

Path to Financial Security

October 20, 2021
presentation to
The Investments and Pensions Oversight Committee
Chair, Representative Patricia Roybal Caballero
Vice Chair, Senator Roberto "Bobby" Gonzales

Private-Sector Retirement Plan
administered by
The State Treasurer's Office
NM Work & Save Board
Lynn Hoffman, Chair
Claudia Armijo, Interim Executive Director



State Treasurer's Retirement Income Security Task Force

Task Force Study Funded by AARP NM and STO

Task Force Report Issued October 2016

Key Task Force Study Finding:

- New Mexico's private sector workers with a workplace retirement plan is less than most states.
- Individual retirement savings in New Mexico less than most other states..
- 2 out of 3 (67%) private-sector workers in New Mexico have \$0 saved for retirement.
- At expected population growth and current savings rates, the number of persons 60+ years old with less than \$10,000 saved for retirement in New Mexico will increase to 469,000, by 2040.

Task Force Recommendations, State Should Create:

- Online Marketplace Portal to encourage private sector employers to make available retirement plans for their employees by lowering the barriers and complexity of retirement planning.
- State-sponsored voluntary payroll deduction Individual Retirement Account (IRA) program.

Thank you for your leadership HB 44 Sponsors, NM State Legislature, Treasurer Tim Eichenberg & Governor Michelle Lujan Grisham

Representatives

Tomás E. Salazar
Christine Chandler
Gail Armstrong



Senators

Bill Tallman
Michael Padilla



**Passed with Overwhelming
Bipartisan Support**
House: 62/1 Senate: 40/0

Reminder: New Mexico Work and Save Retirement Plan—What it is

2020—Enacted as HB 44: New Mexico Work and Save Act.

- New Mexico became one of only 12 states leading the way in helping private sector employers provide retirement savings options for their workers



The Retirement Plan Marketplace—Online portal connecting private-sector employers and employees with Board-approved financial service providers that offer low-cost 401k's and other retirement plans.

The Payroll-Deduction IRA Program that facilitates the auto-deduction of employee contributions by their employers for remittance to an employee's Individual Retirement Account (default Roth IRA).

Auto IRA Programs need Employer Registration & Employee Enrollment

- Auto-Deductions—Workers are 20 times more likely to save
- Voluntary Opt-Out—Workers have full control over their participation
- Portable—Savings account goes with the worker when changing jobs

Marketplace & IRA Program

- It **MUST** be **SIMPLE, LOW-COST, AND EASY** (low to no cost to employers)
- Programs designed to become self-sustaining from fees paid to financial service providers
- Public-Private Partnerships—Professionally managed and advised by financial services firms with oversight by the state

New Mexico Work and \$ave Board



Lynn Hoffman, JD
Board Chair



DeAnza Valencia, JD
Board Vice Chair



Mary Chowning
Finance & Funding
Committee Chair



Isaiah Zemke
Education & Outreach
Committee Chair



Connor Browne, CFA
Board Member



Cindy Bryan
Board Member



Carter Bundy
Board Member



Melisa Coleman
Board Member



Eric Quintana
Board Member

DATE	BOARD ACTIVITIES
Jan 2020	HB 44 NM Work and \$ave Act Enacted
Sep 2020	Work and \$ave Board Fully Appointed (Covid delays)
Oct 2020	Organizational Meeting
Dec 2020	Working Committees: Finance & Funding, Rules, and Education & Outreach
Jan 2021	SB 129 – Revised Implementation Timeline to July 1, 2024
May 2021	Requests for Bids Secure Choice Program Consultants
June 2021	AKF Consultants Develop Timeline for Design, Build, and Implementation of Both Programs
July 2021	Executive Director begins collaboration discussions with Colorado Secure Savings Plan Executive Director
Aug 2021	Board Approves FY 22 Expenditures of \$239,050 and FY 23 Budget Request of \$643,850 ED DRAFT of Memorandum of Cooperation (MoC) between NM and CO
Sep 2021	Treasurer approves W&\$ Budget Request and submits to LFC & DFA Board partners with AARP for 3-Part Research & Modeling Project. Research performed by: <ul style="list-style-type: none"> • UNM Bureau of Business & Economics Research (Parts 1 & 3) • Boston College Center for Retirement Research (Part 2)
Oct 2021	Finance & Funding Committee Recommends Approval of MoC with Colorado Colorado Secure Savings Plan Board Approves MoC Budget hearing before LFC (Oct 28)
Nov 2021	NM Work and \$ave Board to Consider Approval of MoC with Colorado





