CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

New Mexico Work and $ave

Study B: Retirement Plan Marketplace

December 15, 2021

Final Report

Executive Summary

Today, roughly one-third of U.S. households arrive at retirement completely reliant on Social Security. The reason is simple: at any given time, about half of private sector workers do not have access to an employer-sponsored retirement plan; and very few workers save for retirement outside of employer-sponsored plans.[1]

In New Mexico, over 300,000 workers are with an employer that does not offer a plan. To address this coverage gap, the State of New Mexico is planning to introduce a Retirement Plan Marketplace, in tandem with its Payroll Deduction IRA program (see Study A). The Marketplace would allow employers without a retirement plan to access low-cost plans from financial services providers through an online portal. The notion is that by reducing the cost of offering a retirement plan, more employers will provide coverage.

At present, only one state (Washington) has introduced a retirement marketplace, and the program has been in operation for three years. Outcomes from Washington state through December 2020 indicated that firms currently enrolled account for less than 1 percent of eligible employees.[2] Moreover, despite other voluntary programs implemented at the state and federal level to help address the coverage problem, the percentage of employers offering a retirement plan nationwide has not budged over the past 40 years. The key question is how many employers would voluntarily participate in New Mexico's Retirement Plan Marketplace.

The discussion proceeds as follows. The first section provides a market analysis that describes the nature of New Mexico's uncovered workers and the employers eligible to participate in a New Mexico Retirement Plan Marketplace. The second section discusses the potential response of New Mexico employers based on outcomes from four case studies on voluntary retirement programs to date. The report concludes that while many New Mexico workers need additional savings for retirement security, employer participation in a marketplace is not likely to be substantial enough to move the needle.

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[1] Although IRAs are available to employees without coverage through their jobs, few workers use these vehicles to actively save. Instead, IRAs tend to be the eventual landing spot for money saved through employer-sponsored 401(k)s. See Chen and Munnell (2017).

[2] Washington State Department of Commerce (2020).

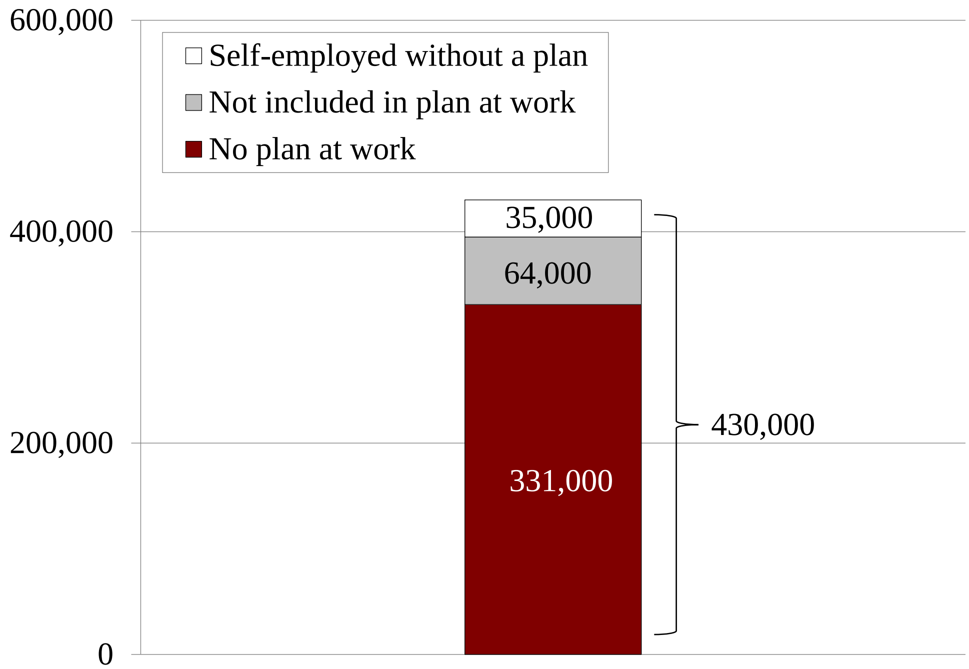
Market Analysis

This analysis provides an overview of New Mexico's uncovered employees and the nature of the employers eligible to participate in New Mexico's Retirement Plan Marketplace.

