



BUREAU OF BUSINESS & ECONOMIC RESEARCH

Estimating Employer Retirement Plan Enrollment & Fiscal Impacts of Under-saving for Retirement

PREPARED FOR THE NEW MEXICO TREASURER'S OFFICE WORK & SAVE BOARD
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Two primary objectives

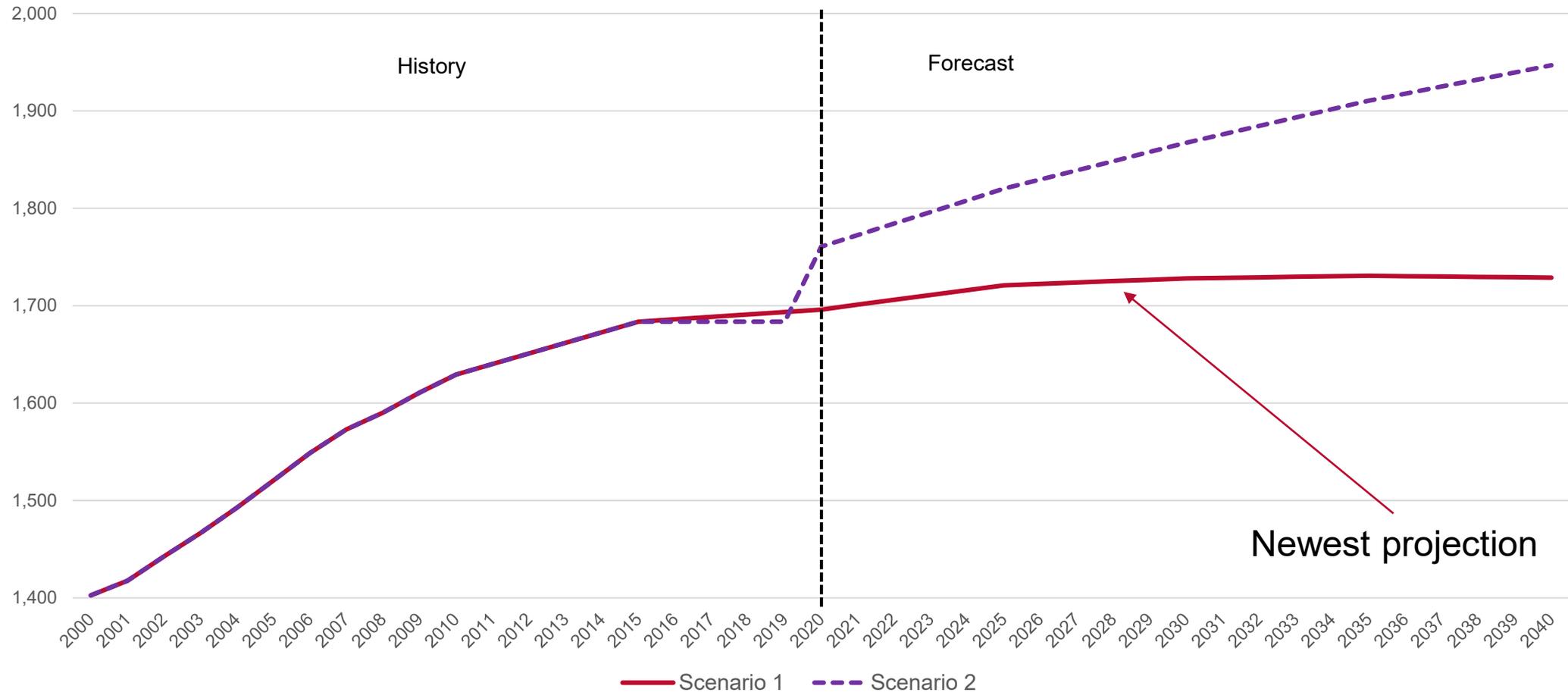
1. Project future enrollment in employer-sponsored retirement plans.
2. Estimate fiscal cost to the state due to under-saving for retirement.

Estimating Enrollment in Employer-sponsored Retirement Plans

Background & methodology

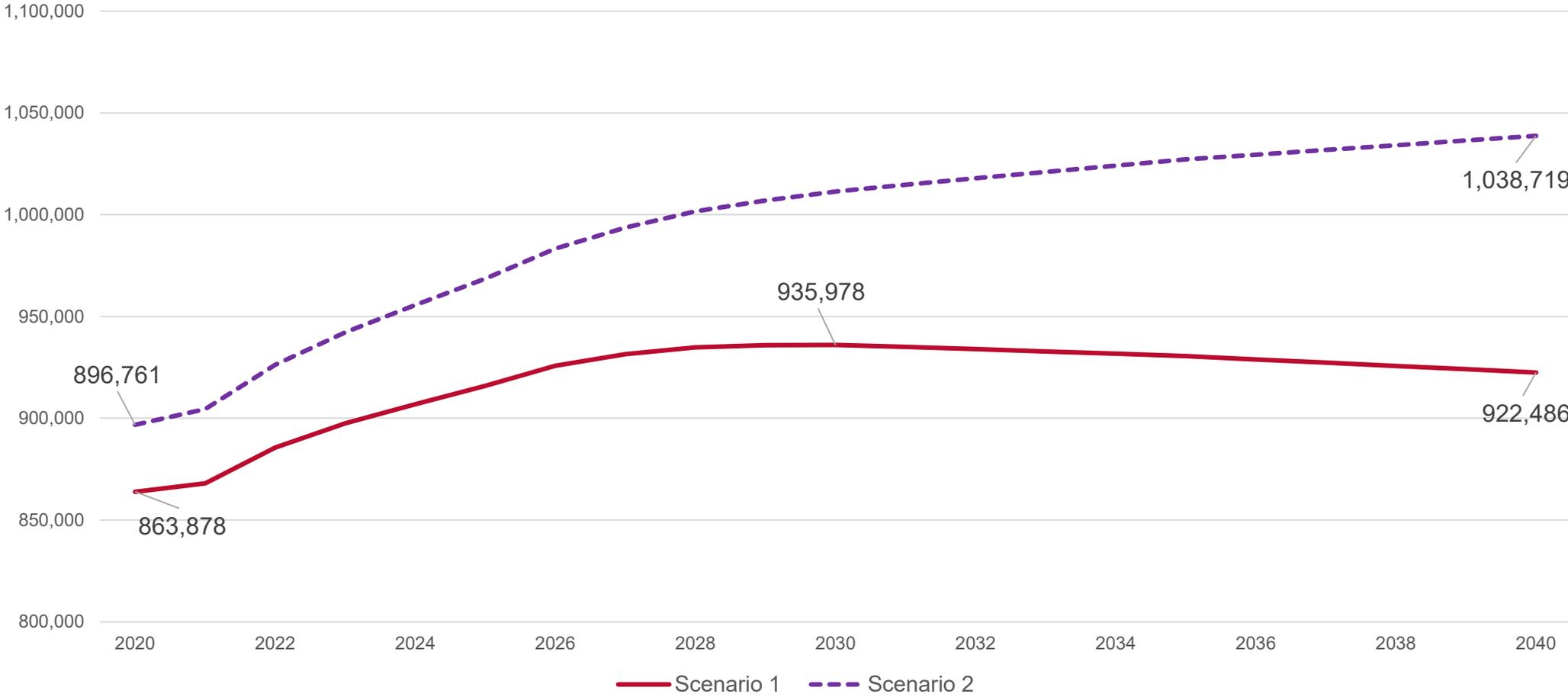
- ❑ Purpose: generate estimates of enrollment in employer-sponsored retirement plans for private sector & self-employed workers.
- ❑ Data
 - ❑ Population projections (UNM GPS)
 - ❑ Employment & Wages (BLS LAUS & QCEW)
 - ❑ By part-time/full-time (SIPP)
 - ❑ By industry (BEA)
 - ❑ By geography (BEA)
 - ❑ Retirement enrollment by industry by part/full-time (SIPP)
- ❑ Methodology (brief)
 - ❑ (1) Project employment; (2) tie to population projections; (3) portion-out to full/part-time, industry, geography, and retirement enrollment.

NM population projections (ages 15+)



Source: UNM Geospatial & Population Services

NM employment projections



Source: BBER Calculations

Number of jobs by type

□ In 2020, there were approximately 864,000 working New Mexicans.



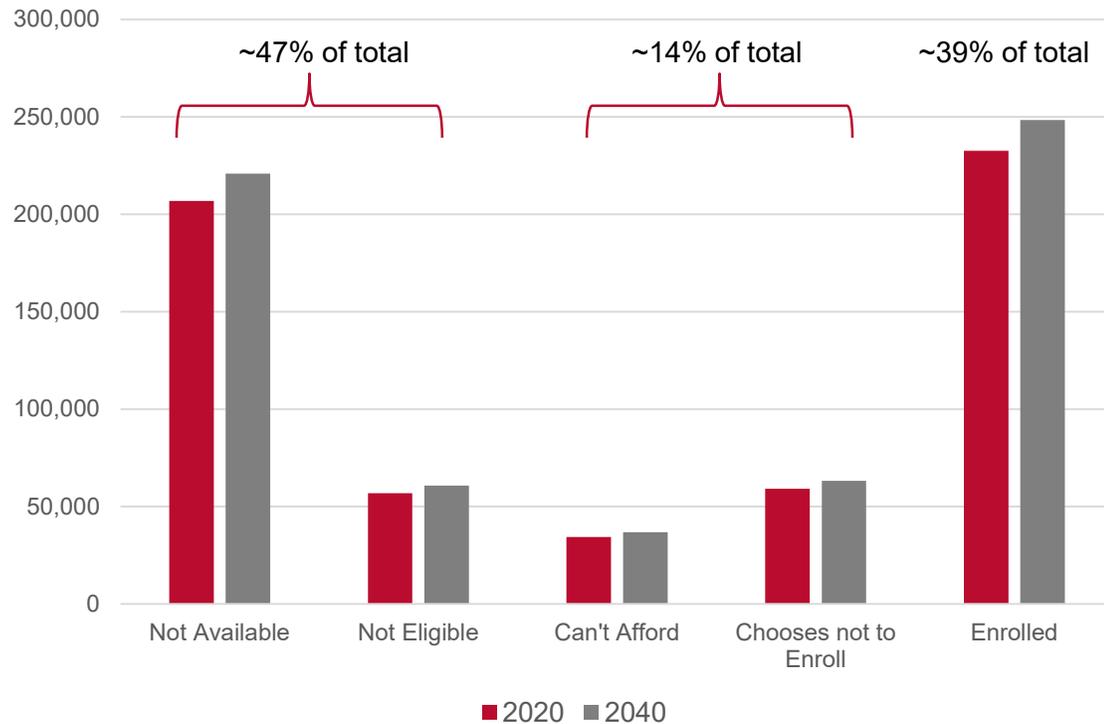
Source: ASEC
Note: Self-employed includes incorporated & unincorporated

□ Of that total, approximately 590,000 in private sector & 90,000 self-employed.