Washington State Marketplace – Key Stats

Program Highlights through FY 20

- Between March 2018 and June 2020, 28,200 unique visitors to web site.
 - This web traffic generated:
 - 693 referrals to participating financial partners, yielding a conversion rate of 2.5%
 - 16 businesses that have enrolled a total of 96 employees
 - 23 individuals accounts
 - \$1,290,696 in retirement savings

Washington State Retirement Marketplace Key Findings through FY 20



More Funding for Marketing (funding suspended immediately for 3 years upon Covid onset in 2020)

Examples of marketing efforts include:

- Social media and targeted radio and print campaigns
- Promotional campaigns with industry associations
- Collaborations using marketing resources of other state agencies and local entities

Need to Attract Nationally Recognized Financial Service Providers

- The program currently offers nine plans through three financial service providers.
- Nationally recognized providers expressed interest but declined participation.
- Firms indicate the fee structure (specifically not being able to charge employers fees), fund requirements, and the limited potential pool of accounts as common reasons for not enrolling in the program

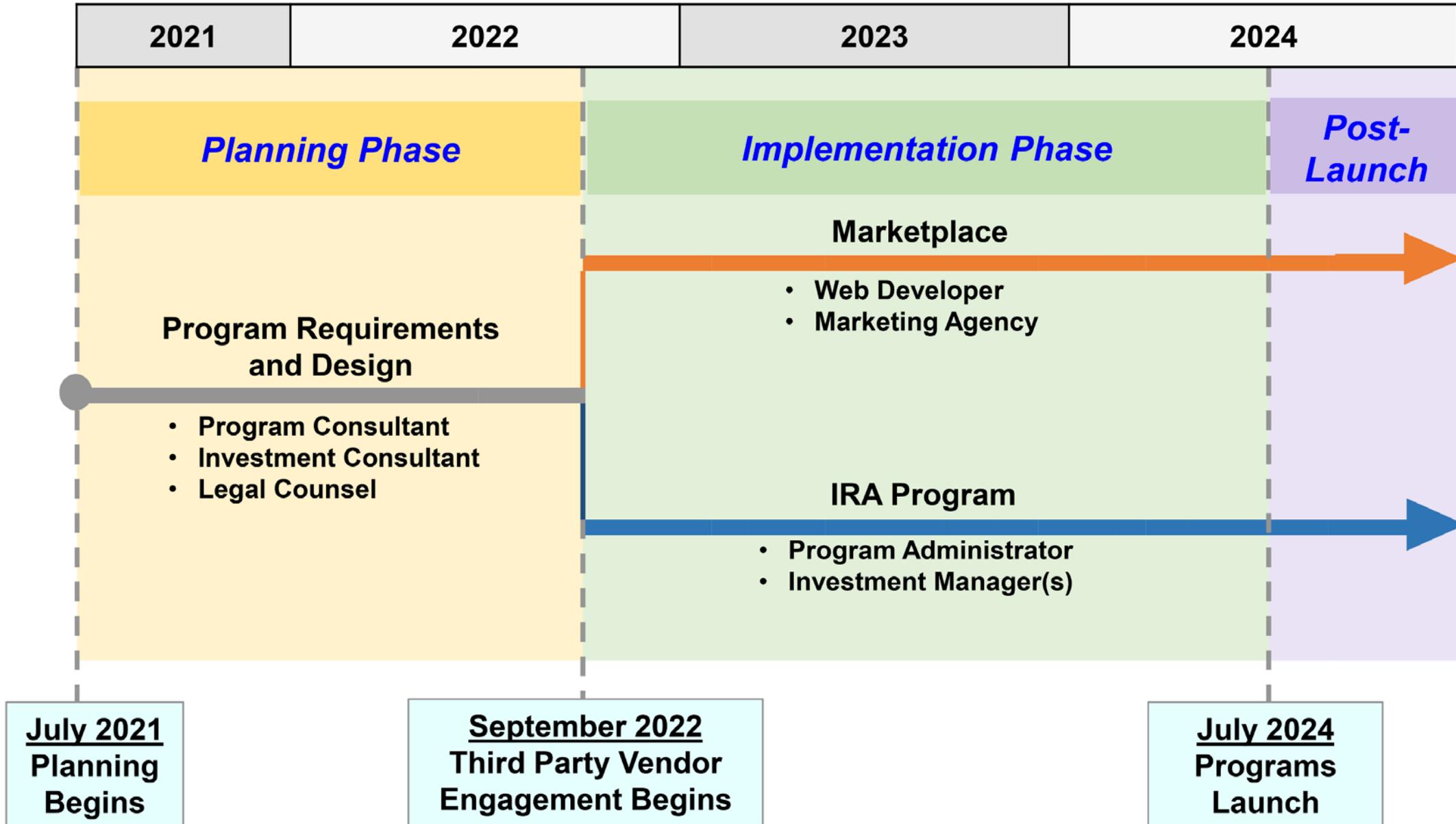
Change Administrative Fee Structure

Allow Financial Service providers to Charge Employers fees to cover enrollment and account maintenance costs.

Fee Structure should be reasonable so as not to discourage businesses from enrolling into a plan.

****New Mexico: The board shall establish administrative fees for financial service firms that participate in the New Mexico retirement plan marketplace. The fees shall be sufficient to cover the actual cost of maintaining the Marketplace***

Program Development Phases



Current Enacted State-Facilitated Retirement Savings Plans

**Auto IRA
for Employer,
Opt-Out for
Employee**

**California
Colorado
Connecticut
Illinois
Maryland
New Jersey
Oregon
Virginia**

**As of August 31, 2021,
9 States
Have Enacted These Plans
for Private-Sector Workers**

**Voluntary Multiple
Employer Plan
(MEP)**

**Massachusetts
Vermont**

**Voluntary
Marketplace**

Washington State



**Voluntary Marketplace
and Voluntary IRA**

Big-3 Total Assets Under Management (AUM)		Big-3 Total Number Funded Accounts		Big-3 Total Number Employers Registered	
\$322.6 million		385.429		37,309	
Current Big-3 Auto IRA Plan	OregonSaves	Illinois Secure Choice	CalSavers		