Employees

The New Mexico Retirement Plan Marketplace would be open to employers of all sizes without a retirement plan. Estimates show that 331,000 employees work at firms that do not offer a retirement plan (see Figure 1). An additional 35,000 self-employed workers (including "1099" contract workers) could also choose to participate in the program because – unlike auto-IRA plans – a marketplace does not rely on any form of automatic payroll deduction. And 64,000 employees not eligible for their plan at work could theoretically sign up individually. However, because a Retirement Plan Marketplace focuses on employers, the program primarily targets the 331,000 non-self-employed workers at firms without a retirement plan.

Figure 1. *Number of Private Sector Workers in New Mexico Without Coverage, 2020*



Note: The self-employed include incorporated self-employed.
Sources: CRR calculations from the U.S. Census Bureau's *Business Dynamic Statistics* (2016); *Current Employment Statistics* (2021); and *Current Population Survey* (2021).

Socioeconomic Characteristics of Covered and Uncovered Workers

New Mexico workers without an employer plan differ from covered workers in several ways. Uncovered workers have minimal savings and limited experience with financial markets. (Table 1). Only 35 percent of uncovered workers in New Mexico can come up with $2,000 if needed, compared to 75 percent of covered employees. In addition, uncovered workers are much less likely to have a checking account, own a credit card, and understand financial concepts such as compounding or diversification.

Table 1. *Financial Situation, Interaction, and Literacy by Retirement Plan Coverage in New Mexico and the United States*

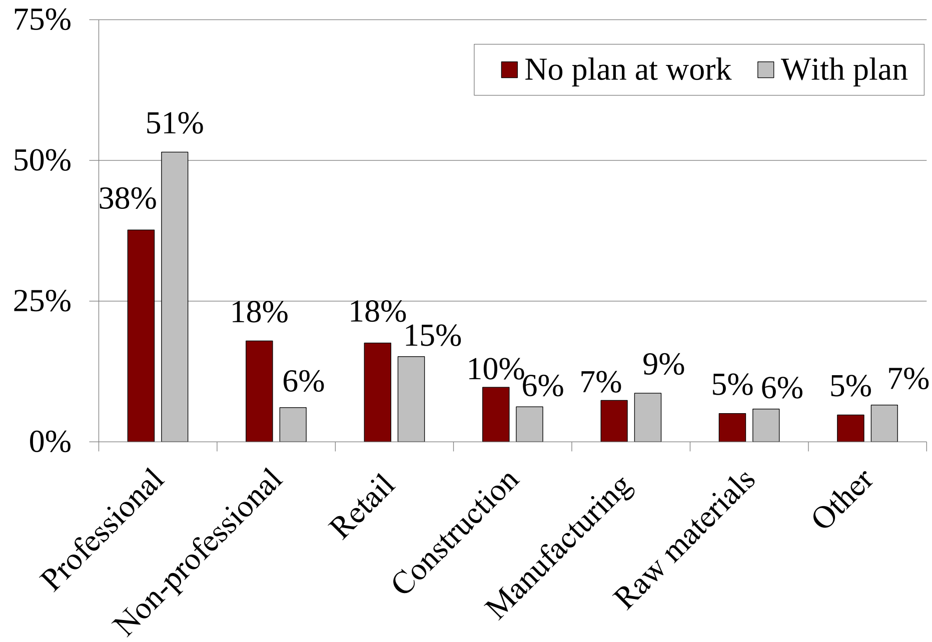
	New Mexico		United States	
	Not covered	Covered	Not covered	Covered
Financial situation				
Spend more than makes	27%	23%	25%	19%
Can come up with $2,000	35	75	42	79
Used unconventional credit sources	4	4	10	11
Interaction with the financial system				
Has checking account	80%	98%	81%	97%
Owns non-retirement investments	14	43	12	45
Owns a credit card	56	90	59	92
Uses online banking tools	79	93	81	90
Uses mobile banking tools	75	80	73	75
Financial literacy				
Understands compounding	67%	75%	61%	78%
Understands diversification	30	50	28	50
Learned about finance at school	15	21	18	25
Learned about finance at work	5	11	5	15

Note: A respondent is covered when they have a retirement plan through their employer or acquire privately.
Source: Authors' calculations from Financial Industry Regulatory Authority (FINRA) National Financial Capability Study (2018).