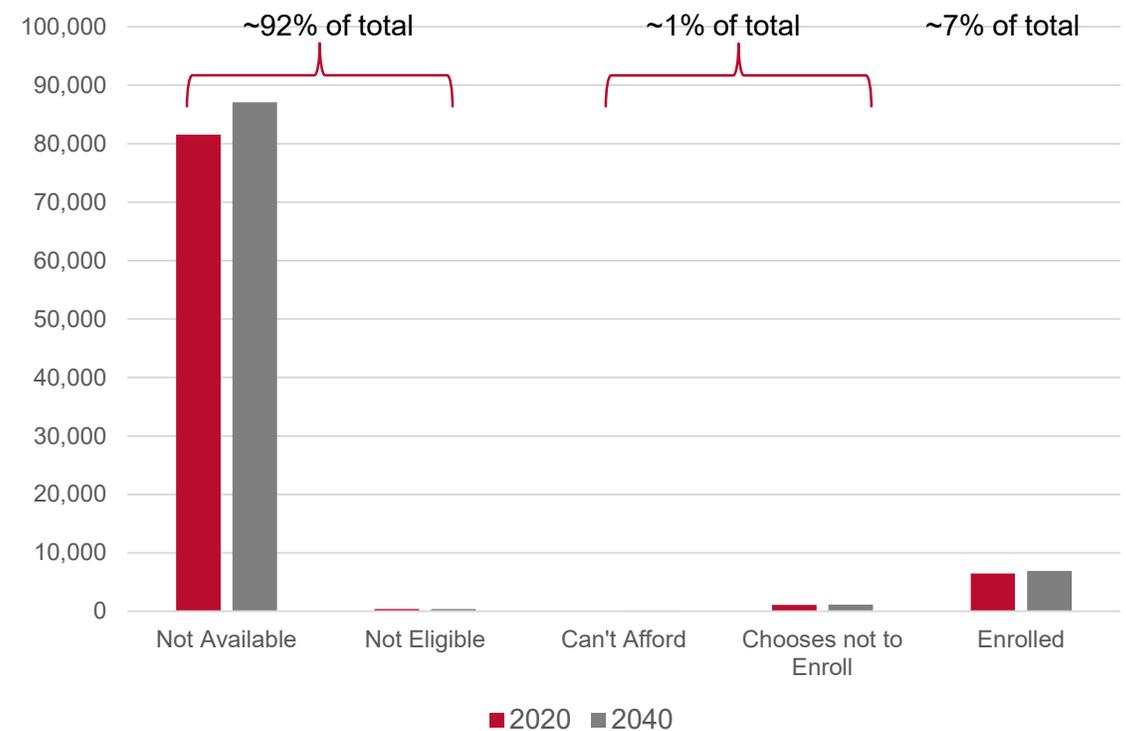
□ Note: # of jobs \neq # of people working.

Enrollment & non-enrollment by reason

Private Sector Jobs



Self Employed Jobs*

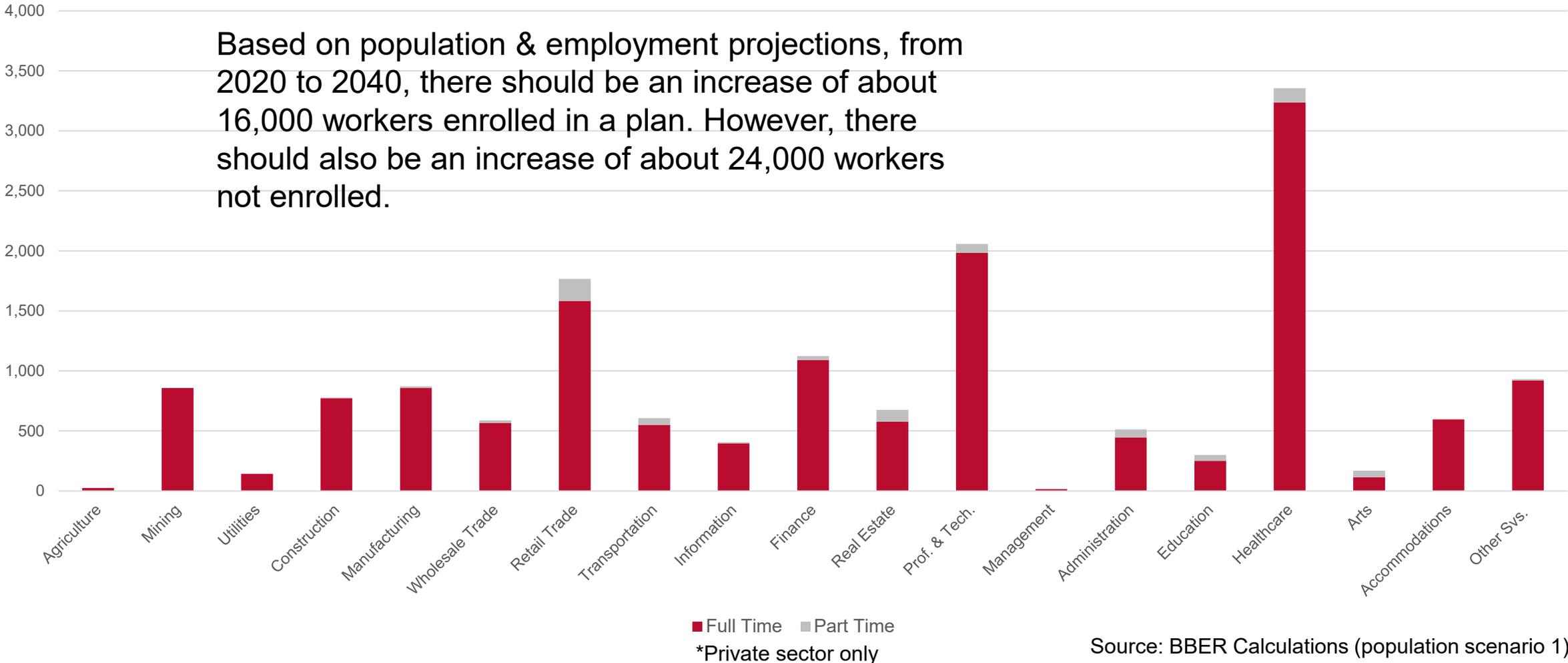


*Self employed includes incorporated & unincorporated.

Source: BBER Calculations (population scenario 1)

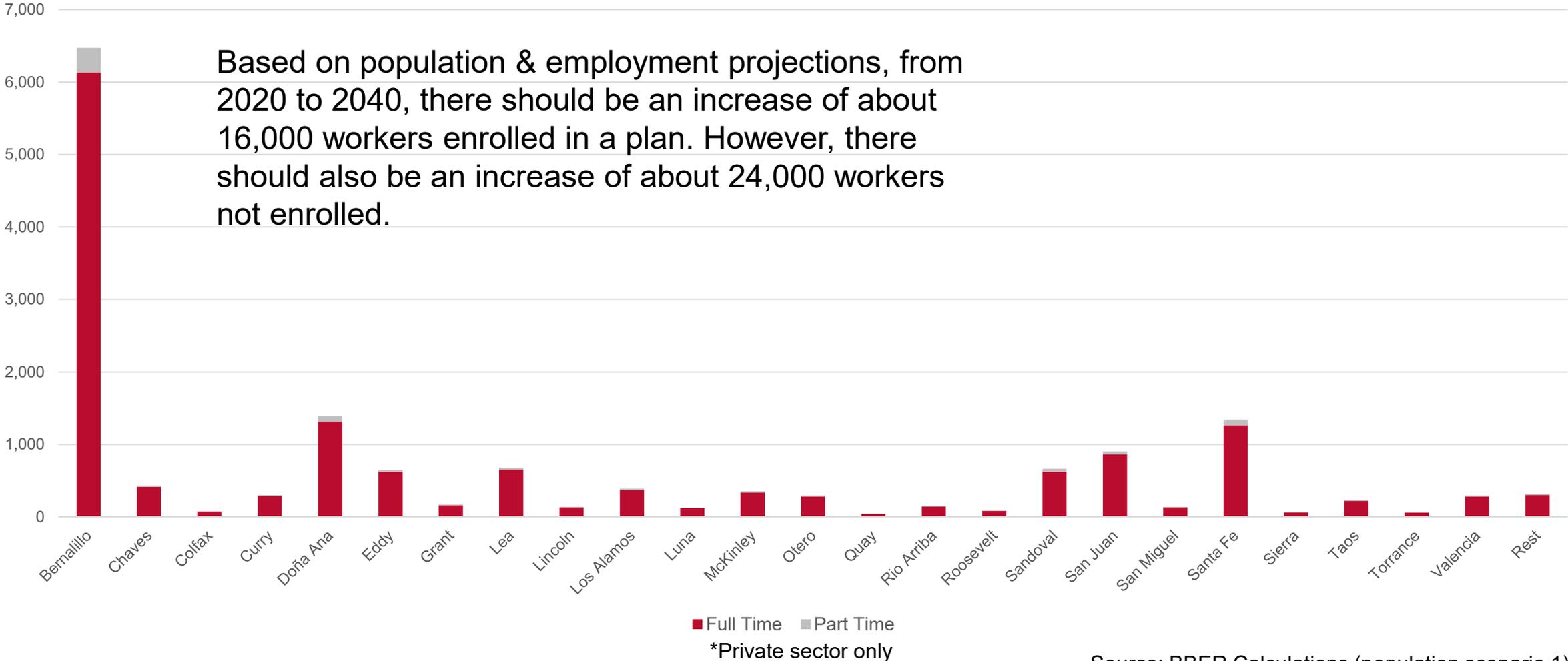
Net change in enrollment (2020-2040) by industry*

Based on population & employment projections, from 2020 to 2040, there should be an increase of about 16,000 workers enrolled in a plan. However, there should also be an increase of about 24,000 workers not enrolled.



