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Hearing on
How Prepared Americans are for Retirement
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Good morning, Chairman Collins, Ranking Member McCaskill and Members of the Committee. I am Rob Carmichael, Senior Vice President of Human Resources, Training, IT and Facilities at Maine Savings Federal Credit Union (MSFCU).

Thank you for this opportunity to talk with you about financial security and how Maine Savings FCU is helping our employees prepare financially for retirement. I have been with Maine Savings FCU in this capacity for 10 years after a 27 year career in the military. I am a Senior Professional of Human Resources (SPHR) and serve on several Human Resources boards and committees at the state and national level.

Maine Savings FCU was formed (as BARCO FCU) in 1961 and is headquartered in Hampden, Maine. We are the second largest credit union in Maine with 300 million in assets serving 27,000 members through 11 eleven branches and an extensive online service center. Our 94 employees, 27 of whom have been with our company for over 15 years, are committed to fulfilling the essence of our tag line; *"We treat you like you own the place because you do"*. We have low turnover at Maine Savings because of our strong corporate culture, service philosophy, and a benefits package that enables us to compete successfully with other businesses for the most talented employees. Maine Savings was selected as one of the "Best Places to Work in Maine" for the sixth consecutive year in 2014. This is a testament to the leadership and culture at Maine Savings that has developed over many years.

Maine Savings FCU is competing with other financial and retail businesses to attract and retain talented people. The majority of those we hire are referred to us by current employees or contact us after hearing great things about our organizational culture and benefits package. As a member of our Senior Staff and the person in charge of our employee benefits, I am proud of the extensive package we are able to offer our employees. We provide health insurance, including a Health Savings Account (HSA) where we pay 100% of the employee premium and contribute \$1200 annually to the employee HSA. We offer full dental insurance, medical flexible spending accounts, paid time off (PTO), anniversary bonus, holiday pay, life Insurance, Long Term Disability, and a 401k plan. We offer optional short term disability and additional life insurance at a reduced rate.

Our leadership team shares the same concern of this committee regarding the financial security of our aging population. We see on a daily basis, the struggles that our

employees and members encounter as they try to make ends meet and deal with the day to day events in their lives. Employees at Maine Savings have the same issues as many Mainers as they struggle with the cost of energy, health care, and for the younger generation, the burden of significant school loan debt. As with many Americans, some of our employees struggle with significant credit card debt thereby reducing the disposable income available for investing in their retirement. For many of these people, preparing for retirement can become lost in the fog of their current financial challenges. Nevertheless, our company has taken several steps to assist our employees and credit union members with financial management and education.

In 2012 Maine Savings created a financial planning structure with a Certified Funds Specialist (CFS) who is available to employees and our members free of charge. This individual meets onsite and offsite with employees and members to offer a variety of financial planning services. The service enables Maine Savings to provide a personal touch to our employees/members and provides them with the knowledge and tools to make the best financial decisions possible. This person is the financial advisor for our 401k plan and meets with all eligible employees to provide financial and retirement advice. Our advisors act as co-fiduciaries, a role we believe is critical to ensuring our employees get the best results for their 401k retirement plan.

Maine Savings began offering our 401k Plan and Trust in 1993, shortly after credit unions became eligible to offer this type of retirement plan. This plan allows pre-tax deferrals and includes a "Safe Harbor" provision with additional matching contributions. All of our employees are eligible to participate provided that they meet the current requirements of 21 years of age, one year of service, or 1000 hours of service within the plan year. We also allow new employees who have previously worked in the Credit Union field to participate immediately after starting employment at Maine Savings. As in most plans, employees are able to rollover funds from other plans when they are eligible to participate in ours.

The structure of 401k plans vary from business to business depending on philosophy, size, and financial strength. Our plan appears to follow typical plans in the structure and employer contribution amounts. Maine Savings FCU provides a 50% match of the employee's deferral up to six percent of their salary. We also provide a "Safe Harbor" discretionary contribution of three percent to all eligible participants on a bi-weekly basis. Employees may make any additional deferrals, including the "over 50 years of age" catch-up contribution, up to the IRS limitations.

We have made great progress increasing our participation rate in the 401k plan and we encourage employees to start contributing as soon as they are eligible to do so. Our goal is to have all employees contribute at least the six percent salary match limit so they are able to take full advantage of our company matching contribution. Currently, we have an 86% participation rate in our 401k plan. I believe our onsite financial advisor has helped us improve our participation rate through education, one on one counseling, and constant presence in newsletters and other internal communication. In

concert with our advisor, we are continuously looking at new opportunities to encourage participation. Although it has only been in place for one year, our automatic deferral provision for the plan has already had a positive impact in plan participation. This provision automatically defers three percent of an employee's salary once they become eligible to participate. Despite having the ability to opt out, six of the eight employees who were automatically enrolled last year continued to defer into their 401k.

Clearly, our employees consider the 401k option one of the most appealing benefits Maine Savings offers. Although I believe that our generous health insurance plan may be the most important benefit to a majority of the employees, the fact that we offer a very competitive retirement savings approach is a close second. In fact, 93% of our employees responded favorably when asked about the value of our 401k plan in a recent survey. For many of these employees, their 401k will be their only source of retirement income other than Social Security. The average deferral percentage for those enrolled in our 401k is 6.4 percent and this includes 12 employees who are enrolled but do not defer any of their salary at this time. Surprisingly, those who do not defer any salary are some of our longer tenured employees rather than new, entry level employees at the low end of the pay scale. This data sends a positive message regarding the financial knowledge and concern that our newer, entry level employees have about their financial security over the long term. In fact, most of these entry level employees are deferring close to six percent of their salary!

Why don't all of our employees contribute to their 401k? Although I can't speak for each employee, my general sense is that they are merely trying to make ends meet at this point and they are unable to put money aside for something not seen as an "immediate" need. As I've stated, most of those who do not contribute to their 401k have been with us for several years. For whatever reason, they have not made investing a habit from the beginning or have had a significant event impact their finances.

Given our success, why don't more small businesses offer 401k or comparable retirement plans to their employees? We know that it makes us more competitive as we seek to attract the best employees to Maine Savings. We also know that it fits with the workplace culture we are trying to develop and is the right thing to do for our workforce. That said, there is a cost to provide a comprehensive retirement plan like a 401k, which is often problematic for small business employers. These costs may include Third Party Administrator (TPA) fees and the costs of a deferral match if the employer wishes to provide one. The regulatory environment is complicated and may be too cumbersome for many small businesses to administer without a TPA and/or outside advisor. A small business may have difficulty finding a TPA or advisor to assist with a standalone start-up plan due to the elevated liability for the TPA/advisor in executing the fiduciary responsibilities. The number of vendors and advisors willing to take on small business plans may also be fewer because of the lower profit margin of small plan. There is a clear need for a streamlined and simplified 401k plan process for small businesses that lack the staffing or financial resources to partner with a reputable administrator/advisor.

I urge this committee to find ways to make 401k plan solutions available to many more small business employers who may not have the resources that we do. I understand Chairman Collins has introduced legislation with Senator Nelson aimed at doing this, which strikes me as a step in the right direction. The proposed "Retirement Security Act of 2015" proposes several beneficial modifications which will provide important incentives for small businesses to offer retirement plans to their employees.

In conclusion, I am proud of what we do at Maine Savings to encourage our employees to take an active role in planning and saving for their retirement. We will continue to monitor our current plan participation rates looking for opportunities to improve our plan and encourage even more participation. Thank you again for the opportunity to offer my testimony to you today.