Industry, Mobility, Hours Worked, and Wages

In terms of industry, New Mexico employees with no plan at work are more likely to be employed in non-professional services, retail, and construction than their counterparts with a plan (see Figure 2). In addition, a significant portion of the uncovered also work in professional services.

Figure 2. *Industry Distribution of New Mexico Workers by Coverage Status, 2020*



Source: CRR calculations from the U.S. Census Bureau, *Current Population Survey, March Supplement* (2021).

Another important aspect of the labor market for uncovered workers is their financial vulnerability – they are more likely to work part time and earn less than covered workers. Part-time workers tend to be less attached to the labor force, so their participation in any retirement plan offered would likely be lower. Only 60 percent of workers in New Mexico with no plan at work are employed full time, compared to 95 percent of covered workers (see Table 2). Similarly, the median earnings of workers with no plan at work are $19,935 compared to $57,450 for covered workers. This greater degree of financial vulnerability is, in part, why most states have elected to offer auto-IRA programs with Roth IRAs rather than traditional IRAs, because workers are not charged a penalty if they need to withdraw their contributions for an emergency.

Table 2. *New Mexico Employee Earnings and Hours Worked by Coverage Status, 2019*

Hours	No plan at work		With plan	
	Share	Median earnings	Share	Median earnings
1-34	40%	$9,111	5%	$24,173
35+	60	27,142	95	59,147
Total	100%	$19,935	100%	$57,450

Source: CRR calculations from the U.S. Census Bureau, *Current Population Survey, March Supplement* (2020).

Job Mobility

Another factor that could affect the success of a marketplace program (as well as a payroll deduction IRA) in providing workers with stable coverage and sufficient account balances is the workers' own job mobility. For example, frequent shifts from employment to non-employment mean that individuals will not be contributing to their accounts on a steady basis, and some will need to withdraw assets to make ends meet. Perhaps a more serious concern is that workers who switch from job to job could also move from an employer that is participating in the marketplace to one that is not, a likely outcome for an initiative that may only attract a small sliver of employers to participate. To gauge how large of an issue work mobility is to New Mexico's Retirement Plan Marketplace, this analysis follows the same workers over time to see if, approximately one year later, they are working at the same employer, a different employer, or not working.

The results presented in Table 3 show that, not surprisingly, workers without a workplace retirement plan have less stable employment than covered workers. Specifically, they are more likely to exit their current job for another job one year later and more likely to exit to non-employment. The share of full-time workers without a plan going to a new job will likely be over 20 percent per year and the share of full-time workers leaving work for non-employment will be over 10 percent per year. These rates are broadly similar with the average for workers in the rest of the country.

Table 3. *One-year Mobility Rates for Workers in New Mexico and Rest of United States, by Coverage Status*

	No plan at work	With plan
I. New Mexico		
Same employer	63%	73%
New employer	22	17
Not working	13	8
Exit state	2	2
II. Rest of U.S.		
Same employer	64	79
New employer	25	15
Not working	10	4
Exit state	1	1

Note: For mobility estimates, unable to parse out employees by firm size.
Source: CRR calculations from the U.S. Census Bureau, *Survey of Income and Program* Participation (1996, 2004, and 2008).

Financial Capability

Another important issue is that, like uncovered workers nationally, uncovered workers in New Mexico are under greater financial stress than workers who are covered by an employer plan. Uncovered workers are also less familiar with commercial financial products and have less understanding of investment concepts. such as portfolio diversification.

These issues show up in several ways (see Table 4). First, more than one in four uncovered workers is spending more than they make and is unlikely to be able to contribute to a retirement plan without cutting their spending or taking on more debt. Second, only about one-third of uncovered workers can come up with $2,000, which suggests that participation in a retirement plan would be the first time many workers would have access to significant assets.