Source: BBER Calculations (population scenario 1)

Net change in enrollment (2020-2040) by place*



Source: BBER Calculations (population scenario 1)

Enrollment for private-sector workers in 2020

| Industry | Full Time | | | | | Part Time | | | | |
|-----------------|----------------|---------------|---------------|----------------------|----------------|---------------|---------------|--------------|----------------------|---------------|
| | Not Available | Not Eligible | Can't Afford | Choose not to Enroll | Enrolled | Not Available | Not Eligible | Can't Afford | Choose not to Enroll | Enrolled |
| Agriculture | 2,553 | 42 | 83 | 245 | 368 | 622 | 53 | 21 | 25 | 0 |
| Mining | 3,080 | 1,990 | 569 | 3,080 | 12,651 | 599 | 342 | 0 | 0 | 0 |
| Utilities | 583 | 49 | 46 | 233 | 2,103 | 97 | 0 | 0 | 21 | 21 |
| Construction | 20,218 | 1,893 | 947 | 4,260 | 11,385 | 3,279 | 338 | 225 | 161 | 85 |
| Manufacturing | 4,285 | 1,580 | 1,033 | 1,960 | 12,637 | 769 | 156 | 46 | 136 | 221 |
| Wholesale Trade | 4,408 | 1,176 | 735 | 980 | 8,356 | 1,146 | 246 | 116 | 79 | 306 |
| Retail Trade | 14,233 | 5,087 | 3,626 | 4,979 | 23,340 | 8,981 | 8,938 | 1,087 | 3,118 | 2,700 |
| Transportation | 5,276 | 432 | 951 | 1,470 | 8,103 | 1,228 | 841 | 279 | 280 | 834 |
| Information | 1,205 | 100 | 602 | 1,245 | 5,851 | 577 | 419 | 202 | 64 | 135 |
| Finance | 2,206 | 1,444 | 842 | 2,006 | 16,073 | 776 | 585 | 84 | 85 | 490 |
| Real Estate | 8,171 | 772 | 2,724 | 968 | 8,510 | 3,847 | 742 | 371 | 246 | 1,446 |
| Prof. & Tech. | 8,754 | 2,462 | 1,860 | 5,690 | 29,236 | 3,174 | 1,212 | 139 | 1,021 | 1,093 |
| Management | 0 | 0 | 0 | 92 | 226 | 1,501 | 0 | 2,502 | 0 | 0 |
| Administration | 11,350 | 1,989 | 1,638 | 3,861 | 6,585 | 8,248 | 1,628 | 733 | 1,031 | 985 |
| Education | 814 | 449 | 253 | 548 | 3,678 | 2,129 | 1,784 | 329 | 728 | 740 |
| Healthcare | 19,779 | 5,579 | 5,071 | 7,173 | 47,699 | 2,179 | 1,145 | 281 | 688 | 1,741 |
| Arts | 2,007 | 389 | 273 | 329 | 1,698 | 6,427 | 3,416 | 466 | 1,366 | 788 |
| Accommodations | 24,552 | 4,327 | 4,421 | 6,679 | 8,780 | 9,721 | 3,071 | 673 | 1,240 | 0 |
| Other Svs. | 17,124 | 1,861 | 1,210 | 2,978 | 13,585 | 913 | 306 | 9 | 93 | 150 |
| Total | 150,597 | 31,622 | 26,885 | 48,776 | 220,863 | 56,214 | 25,219 | 7,562 | 10,379 | 11,735 |

Source: BBER Calculations (population scenario 1)

Enrollment for private-sector workers in 2040

| Industry | Full Time | | | | | Part Time | | | | |
|-----------------|----------------|---------------|---------------|----------------------|----------------|---------------|---------------|--------------|----------------------|---------------|
| | Not Available | Not Eligible | Can't Afford | Choose not to Enroll | Enrolled | Not Available | Not Eligible | Can't Afford | Choose not to Enroll | Enrolled |
| Agriculture | 2,726 | 45 | 89 | 262 | 393 | 665 | 56 | 22 | 27 | 0 |
| Mining | 3,289 | 2,125 | 607 | 3,289 | 13,509 | 639 | 365 | 0 | 0 | 0 |
| Utilities | 622 | 52 | 49 | 249 | 2,245 | 103 | 0 | 0 | 22 | 22 |
| Construction | 21,590 | 2,022 | 1,011 | 4,549 | 12,157 | 3,502 | 360 | 240 | 172 | 91 |
| Manufacturing | 4,576 | 1,687 | 1,103 | 2,093 | 13,494 | 821 | 166 | 49 | 145 | 236 |
| Wholesale Trade | 4,707 | 1,255 | 785 | 1,046 | 8,923 | 1,224 | 262 | 124 | 84 | 326 |
| Retail Trade | 15,199 | 5,432 | 3,872 | 5,317 | 24,923 | 9,591 | 9,545 | 1,161 | 3,329 | 2,884 |
| Transportation | 5,634 | 461 | 1,016 | 1,570 | 8,653 | 1,312 | 898 | 298 | 299 | 890 |
| Information | 1,287 | 107 | 643 | 1,330 | 6,248 | 617 | 447 | 216 | 68 | 144 |
| Finance | 2,356 | 1,542 | 899 | 2,142 | 17,164 | 828 | 624 | 89 | 90 | 523 |
| Real Estate | 8,725 | 824 | 2,908 | 1,034 | 9,087 | 4,108 | 792 | 396 | 262 | 1,544 |
| Prof. & Tech. | 9,348 | 2,629 | 1,987 | 6,076 | 31,220 | 3,390 | 1,295 | 148 | 1,090 | 1,167 |
| Management | 0 | 0 | 0 | 98 | 242 | 1,603 | 0 | 2,672 | 0 | 0 |
| Administration | 12,120 | 2,124 | 1,749 | 4,123 | 7,032 | 8,808 | 1,738 | 782 | 1,101 | 1,052 |
| Education | 870 | 480 | 270 | 585 | 3,927 | 2,273 | 1,905 | 351 | 777 | 790 |
| Healthcare | 21,121 | 5,957 | 5,416 | 7,659 | 50,935 | 2,327 | 1,223 | 300 | 735 | 1,859 |
| Arts | 2,143 | 416 | 291 | 352 | 1,813 | 6,864 | 3,647 | 497 | 1,459 | 841 |
| Accommodations | 26,218 | 4,621 | 4,721 | 7,132 | 9,376 | 10,380 | 3,279 | 719 | 1,324 | 0 |
| Other Svs. | 18,285 | 1,988 | 1,292 | 3,180 | 14,507 | 975 | 327 | 10 | 99 | 160 |
| Total | 160,814 | 33,768 | 28,709 | 52,086 | 235,847 | 60,028 | 26,930 | 8,075 | 11,084 | 12,531 |

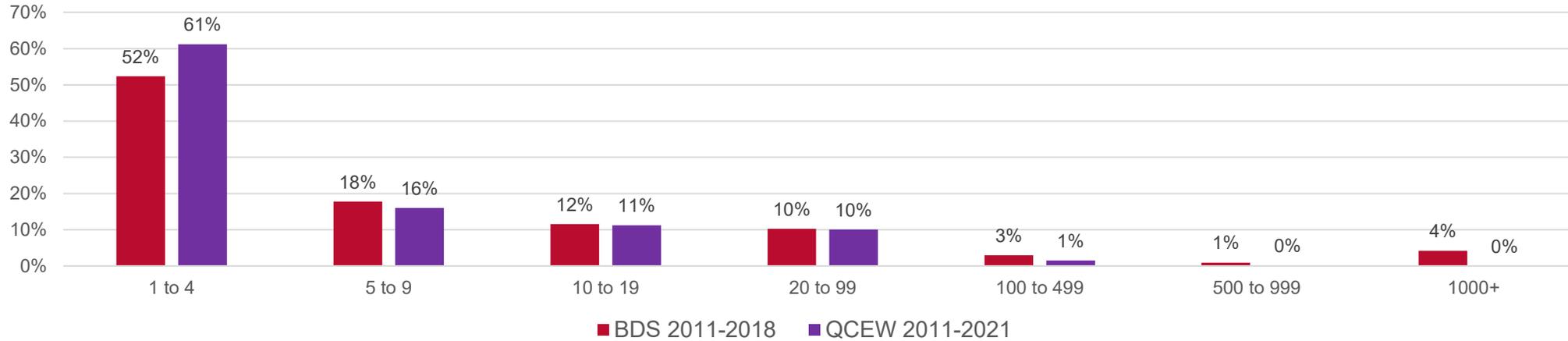
Source: BBER Calculations (population scenario 1)

