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FISCAL IMPACT REPORT

SPONSOR Salazar, T / **ORIGINAL DATE** 02/02/17
Armstrong, D **LAST UPDATED** 02/22/17 **HJM** 9/aHBIC/aHF1#1
SHORT TITLE Retirement Income Security Task Force **SB** _____
ANALYST Clark

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$20.0	\$0	\$20.0	Nonrecurring	State Treasurer's Office

Parenthesis () indicate expenditure decreases

Conflicts with SJM12

SOURCES OF INFORMATION

LFC Files

Responses Received From
State Treasurer's Office (STO)

SUMMARY

Synopsis of House Floor Amendment #1

The House Floor Amendment #1 strikes the HBIC amendment; clarifies the evaluation should be of proposals to implement a state operated, privately operated, or jointly operated retirement savings vehicles; strikes the request to determine the number of employers that do not sponsor a retirement savings plan; and changes the membership of the task force from one to two members of the business community and to add two representatives of the financial services community.

The amendment also makes a minor language change but leaves in place a minor drafting error from the original bill where an excess "and" appears at the end of line 15 on page 6.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment extends the timeframe to submit the report from November 1, 2017 to July 1, 2018 and adds a representative of the financial services community appointed by the state treasurer to be invited to join the task force.

Synopsis of Original Bill

House Joint Memorial 9 requests the State Treasurer’s Office (STO) convene a retirement income security task force to analyze the feasibility of implementing a “work and save” program for the citizens of New Mexico that are not afforded with investment options through their employer. The task force is requested to report its findings to the interim committee charged with reviewing matters related to investments and pensions by November 1, 2017.

FISCAL IMPLICATIONS

STO indicates the joint memorial would require participation of agency staff at an approximate cost of \$20 thousand based on the scope of work and information provided.

SIGNIFICANT ISSUES

As noted in the joint memorial, the United States is facing a vast retirement savings deficit, estimated to be as much as \$6.6 trillion, or about \$57 thousand per household. It is estimated that 53 percent of American workers aged 30 and older are on a path that will leave them unprepared for retirement.

The median retirement account balance is \$2,500 for all working-age households and \$14.5 thousand for near-retirement households. Of the 75 million workers in the United States with access to a retirement savings plan, only 81 percent of these workers participate in a retirement savings plan, and 55 million American workers do not have any type of employer-sponsored retirement plan, leaving them more likely to rely on social security income as their only source of retirement income.

The full list of tasks requested for the interim task force are:

- A. Determine the number of employees in the state not currently participating in an employer-sponsored retirement savings plan or arrangements;
- B. Determine the number of employers in the state that do not offer an employer-sponsored retirement savings plan;
- C. Consult with AARP New Mexico and other experts from the private and nonprofit sector concerning the establishment and operation of high-quality and low-cost retirement savings plans that are governed by federal law and that qualify for tax-favored treatment under the state and federal tax codes;
- D. Perform an analysis to determine the best model for a statewide retirement income security plan;
- E. Develop criteria for participation by employees and employers;
- F. Perform an analysis of the cost to the state to implement a statewide retirement income security plan;
- G. Determine the cost to employers for participation in a statewide retirement income security plan;
- H. Determine the effect, if any, that the implementation of a statewide retirement income security plan may have on economic activity in this state;
- I. Explore other programs and incentives that can lead to an increase in the percentage of financially secure retirees in the state;
- J. Determine the financial impact to the state's social safety net programs and general fund if the state fails to act to improve citizen access to retirement savings opportunities at work; and
- K. Prepare and submit a report to the interim committee charged with reviewing matters related to investments and pensions by November 1, 2017.

ADMINISTRATIVE IMPLICATIONS

There will be a minimal administrative impact.

CONFLICT

This conflicts with SJM12, which requests nearly the identical task force and report but has conflicting language.

JC/jle