Table 4. *Financial Status and Literacy of New Mexico Workers by Coverage Status, 2018*

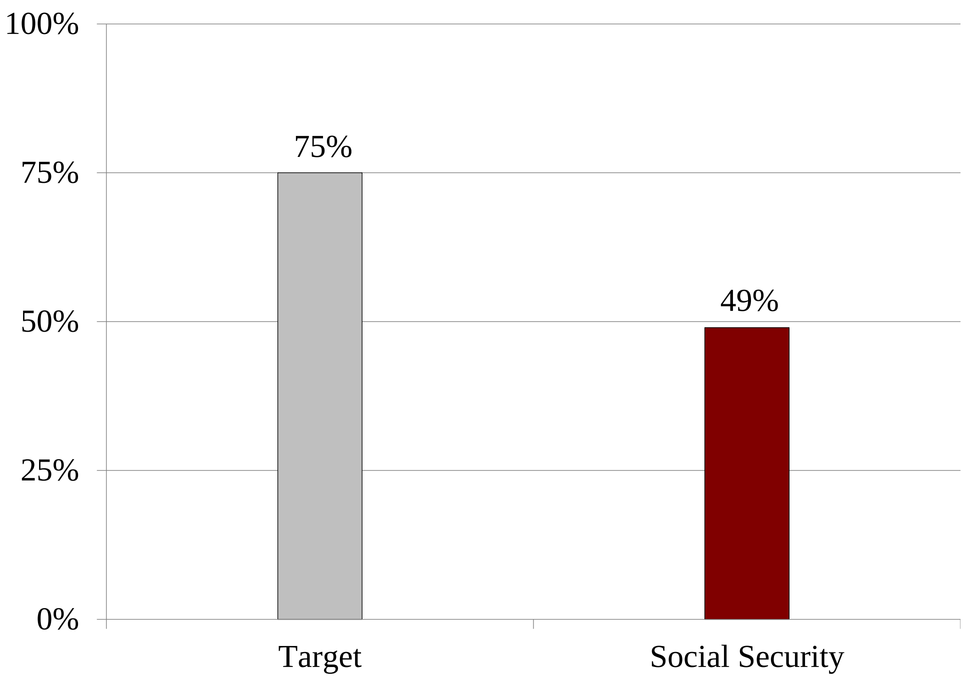
	Not covered	Covered
Financial situation		
Spend more than makes	27%	23%
Can come up with $2,000	35	75
Used unconventional credit sources	4	4
Interaction with the financial system		
Has checking account	80%	98%
Owns non-retirement investments	14	43
Owns a credit card	56	90
Uses online banking tools	79	93
Uses mobile banking tools	75	80
Financial literacy		
Understands compounding	67%	75%
Understands diversification	30	50
Learned about finance at school	15	21
Learned about finance at work	5	11

Source: CRR calculations from the Financial Industry Regulatory Authority (FINRA) *National Financial Capability Study* (2018).

Financial capability data offer other lessons for employers in New Mexico who contemplate participating in a Marketplace. One in five uncovered workers does not have a checking account and a similar share does not use online or mobile banking tools. Uncovered workers are also much less likely than covered workers to have a credit card or own any non-retirement investments. In terms of financial education, most uncovered workers struggle with understanding diversification, and a third appear to have trouble answering a question about compound interest. These findings suggest that a significant minority of uncovered employees may need help accessing their accounts and understanding how to carry out certain actions (like changing investments) in a retirement plan

Despite their limited financial resources and experience with financial institutions, uncovered workers do need to save additional income for retirement. While their low earnings allow them to benefit from the progressive structure of the Social Security system, Social Security alone will not provide adequate levels of replacement income. As shown in Figure 3, when a low-earner retires at age 65, Social Security will replace 49 percent of his pre-retirement earnings (and Social Security's Full Retirement Age reaches 67). This estimate is actually generous because it assumes continuous work from ages 25 to 65 and does not account for the fact that lower-wage workers are more likely to have gaps in their work history and claim benefits at younger ages. The 49-percent amount falls well short of a standard replacement rate target of 75 percent of pre-retirement earnings needed to maintain a typical worker's standard of living in retirement. Having access to a retirement plan would enable the currently uncovered to bridge the gap between Social Security benefits and target replacement rates.

Figure 3. *Target Replacement Rate and Replacement from Social Security (Assumes Continuous Work from Ages 25-65)*



Source: CRR illustrations and Clingman, Burkhalter, and Chaplain (2021).