Identification of target markets

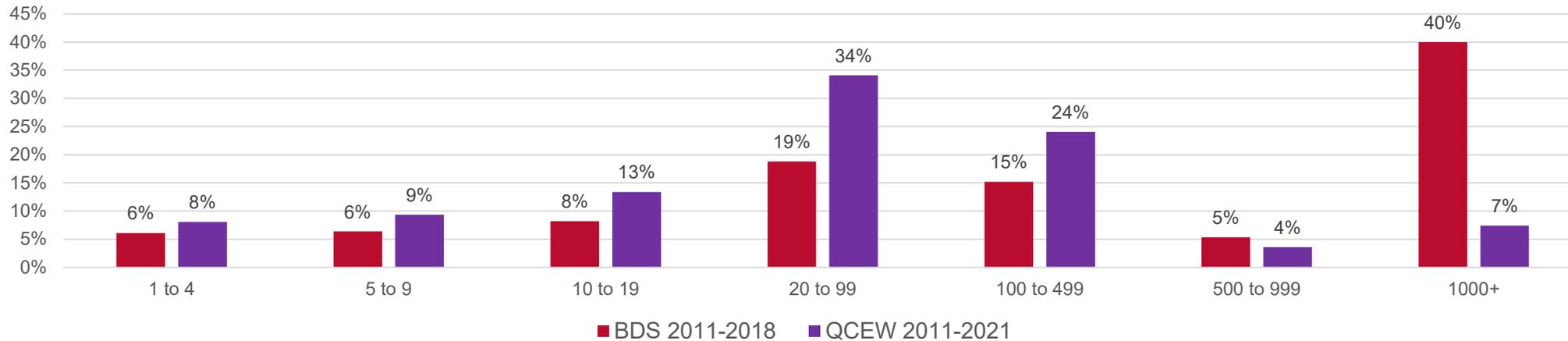
| Industry | % of Private Sector | % Part Time | % Not Available | % Enrollment | Average Weekly Wage |
|-----------------|---------------------|-------------|-----------------|--------------|---------------------|
| Agriculture | 1% | 18% | 81% | 9% | \$692 |
| Arts | 3% | 73% | 71% | 14% | \$507 |
| Accommodations | 11% | 23% | 66% | 14% | \$386 |
| Administration | 6% | 33% | 61% | 20% | \$844 |
| Construction | 7% | 10% | 60% | 27% | \$1,048 |
| Other Svs. | 6% | 4% | 53% | 36% | \$753 |
| Retail Trade | 13% | 33% | 49% | 34% | \$626 |
| Real Estate | 5% | 24% | 49% | 36% | \$894 |
| Education | 2% | 50% | 45% | 39% | \$868 |
| Wholesale Trade | 3% | 11% | 40% | 49% | \$1,241 |
| Transportation | 3% | 18% | 39% | 45% | \$999 |
| Management | 1% | 93% | 35% | 5% | \$1,558 |
| Healthcare | 15% | 7% | 31% | 54% | \$893 |
| Manufacturing | 4% | 6% | 30% | 56% | \$1,244 |
| Prof. & Tech. | 9% | 12% | 29% | 56% | \$1,770 |
| Mining | 4% | 4% | 27% | 57% | \$1,752 |
| Utilities | 1% | 4% | 23% | 67% | \$1,830 |
| Information | 2% | 13% | 22% | 58% | \$1,198 |
| Finance | 4% | 8% | 20% | 67% | \$1,423 |

Side note: establishments in New Mexico

NM Private Sector Establishments by # of Employees



NM Private Sector Employees by # of Employees



Sources: BDS & QCEW

Excel tool 1 (if time)

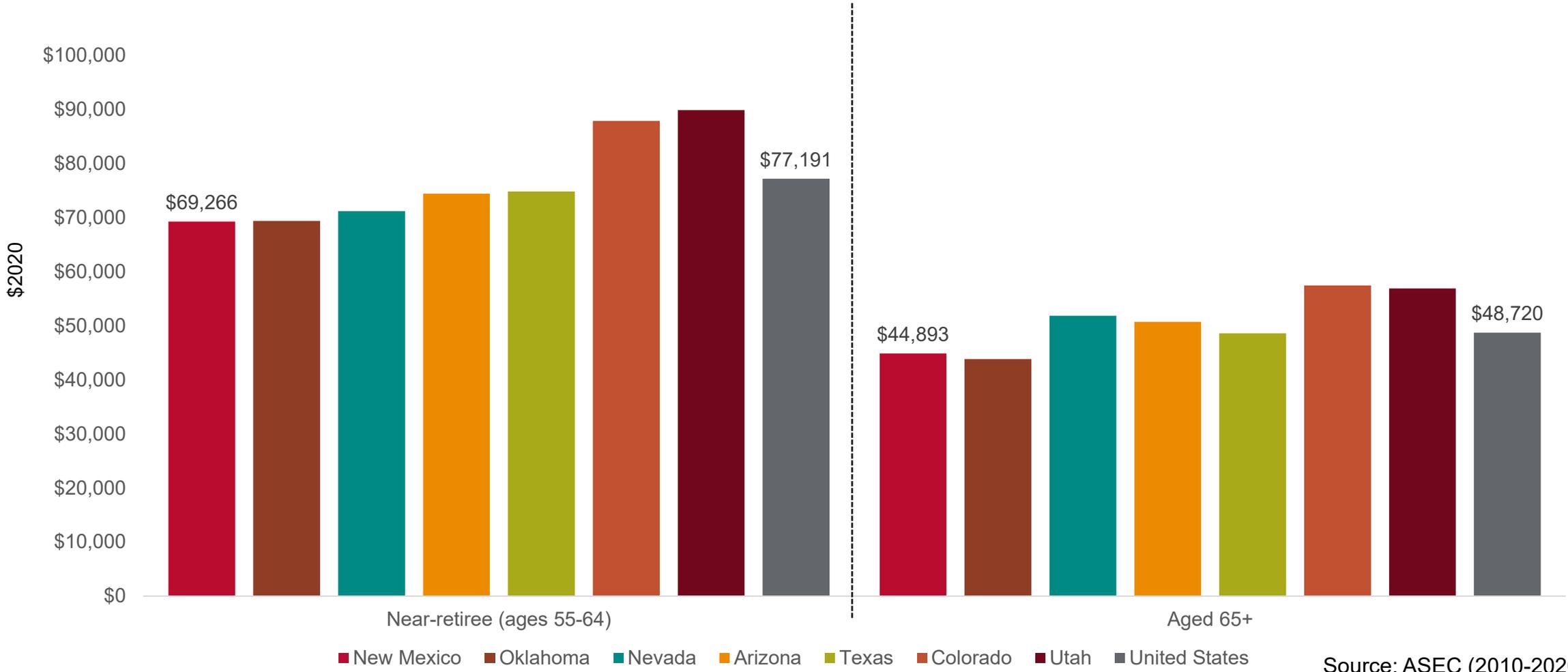
| Adjust Private Sector Industry Growth Rates (and Year Change Begins) | | | | | | |
|--|-------------|----------------------------------|--------------------------|--|--------------------------|--------------------------------------|
| Industry | Adjust Year | Compound Growth to Adjusted Year | Adjust Growth After Year | Compound Growth from Adjusted Year to 2040 | 2040 Baseline Job Levels | Net Job Change vs. Baseline Scenario |
| Agriculture | 2021 | 0.02% | 0.0% | 0.32% | 4,285 | 0 |
| Mining | 2021 | 0.02% | 0.0% | 0.32% | 23,823 | 0 |
| Utilities | 2021 | 0.02% | 0.0% | 0.32% | 3,366 | 0 |
| Construction | 2021 | 0.02% | 0.0% | 0.32% | 45,694 | 0 |
| Manufacturing | 2021 | 0.02% | 0.0% | 0.32% | 24,371 | 0 |
| Wholesale Trade | 2021 | 0.02% | 0.0% | 0.32% | 18,737 | 0 |
| Retail Trade | 2021 | 0.02% | 0.0% | 0.32% | 81,252 | 0 |
| Transportation | 2021 | 0.02% | 0.0% | 0.32% | 21,031 | 0 |
| Information | 2021 | 0.02% | 0.0% | 0.32% | 11,106 | 0 |
| Finance | 2021 | 0.02% | 0.0% | 0.32% | 26,258 | 0 |
| Real Estate | 2021 | 0.02% | 0.0% | 0.32% | 29,681 | 0 |
| Professional & Tech. Svs. | 2021 | 0.02% | 0.0% | 0.32% | 58,350 | 0 |
| Management | 2021 | 0.02% | 0.0% | 0.32% | 4,615 | 0 |
| Administration | 2021 | 0.02% | 0.0% | 0.32% | 40,630 | 0 |
| Education | 2021 | 0.02% | 0.0% | 0.32% | 12,228 | 0 |
| Healthcare | 2021 | 0.02% | 0.0% | 0.32% | 97,531 | 0 |
| Arts | 2021 | 0.02% | 0.0% | 0.32% | 18,322 | 0 |
| Accommodations | 2021 | 0.02% | 0.0% | 0.32% | 67,770 | 0 |
| Other Services | 2021 | 0.02% | 0.0% | 0.32% | 40,822 | 0 |

Estimating Fiscal Impacts of Under-saving 2020-2035

Methodology

- ❑ Applies “Colorado” analysis (done by ESI, Inc.)
 - ❑ “Cohort matching” approach: how do income cohorts change as households move from near-retirement to retirement & what are expenditures for each income cohort?
- ❑ Two key issues: retiree income & (fiscal) expenditures
 - ❑ Income: Historically, how have income streams changed as near-retiree’s moved into retirement?
 - ❑ This behavior is used to project future income distributions.
 - ❑ Expenditures: How much does state spend on means tested programs to support retirees?
 - ❑ Used to assign and project fiscal expenditures by income group.
- ❑ A baseline case is compared against a case where households have retirement income streams that are “sufficient.” Here, it is set to 75% of pre-retirement income+.
 - ❑ Assumed that state will always have expenses even with “sufficient” income streams.
- ❑ Challenge for this research: could not uncover NM-specific expenditure data. Had to rely on Colorado data.

