

Retirement Income Security Task Force (RISTF)

Purpose, Composition and Guiding Principles

**Presentation to the Investments and Pensions Oversight
Committee**

**Presented by the Hon. Tim Eichenberg, NM State Treasurer
DeAnza Valencia, AARP**

August 10, 2018

PURPOSE

The NM State Treasurer was requested to establish a **retirement income security task force** (RIST) to study the preparedness of New Mexicans to retire in a financially secure manner, including an evaluation of the **options, process and legislative proposals** to implement a retirement savings vehicle for private-sector employees having limited or no access to a retirement savings arrangement at work.

- ✓ Given increasing lifespans and an expectation for increased rates of retirement in the coming years and decades it is important for the State of New Mexico to consider the **economics** of retirement savings.
- ✓ A failure to properly address the retirement income shortfall can lead to future cost increases to New Mexico as individuals must increasingly rely on public assistance .
- ✓ This issue is **critical** for states like New Mexico that have a relatively large percentage of low-income households.

COMPOSITION

Retirement Income Security Task Force Members

Chairman

The Honorable Tim Eichenberg,
New Mexico State Treasurer

Representing the Speaker of the New Mexico House of Representatives

Rep. Tomás E. Salazar
(SJM 12 Co-Sponsor with Sen. Tallman)

Representing the President Pro Tempore of the New Mexico Senate

Mr. James B. Lewis, Former New Mexico State Treasurer

Representing the Minority Leader of the New Mexico House of Representatives

Rep. Nate Gentry, House Minority Leader

Representing the Minority Leader of the New Mexico Senate

Sen. Bill G. Tallman, New Mexico Senate
(SJM 12 Co-Sponsor with Rep. Salazar)

Representing the New Mexico Department of Finance and Administration

Mr. Simon Miller, Executive Budget & Policy Analyst

Representing the New Mexico Aging and Long-Term Services Department

Mr. Carlos Moya, Consumer and Elder Rights Division Director

Representing the New Mexico Department of Workforce Solutions

Vacant

Representing the New Mexico Economic Development Department

Mr. Juan Torres, Finance Development Director

Representing the Public Employees Retirement Association of New Mexico

Mr. Wayne Propst, Executive Director
Mr. Dominic Garcia, Chief Investment Officer
Ms. Karyn Lujan, Deferred Compensation Plan Manager

Representing the New Mexico Regulation and Licensing Department

Mr. Mike Unthank, Superintendent, Securities Division

Representing the New Mexico State Investment Council

Mr. Vince Smith, CIO & Deputy State Investment Officer

Representing the State's General Business Community

Mr. Danny W. Jarrett, Office Managing Principal, Jackson Lewis, PC

and

Mr. Estevan Gonzales, Owner, Que Suave Radio

Representing a Nonprofit Entity

Mr. Eric Griego, State Director, New Mexico Working Families/RWJ Foundation

Representing a Labor Union

Mr. Carter Bundy, Political Action Representative, American Federation of State, County and Municipal Employees, AFL-CIO, Council 18

Representing the Financial Services Community

Mr. Daniel Payne, Wealth Advisor, First American Bank Trust and Wealth Management

and

Ms. Leean Kravitz, Vice President, Public Affairs, Fidelity Investments Government Relations & Public Policy

Representing AARP New Mexico

Dr. Benjamin Schuster, Legislative Advocacy Volunteer, AARP New Mexico

Advisor

Ms. DeAnza Valencia, MS, JD Associate State Director for Advocacy, AARP New Mexico

Reporting

Dr. Jeffrey Mitchell, Director, Bureau of Business & Economic Research, University of New Mexico

Principal Data Findings by UNM BBER

- Nationally – participation in retirement programs is generally increasing – but the growing share of programs are ‘Defined Contribution’ vs. ‘Defined Benefit with little invested in them
- New Mexicans with access to a private sector Employer-Based Retirement Plan are as likely to participate as all US workers (74% each), but a smaller share have access to plans (34% vs. 42% nationally)
- Thus, a smaller share of New Mexicans participate in Private Sector Employer Plans (25% vs. 31%)
- This pattern holds according to nearly every worker and employer characteristic; e.g. firm size, part-time status, earnings, education
- Of persons 50+ y/o, **56% of employed New Mexicans have no retirement savings**; only 27% have \$10,000 or more in savings
- By 2040, New Mexico’s population 60+ y/o will grow by one-third, from 465,000 to 614,000
- At current rates, the number of persons 60+ y/o with <\$10,000 in New Mexico will increase by 111,500, to 469,000 by 2040



GUIDING PRINCIPLES

Principle	Description
Habit Forming	Encourage the habit of savings in New Mexico.
Access	All workers in the state should have access to a retirement savings plan at work, particularly through payroll deduction if possible. Additional considerations could be made for self-employed workers.
Automatic	If possible, access to payroll deduction plans should be automatic. However, ERISA must be considered. Additional considerations should be made regarding who maintains the plan (e.g. State, fiduciary, financial industry, etc.).
Ease	Investments should offer employees choice, but should not be overly complicated.
Lifetime Income	Workers should have a way to convert their retirement savings into a reliable lifetime income stream.
Portable	Employees should have the option to take the plan with them when they change jobs.
Employee Protections	The program should have safeguards in place to ensure that investments are prudently managed, including auditing and procurement principles.
(Low) Fees and Costs	Fees and costs should be reasonable.
Self-sustaining	The program must be self-sustaining via participant fees. Consideration should be made regarding how the program is funded and where the startup costs come from.
State Protections	The state should be indemnified from responsibility for gains and losses.
Business Protections	Employers should be indemnified from responsibility for gains and losses. Also, Employer involvement should be limited; employers shouldn't be responsible for the day to day operational or regulatory burden of the program.
Easy & Affordable to Small Employers	Small Employers should have access to a system that is affordable and easy to implement. Decisions related to whether employer participation is mandatory or encouraged. The state should consider whether to incentivize employer participation.
Education & Financial Literacy	Increase marketing related to the importance of saving for retirement. Consider allowing Public Education Department (PED) to draft Financial Literacy Curriculum that emphasizes and encourages saving.

Preliminary Recommendations

- New Hybrid Model
- Improve Financial Literacy Education
- Create On-line Marketplace to Facilitate Company Savings programs
- Expand Ability to Contribute Through Payroll Deductions