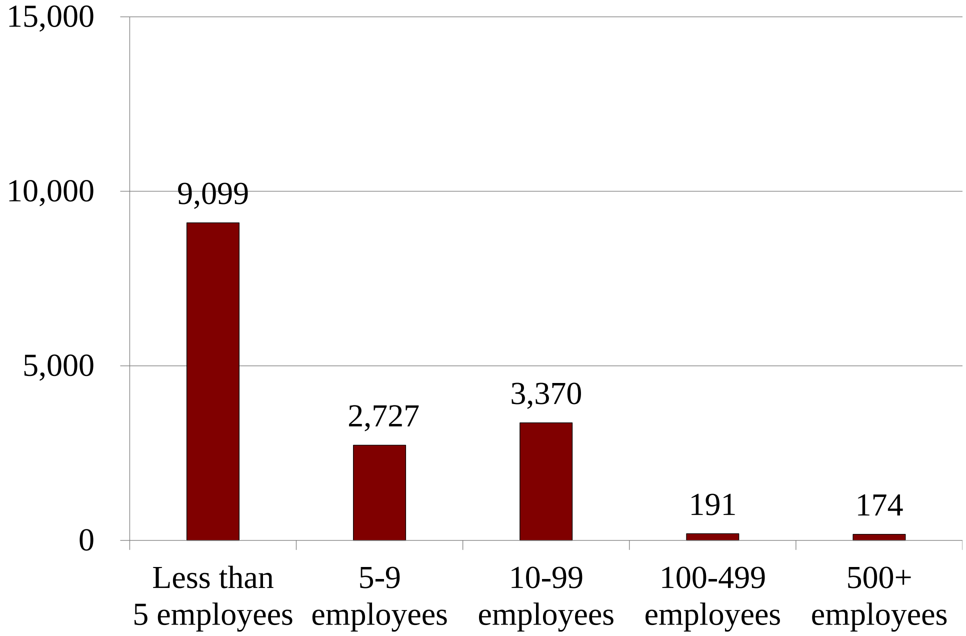
Employers

New Mexico's Retirement Plan Marketplace would be open to any employer without a retirement plan.[3] The data suggest that over 15,000 employers, mostly very small firms, fit this criterion (see Figure 4). Convincing these employers to participate in the Marketplace will likely pose a major challenge (as discussed in detail in the following section). At a minimum, the State

[3] The Marketplace could also be used by an employer that wanted to switch from a current plan to a Marketplace plan.

would need to plan for a robust communications campaign with enough resources to allow staff to conduct extensive tailored outreach to targeted groups.

Figure 4. *Number of Employers in New Mexico without a Retirement Savings Plan, by Number of Employees*



Sources: CRR calculations from the U.S. Census Bureau, *Statistics of U.S. Businesses* (2018); and the *National Compensation Survey* (2021).

Employer Response

The success of a New Mexico Retirement Plan Marketplace hinges on employer participation. National surveys of employers indicate general interest in helping employees save for retirement.[4] However, employer interest has not translated into action. Evidence from prior initiatives to help employers offer retirement plans suggests that few employers are likely to participate voluntarily. Four initiatives are particularly relevant: federal programs for small employers (SARSEPs, SIMPLEs, MEPs, and PEPs); U.S. Treasury's My Retirement Account (MyRA); Washington State's Retirement Marketplace; and Massachusetts' Connecting Organizations to Retirement (CORE) plan.

[4] State of Connecticut Retirement Security Board (2016).

Federal Programs for Small Employers

Federal policymakers have tried for decades to expand retirement plan coverage among small employers. Major initiatives include Salary Reduction Simplified Employee Pensions (SARSEPs), Savings Incentive Match Plans for Employees of Small Employers (SIMPLEs), and Multiple-Employer Plans (MEPs). All three initiatives have been focused on minimizing the cost and administrative duties required by small employers.