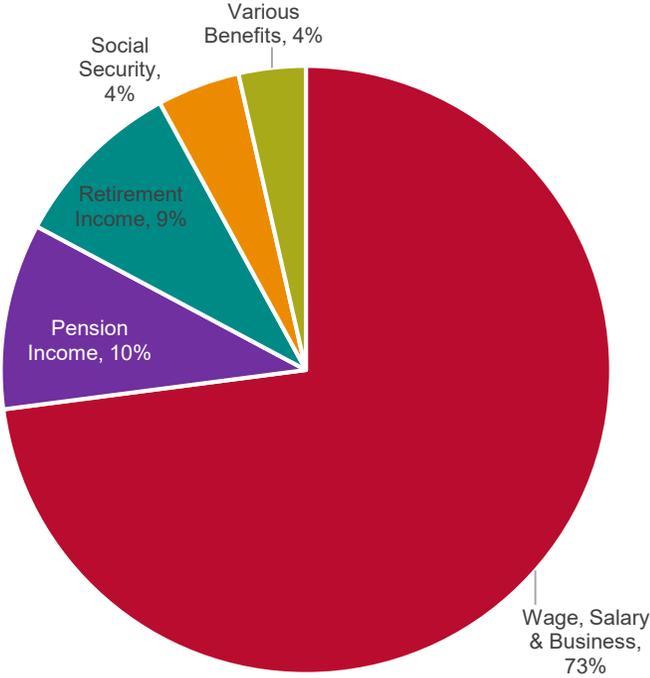
Median household income



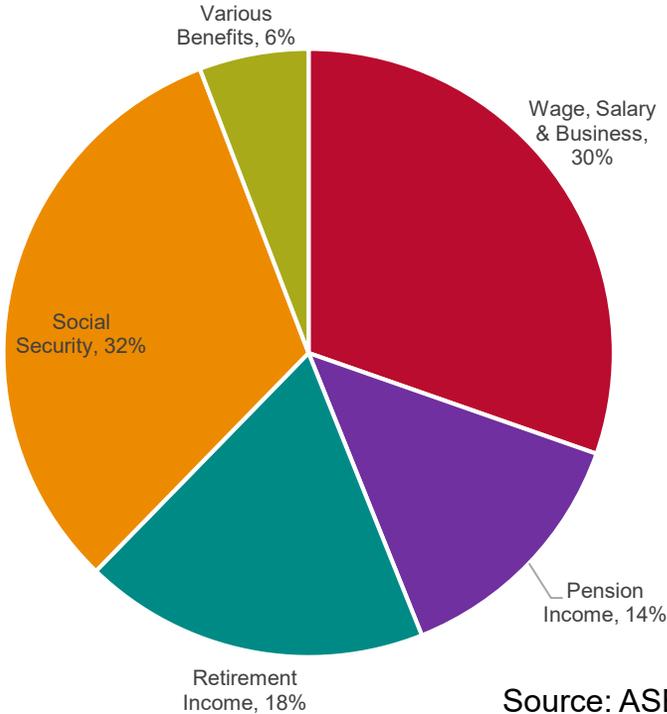
Source: ASEC (2010-2020)

Composition of NM personal income

NM Personal Income: Ages 55 to 64



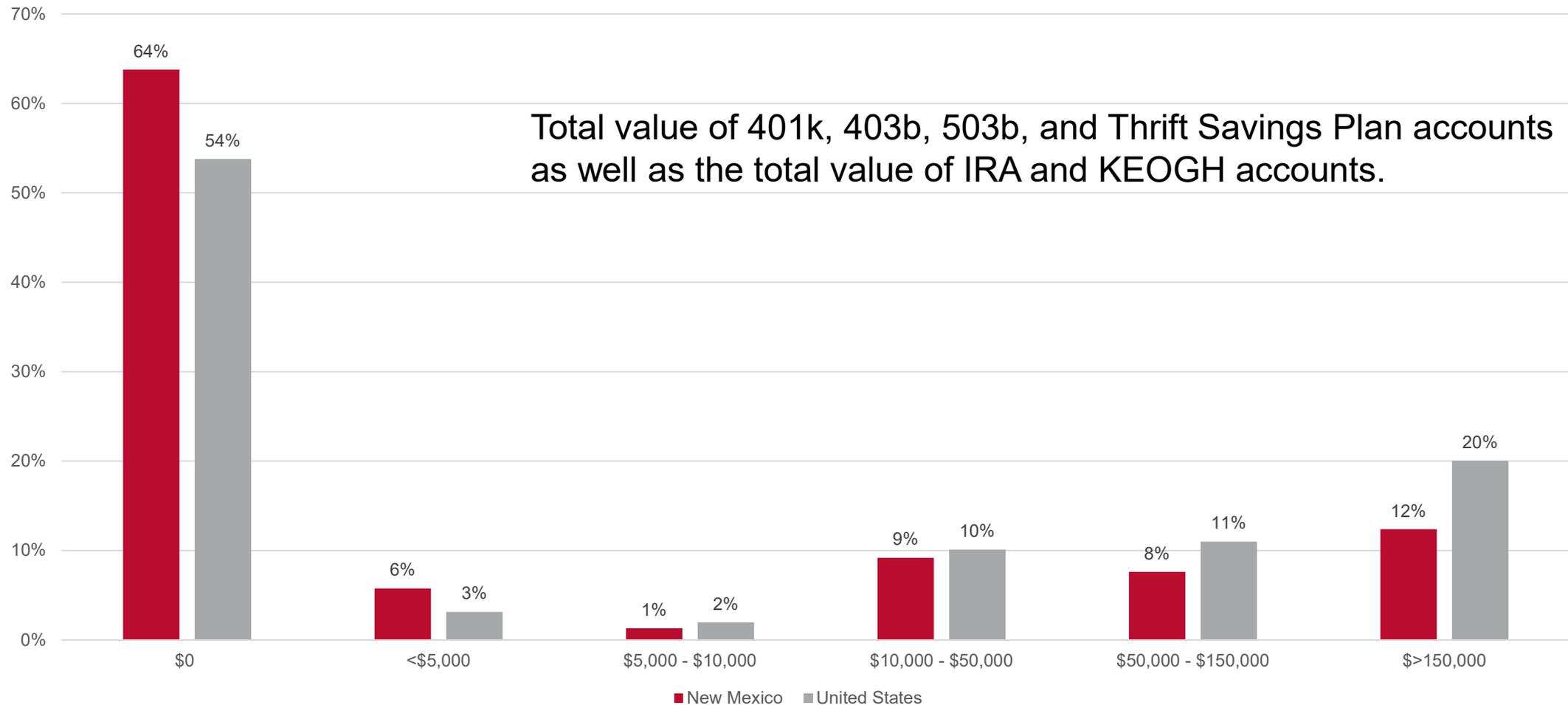
NM Personal Income: Ages 65+



Source: ASEC (2010-2020)

Note: Incomes fall (on average) as individuals move to retirement age

Retirement savings for individuals 50+

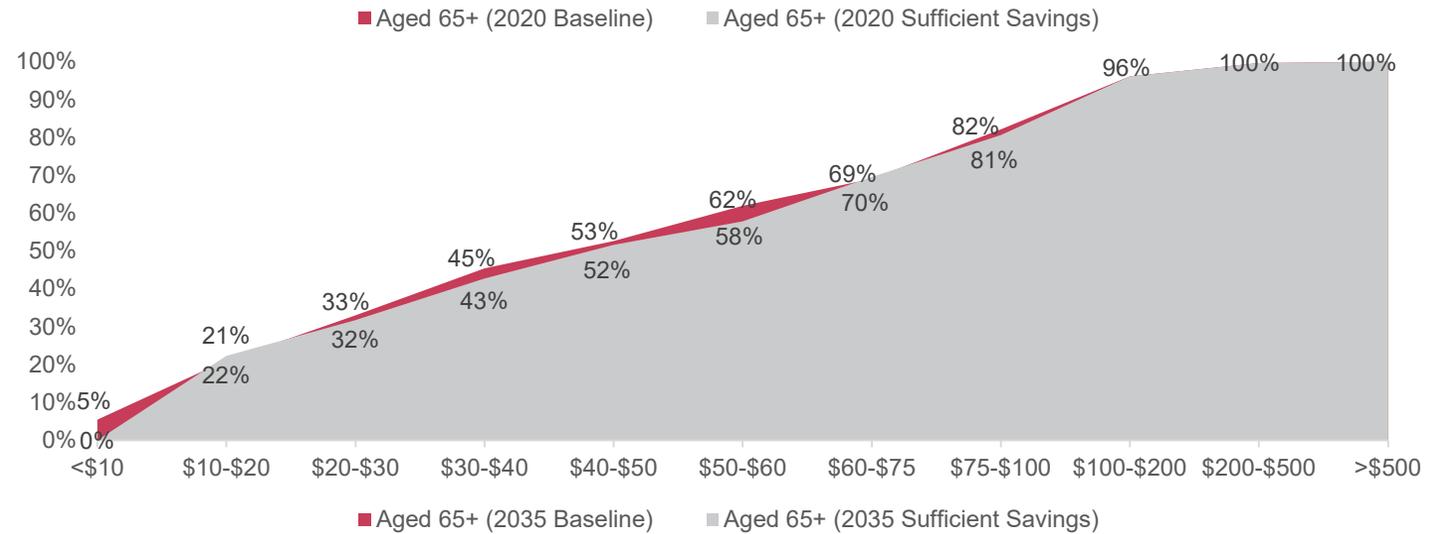
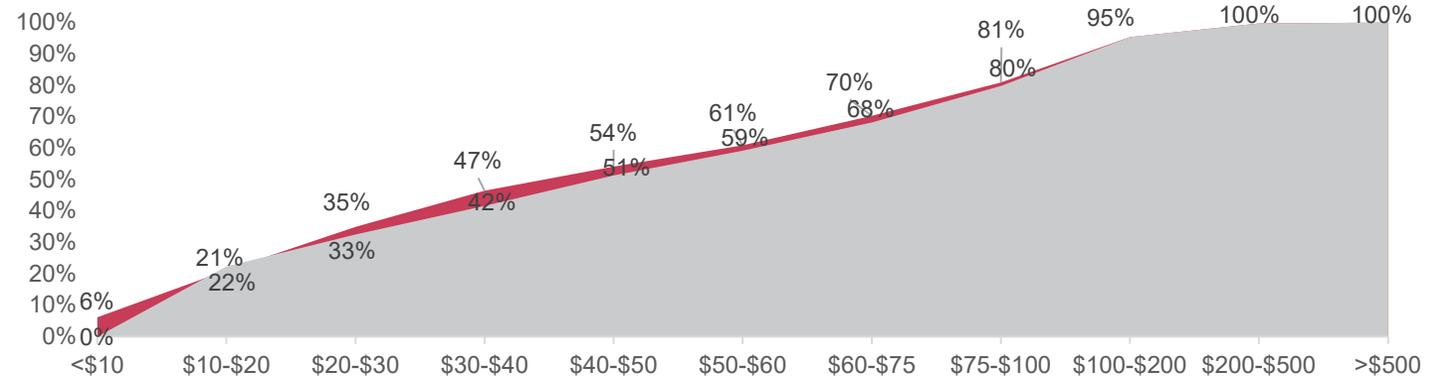


