



# New Mexico Work and \$ave Board M E E T I N G M I N U T E S

Via Zoom—Tuesday, January 18, 2022, 1:30 to 3:00 pm

Members Present	Members Absent	Others Present	Staff Present
Lynn Hoffman, Chair		Tim Eichenberg, State Treasurer	Claudia Armijo, Executive Director
Connor Browne		Sally Malave, Assistant Attorney General	Julie Filatoff, STO Staff
Cindy Bryan Joined at 1:45 p.m.		Kristina Fisher, Chair of Rules Committee	Maria Spray, STO Staff
Carter Bundy Joined at 1:35 p.m.		Lisa Massena, Massena and Assoc.	
Mary Chowning		Angie Chen, Boston College CRR	
Melissa Coleman		Michael O'Donnell, UNM BBER	
Eric Quintana			
Othiamba Umi			
Isaiah Zemke			

## 1. Roll Call

Chair Lynn Hoffman called the meeting to order at 1:30 p.m. .

## 2. Welcome and Opening Comments

Chair Hoffman welcomed the board members, registered attendees, and staff members from the State Treasurer’s Office and from the Office of the Attorney General.

Chair Hoffman welcomed Lisa Massena to the meeting and thanked her for her assistance with the 3-Part Research and Modeling Project to be discussed during this meeting. She also thanked the team at AKF Consulting for their work with both Colorado and New Mexico in the effort to create a partnership between the two retirement savings programs.

## 3. Approval of January 18, 2022 Agenda

Chair Hoffman called for a vote of approval of the agenda. Member Chowning made a motion to approve; Member Browne seconded the motion. The motion passed by roll call vote as follows:

- Mr. Browne: Aye
- Mr. Bundy: Aye
- Ms. Chowning: Aye
- Ms. Coleman: Aye
- Mr. Quintana: Aye
- Mr. Umi: Aye
- Mr. Zemke: Aye
- Chair Hoffman: Aye

#### **4. Approval of December 02, 2021 Minutes**

Chair Hoffman called for a vote on approval of the December 02, 2021 Board meeting minutes. Member Coleman made a motion to approve; Member Browne seconded the motion. The motion passed by roll call vote as follows:

- Mr. Browne: Aye
- Mr. Bundy: Aye
- Ms. Chowning: Aye
- Ms. Coleman: Aye
- Mr. Quintana: Aye
- Mr. Umi: Aye
- Mr. Zemke: Aye
- Chair Hoffman: Aye

#### **5. Presentation: AARP-Sponsored 3-Part Research & Modeling Project, Boston College, Center for Retirement Research (CRR), Part 2**

Chair Hoffman called on Angie Chen, Assistant Director of Savings Research, CRR, to present Part 2 of the 3-Part Research & Modeling Project.

Ms. Chen presented the findings of CRR's research and then opened to floor to questions.

Chair Hoffman thanked Ms. Chen and then asked her to share her conclusions regarding the solution to the program design that will substantially impact the participation rates and potential outcomes.

Ms. Chen responded by reiterating the fact that one of the biggest levers for improving both coverage and the financial feasibility of the program is numbers of participants. The CRR study shows that the requirement for employer participation is necessary to reach coverage and financial feasibility. She further emphasized the fact that the employer participation requirement, even without penalties for noncompliance, will greatly increase the participation numbers.

Ms. Chen continued her remarks by pointing out that New Mexico is a small state with a small number of employees; because this is so, without the required employer participation element in the program, the timeframe for the program to become cash-flow positive will be greater than that with an employer participation requirement. Partnering with another state, such as Colorado, would help to shorten this timeframe, as it would scale up the participation rates and the amount of money coming into the program.

Chair Hoffman then clarified that the research indicates that a program that does not require employer participation would yield between 1% and 5% participation rates—neither of which would make the program feasibly viable. Ms. Chen confirmed.

Chair Hoffman asked what the participation rate and financial feasibility would be of a program that requires employers to register their employees and allows employees to: 1) opt out, 2) change their rate of savings, 3) withdraw savings, and/or 4) take their savings with them should they change jobs. Ms. Chen replied that using modeling from other states—the most comparable to New Mexico being Oregon—the opt-out rate for employees is approximately 30%. Another 20% have accounts set up but are not currently contributing; so, a conservative employee participation rate is approximately 50%.

Chair Hoffman asked Ms. Chen to confirm that the research shows that the required employer participation element of the program yields a 50% participation rate, which makes it an

attractive statistic to retirement plan providers because it reduces costs recoupment time of between five and seven years. Additionally, the timeframe for the state to become cash flow positive is greatly improved. Ms. Chen confirmed. This requirement decreases the predicted savings gap by half.

Member Chowning asked Ms. Chen to clarify which states are analogous to New Mexico's data. Ms. Chen replied that they looked chiefly to Oregon and Illinois.

## **6. Presentation: AARP-Sponsored 3-Part Research and Modeling Project, University of New Mexico, Bureau of Business and Economic Research (BBER), Parts 1 and 3**

Chair Hoffman called on Michael "Mo" O'Donnell, PhD, BBER Acting Director, to present Parts 1 and 3 of the 3-Part Research & Modeling Project.

Dr. O'Donnell presented the findings of BBER's research and then opened the floor to questions.

Chair Hoffman thanked Dr. O'Donnell and asked for questions from Board members.

Member Chowning asked Dr. O'Donnell how confident he is that the population numbers he presented take into account the COVID pandemic and its effect on census numbers. Dr. O'Donnell replied that the stagnation in the population numbers in New Mexico actually go all the way back to the Great Recession of 2008 and have held steady since then, so BBER is confident in those projections. As for the COVID data, it is too early to project how the pandemic will affect population numbers; hence, the use of data that goes further back.