SARSEPs are IRAs with low start-up and ongoing costs that were designed to help employers with fewer than 25 employees establish affordable retirement plans. In addition to low costs, employers had minimal responsibilities and relied on a trustee to handle investment decisions, annual reports, and other administrative tasks. The Small Business Job Protection Act passed in 1996 discontinued the SARSEP program and introduced the SIMPLE program.[5]

The SIMPLE, an affordable retirement plan option for firms with up to 100 employees, offers a number of advantages.[6] First, once established, the SIMPLE is administered by the employer's financial institution and requires minimal responsibility from employers themselves (e.g., employers do not need to file an annual financial report). Second, firms can either match employee contributions or contribute a fixed percentage of pay without a direct contribution from employees. And third, most employers are eligible for a tax credit within the first three years after starting a plan.

MEPs, and more recently (PEPs),[7] allow employers to form a pooled 401(k) retirement plan.[8] A pooled account reduces the cost and fiduciary burden of sponsoring an individual

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[5] Internal Revenue Service (2021).

[6] Munnell, Belbase, and Sanzenbacher (2018).

[7] Until recently, current law discouraged the formation of multiple-employer plans in two ways. First, the Department of Labor required that plans be "tied together" by "genuine economic or representational interests," known as the "common bond" rule. A common bond refers to shared attributes such as the same industry or membership in the same trade organization. This regulation restricted the number of employers available for partnership, resulting in smaller groups of employers as well as smaller pools of assets. Second, once established, participating employers were separately tested for compliance with coverage and nondiscrimination provisions. A violation of these rules by one employer could disqualify the entire plan. This regulation was known as the "one bad apple" rule. To expand access to MEPs, the Setting Every Community Up for Retirement Enhancement (SECURE) Act – signed into law in December 2019 – eliminated the "one bad apple" provision for MEPs and bypassed the "common bond" rule by creating a new variant of MEPs, known as Pooled Employer Plans or PEPs. Both changes, which went into effect in January 2021, are designed to make multiple-employer arrangements more accessible to small employers.

[8] Some MEPs represent the traditional notion of small employers linked together by a common bond, such as the South Dakota Association of Community Based Services. But both the largest defined benefit and defined contribution MEPs are sponsored by General Electric, whose various divisions (e.g. health care, aviation) operate separately and are brought together for retirement plan purposes under a MEP (GAO 2012a).

401(k) plan for a small employer. Specifically, a MEP/PEP can file one Form 5500, purchase one ERISA fidelity bond, and have a single audit for the entire plan. In a non-MEP/PEP arrangement, each employer would generally have its own Form 5500, bond, and audit. The administrative burden is particularly reduced for firms with fewer than 100 participants.[9] The fiduciary responsibility of participating employers is generally limited to selection and oversight of the person operating the plan. Despite the advertised advantages, the take-up of MEPs to date has been limited. And while some observers hope that PEPs, which eliminate the "one bad apple" provision and bypass the "common bond" requirement, would make pooled arrangements more accessible to small business, many experts do not expect these changes to significantly expand the take-up of these plans. Indeed, the Congressional Budget Office and the Joint Commission on Taxation estimate that PEPs would reduce government tax revenues by about $3.4 billion, or less than 2 percent of the total forgone tax revenue for retirement assets.[10] Even if the take-up for PEPs were stronger than predicted, it is unclear whether the take-up would come from employers that did not offer a plan or employers that switched from offering their own plan to a PEP.[11]

In summary, despite the advantages of these federal initiatives, the trend data on coverage indicate that simplifying plan design has not led to a significant expansion of coverage (see Figure 5). As of 2016, fewer than 6 percent of U.S. households owned any type of employer-sponsored IRA (SEPs or SIMPLEs); and, as of 2014, MEPs represented less than 1 percent of all retirement plans reported in the Form 5500.[12]

[9] Morse (2014).
[10] CBO (2019), JCT (2019) and calculations using OMB (2021).
[11] DOL (2021)
[12] Chen and Munnell (2017) and Munnell, Belbase, and Sanzenbacher (2018).

Figure 5. *Percentage of Workers Ages 25-64 Participating in an Employer-Sponsored Retirement Plan, 1989-2019*

Note: Data include public sector workers as well as private sector workers, which understates the size of the coverage gap that exists in the private sector.
Source: U.S. Board of Governors of the Federal Reserve System, *Survey of Consumer Finances* (1989-2019).

U.S. Treasury's My Retirement Account (MyRA)

A second example of employers failing to take advantage of a low-cost retirement saving option comes from the U.S. Treasury's experience with the MyRA program, which began with an initial pilot in 2014 and launched nationwide in 2015.