Source: SIPP (2020)

Income cohorts

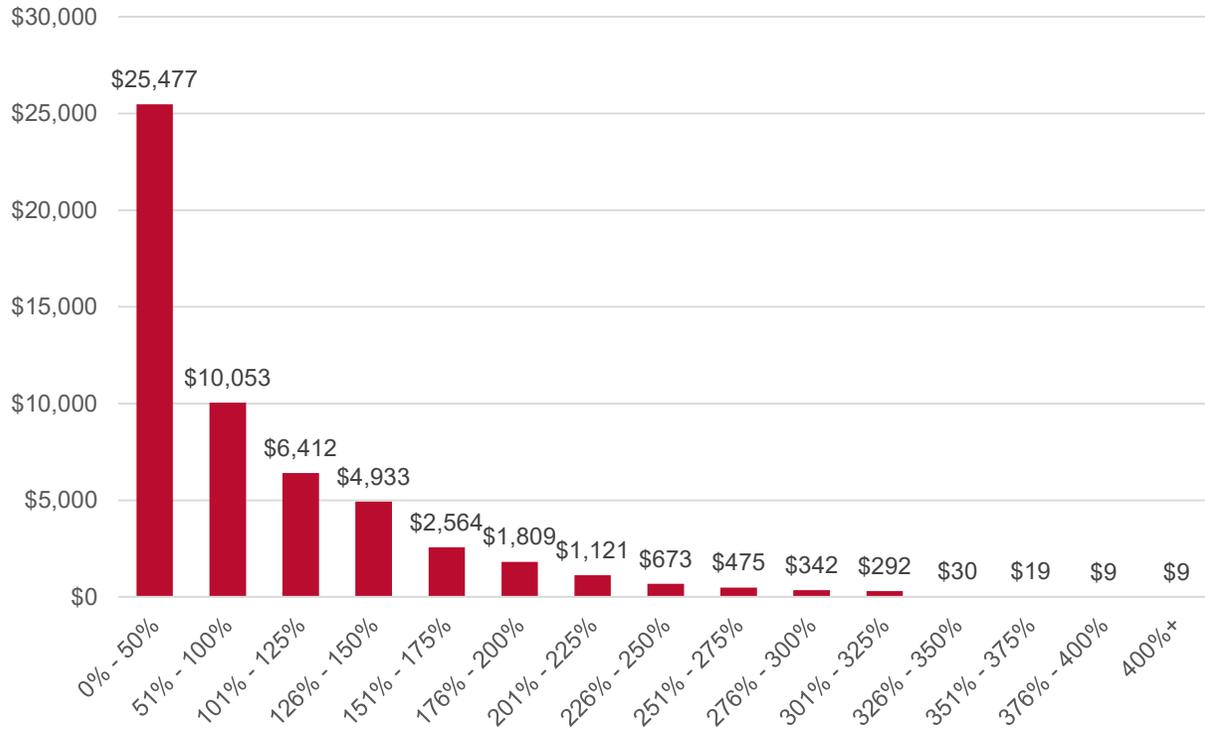
□ Figures are a bit confusing, but here's what they capture:

1. A baseline case – what the income cohorts actually look like (or what we expect them to look like).
2. A hypothetical case where income streams are “sufficient.”
3. The density in the baseline case is ABOVE the hypothetical case especially at low incomes meaning that in practice, households (on average) fail to have “sufficient” income in retirement.

