is competing financial needs. A second may be lack of understanding about the importance of saving over time. We would encourage the State to determine why its residents aren't saving before proposing a solution.
- (4) You will likely also want to take into account both the potential costs and benefits of such a plan. A few states have estimated the cost of establishing an IRA type program. Illinois approved a program in late 2014 - which has yet to be funded – with a fiscal note of \$15 to \$20 million in the first two years. Connecticut considered but did not pass a bill in 2014 that had an estimated price tag of \$7.2 - \$10.4 million in start-up costs. Similarly, a West Virginia bill that did not pass had a fiscal note estimating initial costs of \$3 million. We would encourage you to understand these costs and weigh them against any measurable benefits. We would also encourage you to compare these costs and benefits to other alternatives, such as investor education, the promotion of myRA accounts, or the development of a voluntary market-based solution such as the proposal currently being considered in Washington State.
- (5) The legislation recognizes that such a program raises potential ERISA and IRS concerns and bars the Treasurer from moving forward if ERISA is found to apply or the program does not qualify for favorable federal income tax treatment. We firmly believe that such a plan would be subject to federal regulation under ERISA, creating substantial compliance costs and financial liability for the state and for participating employers. Several states are currently studying this issue. Maine may want to consider waiting on the results of their analysis, including DOL determinations as to ERISA applicability, before committing to a state run plan.
- (6) LD 1318 would also be unfairly burdensome on Maine businesses. In addition to the possible ERISA liabilities, LD 1318 would mandate that all covered businesses provide employees with informational materials, track which employees have opted-out of the program and enroll those employees who fail to opt-out, as well as create, collect and maintain relevant forms and records in order to demonstrate full compliance with the proposed legislation.

There is a retirement savings problem in Maine, but we believe that a state sponsored retirement plan for private sector workers is not the answer. We appreciate your willingness to consider our concerns. Please do not hesitate to contact me at 212-313-1311 with any questions.

Sincerely,



Kim Chamberlain
Managing Director and Associate General Counsel
State Government Affairs

CC: All Members, Committee on Insurance and Financial Services