Plan Default Account	Roth IRA	Roth IRA	Roth IRA		
Employers Required	Those not offering a qualified plan	5 or more employees; in business for 2 years; with no qualified plan	5 or more employees with no qualified plan		
Default Contribution Rate	5%; 1% annual auto increase to max of 10%	5%; 1% annual auto increase to max of 10%	5%; 1% annual auto increase to max of 8%		
Total AUM in Millions	\$131.5	\$74	\$117.1		
Average Contribution Rate	5.5%	5.05%	5.09%		
Average Monthly Contribution	\$138.00	\$114.24	\$143.00		

New Mexico Work and \$ave & Colorado Secure Savings Program Memorandum of Cooperation

Approved by Colorado Board on October 18, 2021



- Shared Goals to design, build, & maximize access to simple, portable, & sustainable retirement savings programs for private-sector workers.
- Shared Missions & Visions to launch a workplace payroll deduction Auto-IRA for combined nearly 1.4 million private-sector workers without access to an employer retirement savings plan;
- Leveraging available funds, resources, and economies of scale;
- Ensuring best practices in the design and operation of an Auto-IRA program through a collaborative partnership; and,
- Commitment to be link between Stakeholders & Policymakers

New Mexico Work and \$ave & Colorado Secure Savings Program

Memorandum of Cooperation

Approved by Colorado Board on October 18, 2021

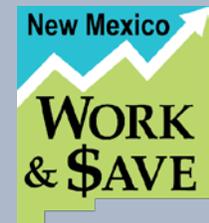
Areas of Exploration Related to Shared Costs, Resources & Responsibilities

Shared costs and resources:

- Startup, operational, and maintenance costs.
- Plan design and build costs.
- Consultants, including program, investment, and legal services.
- Infrastructure costs, including platform development and operations.
- Allocation and use of resources.

Shared fees:

- Short, mid-, and long-term fee structures.
- Flexible and Equitable division.
- Shared Governance & Fiduciary Responsibilities.
- Aligned Rule Making Processes.



Auto-IRA Bill Passes House Panel

The bill requires some employers without a retirement plan to automatically enroll workers in IRAs or 401(k)-type plans



**Federal Universal Savings Access (part of Budget Reconciliation)
On Thursday, September 9, 2021, the House Ways and Means Committee**

Current Enacted State-Facilitated Retirement Savings Plans

Thank you New Mexico Legislature for your
vision and commitment to help all New Mexicans obtain
Retirement Income Security



©Dottie Lopez Photography 2019