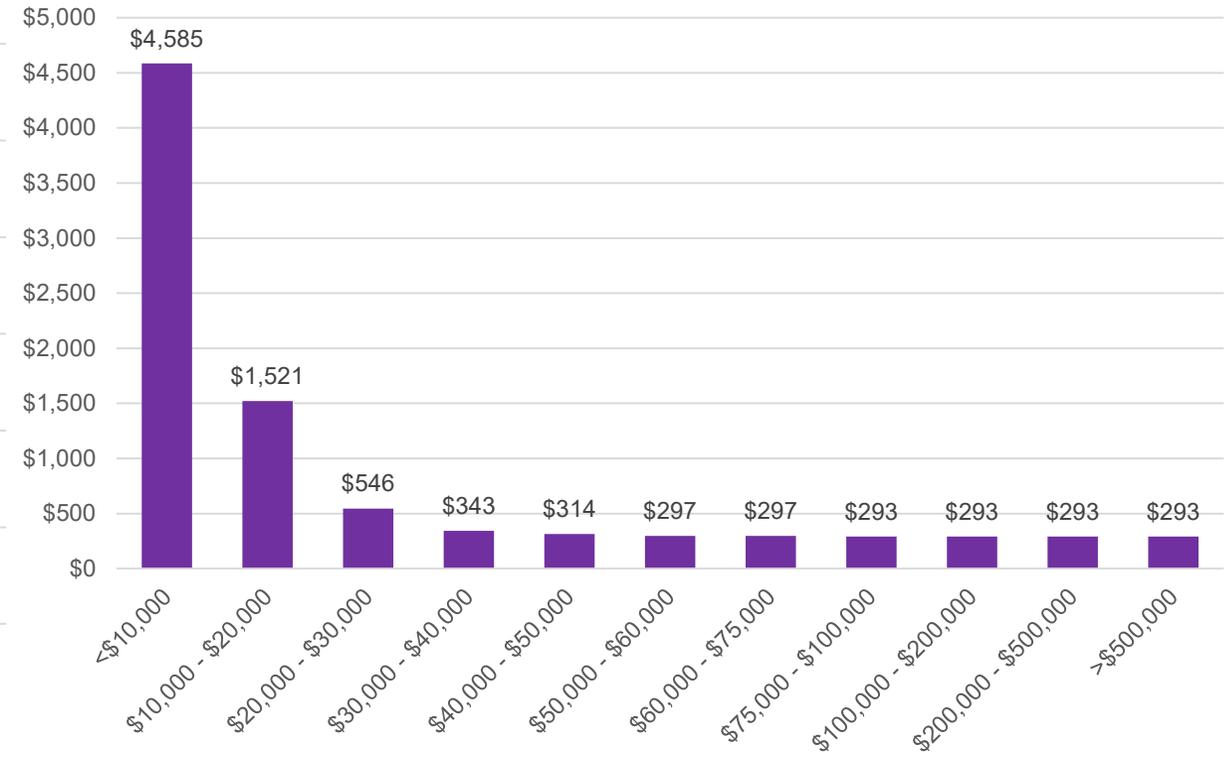


State expenditures for retirees by income bracket*

Medicaid Expenditures per Household

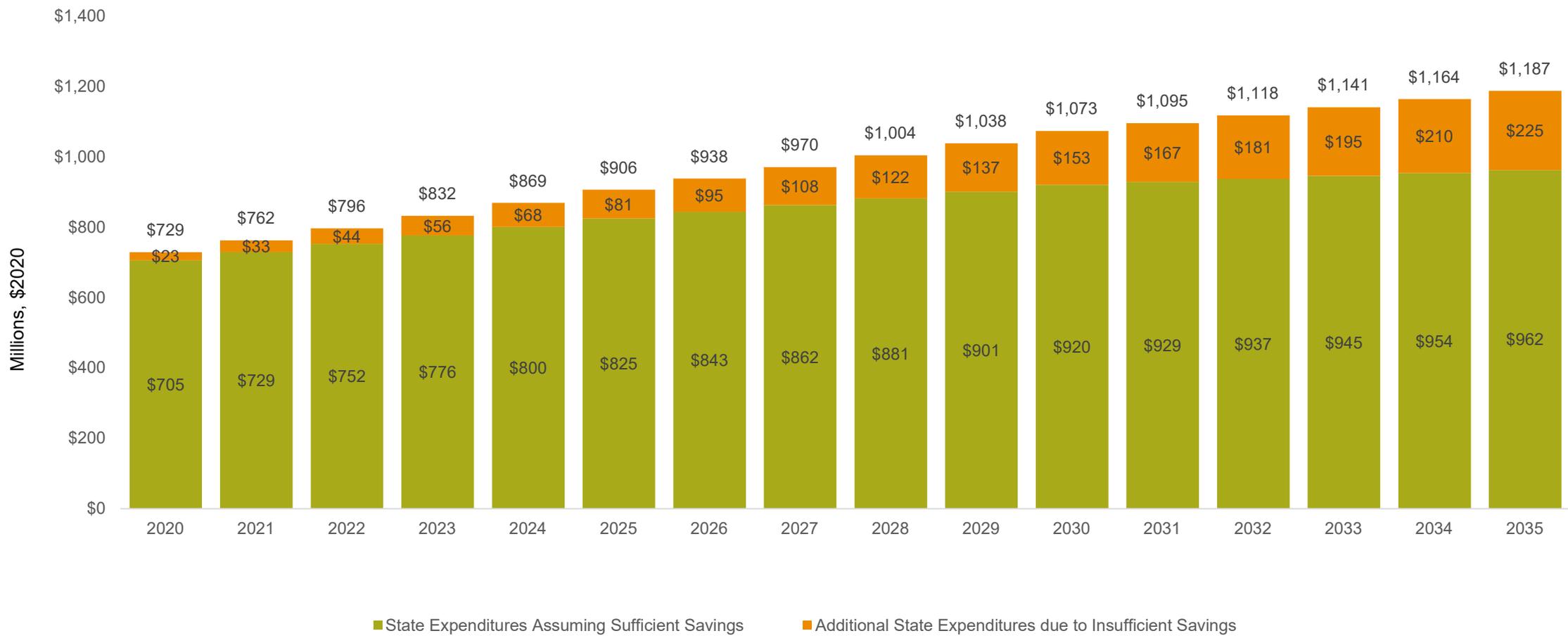


Other Expenditures per Household



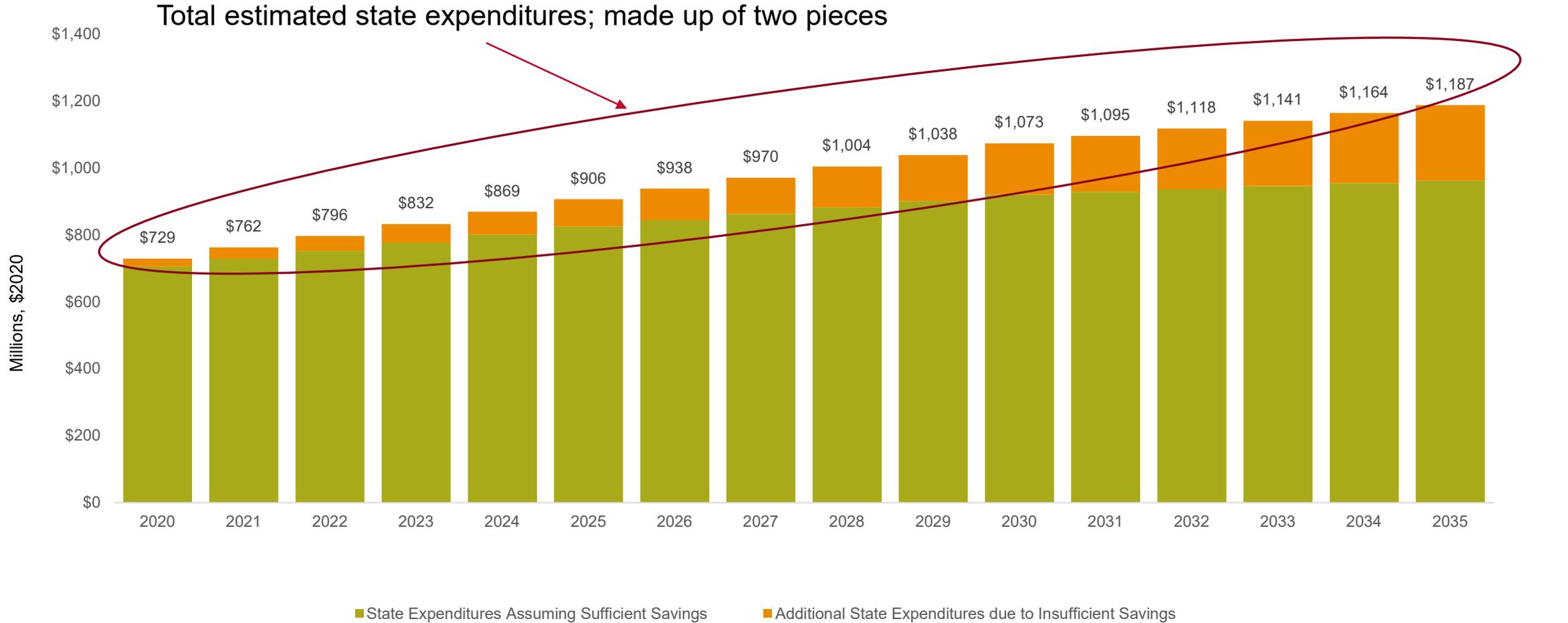
*Colorado expenditures
Source: ESI, Inc. & State of Colorado

Estimated state expenditures (1)



Source: BBER Calculations (population scenario 1)

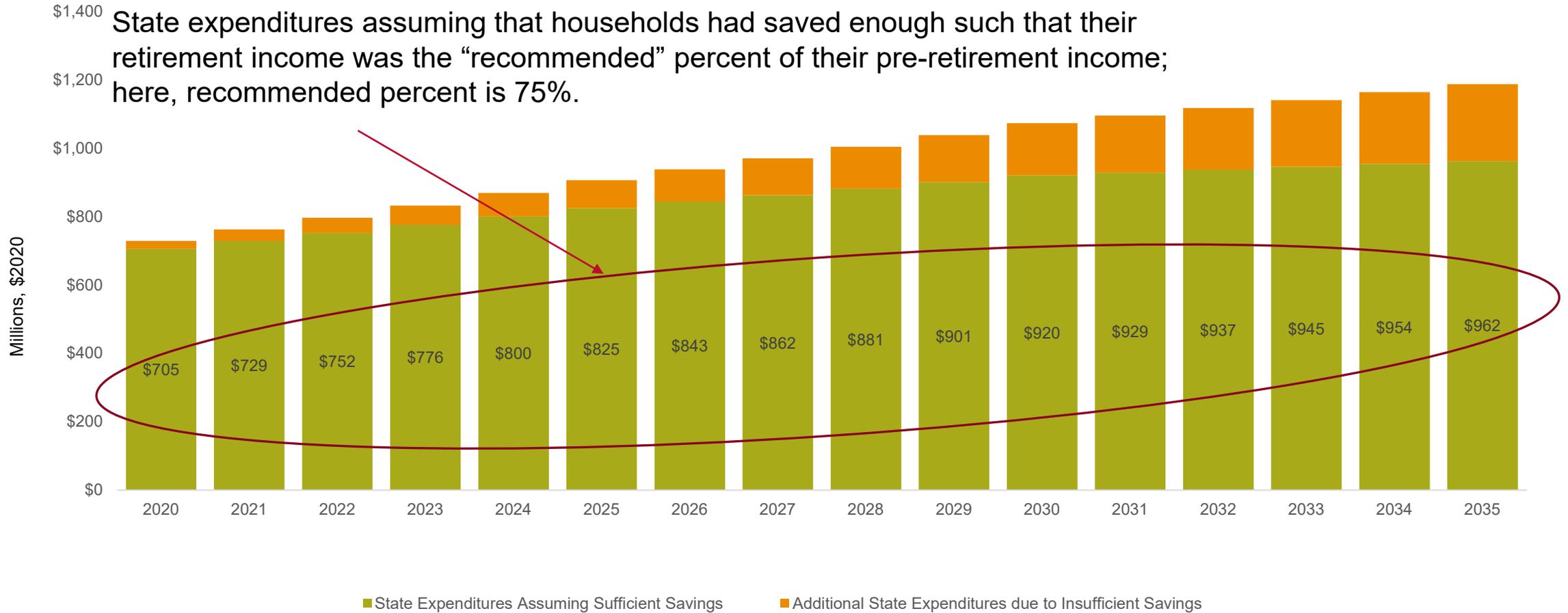
Estimated state expenditures (2)



Source: BBER Calculations (population scenario 1)