Member Browne stated that he is very impressed with the research and modeling that both CRR and BBER presented and said that it really helps the Board understand the challenges they are facing with the creation of the New Mexico Work and \$ave programs.

Chair Hoffman thanked Member Browne for his comment and took the opportunity to thank AARP for their generosity in funding this very valuable research.

Chair Hoffman reiterated that for New Mexico workers to maintain a decent standard of living in their retirement years, they must be able to access 75% of their pre-retirement income. If they cannot do so, they will be relying on state-funded safety net programs. If the savings gap is not addressed, the State will spend an additional approximate \$2 billion in meeting the needs of that population between now and 2035. Dr. O'Donnell confirmed these numbers.

## **7. Proposed 2020 Legislation Board Endorsement**

ED Armijo reminded the Board that at the December 02, 2021 Board meeting, Chair Hoffman and ED Armijo were directed to confer with legal counsel and Colorado Secure Savings staff to determine whether the Work and \$ave enabling act would require revision to form the Colorado/New Mexico partnership. It was determined necessary, and the following actions were taken:

- A review of the CRR and BBER data was undertaken.

- A draft of legislation was created.
- Steps were taken to request a bill revision to reflect changes only to the IRA portion of the statute.
- Senator Bill Tallman agreed to sponsor the bill in the New Mexico Senate and Representative Linda Serrato agreed to sponsor a parallel bill in the House of Representatives. As of this meeting, neither bill had a bill number.

There are two overarching goals for the proposed changes:

1. Understanding what the Board needs to do to ensure the success of Work and \$ave in its efforts to create meaningful reductions in the state's employee retirement savings gap.
2. Understanding what the Board needs to do to ensure that the bill aligns with Colorado Secure Savings' legislation.

C. The key elements of the Work and \$ave bill are:

- The bill will require private-sector employers, who have 5 or more workers, have been in business for 24 months, and do not offer a workplace retirement plan to register as participating employers.
- This requirement pertains to 6,462 of New Mexico's 15,561 private-sector employers.
- The employers will register their business, automatically enroll their workers, and begin withholding from each worker's gross pay the default rate of payroll deduction contributions, once all the information is confirmed by the Work and \$ave program administrator.
- The employer will remit the withheld contributions to the program administrator who will credit the contributions to the balances of each worker's Roth IRA account.
- With this narrowly focused requirement, Work and \$ave can reach at least 307,000 of New Mexico's 440,000 private-sector workers who do not have a workplace retirement savings plan.
- The bill does not require the 9,100 small businesses that have 4 or fewer workers to register or participate, but they are welcome to do so if desired.
- When all the factors of participation are considered, and when opt-out rates are integrated into the projections, it is approximated that New Mexico will have half, about 200,000, of its uncovered workers covered with the auto-IRA program.

D. The bill provides a \$300 tax credit per tax year through 2027 for businesses who enroll their employees:

- The tax credit is an incentive and is not intended to cover the costs of enrolling workers, which is intended to be minimal—approximately \$40 to add the enrollment to the employer’s payroll software.
- The bill states that for the first 5 years, the fees and expenses for the financial service providers are capped at 1% of the total value of program assets. Subsequently, the fees and expenses are reduced to 75 basis points beginning in year 6.
- Between years 6 and 7, the partnership with Colorado is expected to become net positive for the program administrator.

The partnership with Colorado will create economies of scale and allow the New Mexico Work and \$ave program to launch earlier than originally outlined in the Work and \$ave Act.

Chair Hoffman asked for questions or comments from the Board members.

- Member Quintana asked whether the bill will prevent employers from contributing to their employees’ savings accounts. ED Armijo explained that this applies only to the auto-IRA, which, by law, does not allow employers to contribute to workers’ savings. The Work and \$ave Marketplace will be set up to allow employer contributions if the employer chooses to do so.

There were no additional questions or comments, so Chair Hoffman called for a motion to endorse the changes outlined in the proposed legislation. The motion was made by Member Zemke and seconded by Member Bundy. Member Browne had to leave the meeting before the motion was proposed. The motion passed unanimously by roll call vote as follows:

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|------------------|---------------------|----------------------|
| • Ms. Bryan: Aye | • Ms. Chowning: Aye | • Mr. Umi: Aye       |
| • Mr. Bundy: Aye | • Ms. Coleman: Aye  | • Mr. Zemke: Aye     |
|                  | • Mr. Quintana: Aye | • Chair Hoffman: Aye |

## 8. Adoption of Open Meetings Act Resolution

Chair Hoffman called for a motion to adopt the Open Meetings Act Resolution 01-2022. The motion was made by Member Bundy and seconded by Member Coleman. The motion passed by roll call vote as follows:

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|------------------|---------------------|----------------------|
| • Ms. Bryan: Aye | • Ms. Chowning: Aye | • Mr. Umi: Aye       |
| • Mr. Bundy: Aye | • Ms. Coleman: Aye  | • Mr. Zemke: Aye     |
|                  | • Mr. Quintana: Aye | • Chair Hoffman: Aye |

## 9. Executive Director’s Report

ED Armijo reported the progress of implementing Requests for Information from providers. The purpose is to obtain information to assist the Work and \$ave Board in creating comprehensive language for successful Requests for Proposals. The deadline for RFI submittal is at the close of business on the day of this board meeting—January 18, 2022.

## 10. Committee Reports

The only committee that met between December 02, 2021 and January 18, 2022 was the Rules Committee. Due to the fact that Chairperson Fisher had to leave before the end of this board meeting, the Rules Committee report was postponed to the next board meeting.

**11. Adjourn**

The next board meeting will be on March 03, 2022. Meeting adjourned at 3:06 p.m.