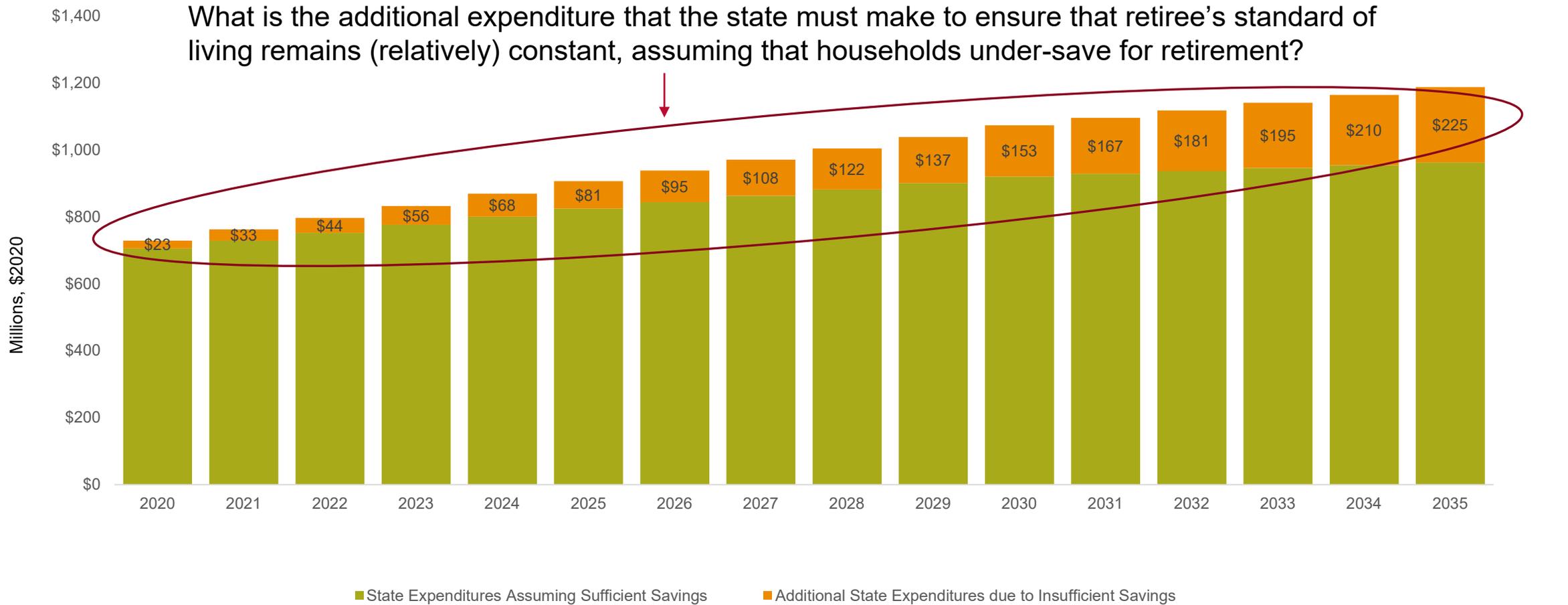
Estimated state expenditures (3)

\$1,400 State expenditures assuming that households had saved enough such that their retirement income was the “recommended” percent of their pre-retirement income; here, recommended percent is 75%.



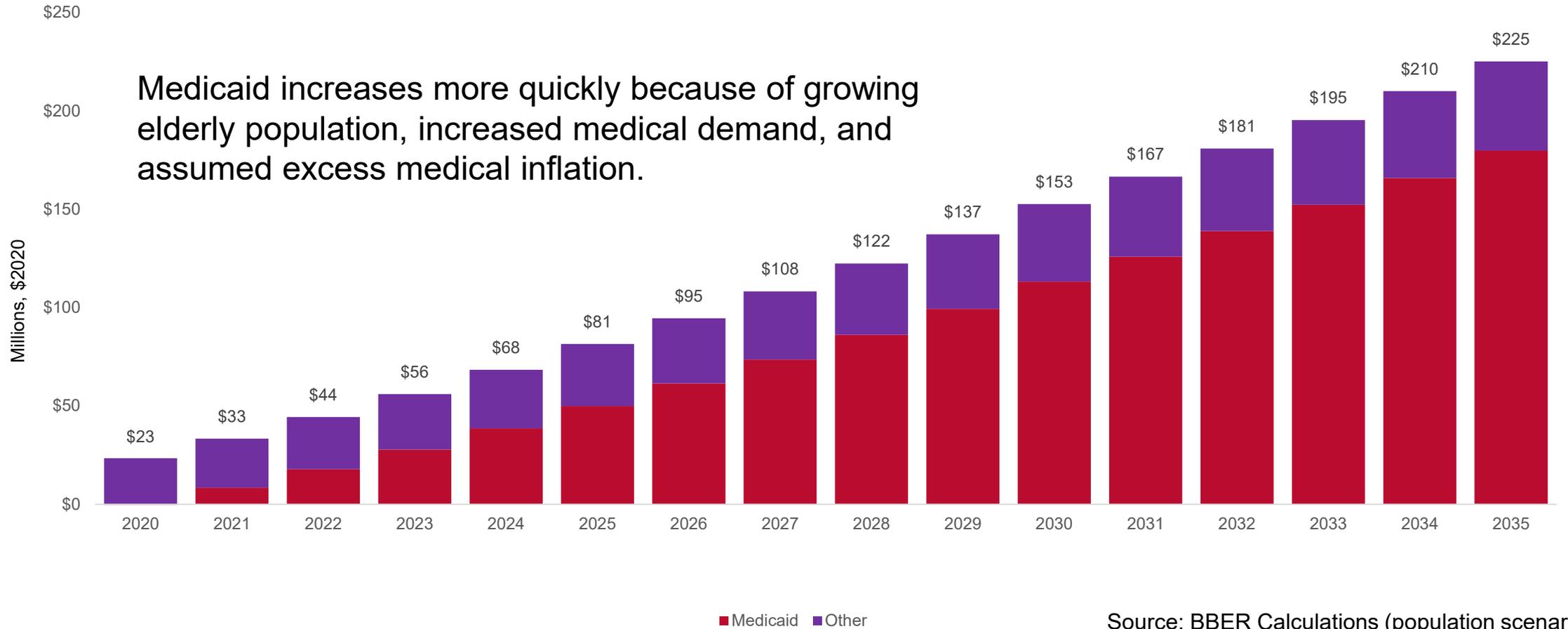
Source: BBER Calculations (population scenario 1)

Estimated state expenditures (4)



Source: BBER Calculations (population scenario 1)

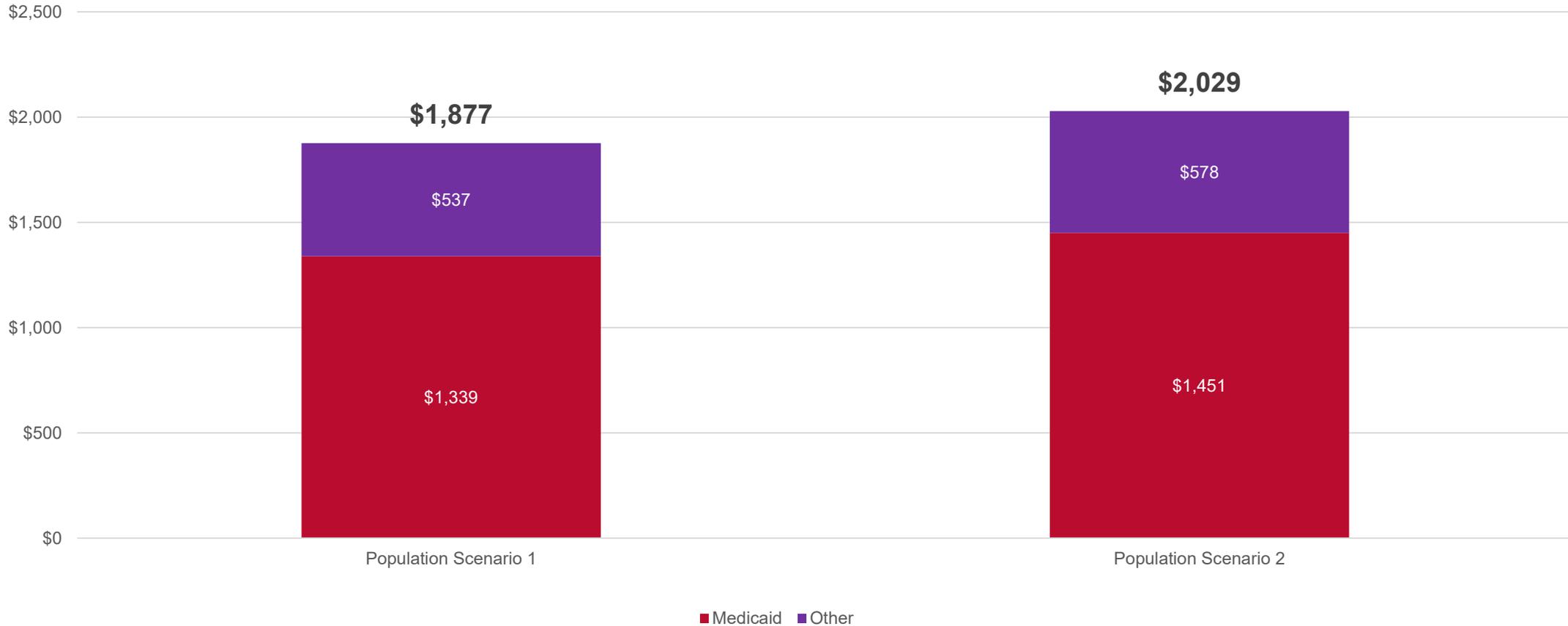
Breakdown of estimated additional state expenditures



Source: BBER Calculations (population scenario 1)

Aggregate state expenditures (2021-2035)

Millions, \$2020



Source: BBER Calculations (population scenario 1)

Caveats & notes

- ❑ Can't stress enough: NM population and income projections BUT Colorado expenditures.
- ❑ Does not capture possible revenue effects. There is a (very) back of the envelope estimate in report.
 - ❑ Likely relatively small (if positive)
- ❑ Also does not capture possible local impacts.

Excel tool 2 (if time)

| Scenario | Colorado |
|--|--|
| Input Assumptions | |
| Excess Medical Inflation | 1.10% |
| Sufficient Savings Percentage | 75% |
| Persons per 65+ Household | 1.55 |
| Assumed Minimum HH Income (Sufficient Savings) | \$15,524 |
| | |
| Federal Poverty % | Average State Medicaid Cost per 65+ Household |
| 0% - 50% | \$25,477 |
| 51% - 100% | \$10,053 |
| 101% - 125% | \$6,412 |
| 126% - 150% | \$4,933 |
| 151% - 175% | \$2,564 |
| 176% - 200% | \$1,809 |
| 201% - 225% | \$1,121 |
| 226% - 250% | \$673 |
| 251% - 275% | \$475 |
| 276% - 300% | \$342 |
| 301% - 325% | \$292 |
| 326% - 350% | \$30 |
| 351% - 375% | \$19 |
| 376% - 400% | \$9 |
| 400%+ | \$9 |