MyRAs were Roth-IRAs positioned as starter accounts for those without coverage at their current employer.[13] Contributions were made with after-tax dollars that could be withdrawn tax-free at any time. Earnings could be withdrawn tax-free after age 59½. To protect new savers, accounts had no fees, and the Treasury constructed a security that preserved the principal and paid the same interest rate as the Government Securities Investment Fund used in the federal government's retirement system for its own employees. As of 2016, MyRAs were available to anyone with an annual income under $134,000 ($194,000 for couples).

[13] Munnell, Belbase, and Sanzenbacher (2018).

To avoid placing any burden on employers, their only task was to decide whether to offer the account and then to make payroll deductions for any employee who chose to participate. Employers were not required to administer the accounts or contribute to them. To avoid burdening – or competing with – financial services firms, the Treasury administered the accounts (in collaboration with a private sector bank) when they were small and, if the program had matured, would then have turned them over to the private sector once balances exceeded $15,000 (or after 30 years, whichever came first).

Employees could contribute to the account through automatic direct deposit through their employer, one-time or recurring contributions from a checking account, or direct deposit of all or part of their tax refund. Despite the program's multiple access points, lack of fees, and preservation of principal, take-up was only about 30,000 accounts (nationally). Of the 30,000 accounts registered, 20,000 had a balance and 10,000 had no balance.[14] The Treasury Department discontinued the program in 2018.

Washington State's Retirement Marketplace

In 2015, the Washington State Legislature passed legislation establishing a Small Business Retirement Marketplace (SB 5826) to help employers with fewer than 100 employees find a high-quality retirement plan with reasonable fees.

Washington's Marketplace is an online portal that connects employers to low-cost retirement plans. The retirement plans listed on the Marketplace are verified and approved by Washington State officials. Each plan listed cannot charge administrative fees to employers and cannot charge enrollees more than 100 basis points annually. The website links employers directly to the provider's site, and employees work directly with the provider to enroll in a plan. The program is administered by the State's Department of Commerce and participation is voluntary for both employers and employees.

Washington's Retirement Marketplace launched in March 2018, and – while surveys of small employers indicate support of a marketplace approach – employer take-up in Washington has been dismal.[15] Based on the program's December 2020 report, after more than two years in

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[14] Bernard (2017) and Miller (2017).

[15] Forty-three percent of employers in a 2017 Pew survey considered a marketplace approach to be "very helpful," and another 43 percent considered the approach "somewhat helpful."

operation, only 16 employers had signed up with a total of just 96 employees enrolled – less than one percent of the eligible population.[16] At this time, three providers – Aspire, Finhabits, and Saturna – currently offer plans. While the program was initially limited to employers with fewer than 100 employees, it has since opened up to employers of any size, as well as individuals wishing to open an account on their own.

In addition to providing expectations on employer participation levels, Washington's experience highlights the costs of a marketplace approach. At the program's launch, the budget for Washington's Retirement Marketplace covered two full-time employees and a small amount for marketing and outreach. For marketing, Washington relied on partnerships with other State programs as well as social media and online campaigns. The program recently acknowledged it significantly underestimated the budget and time required to effectively market the program.[17] Currently, the Marketplace has one full-time employee and the remaining budget has been shifted to enhancing communication efforts.

Massachusetts' Connecting Organizations to Retirement (CORE) plan

In 2017, Massachusetts launched the CORE program – a State-run multiple-employer 401(k) plan designed for non-profits (registered 501(c) organizations) with 20 or fewer employees. The plan is voluntary for employers and employees are auto-enrolled, with the option to opt-out. To reduce the burden associated with offering a retirement plan for employers, most administrative and investment responsibilities are held by the Office of the State Treasurer and Receiver General. However, employers must pay a one-time installation fee equal to $2,500, as well as additional annual fees for compliance and plan administration.[18]

Once an employer signs up, its employees are automatically enrolled in a plan with a default contribution rate of 6 percent, auto-escalating to 12 percent.[19] Employees can reduce their contribution rate or opt out at any time, and employers can elect to make contributions. A $65 flat annual fee is charged to employee accounts for general administration; in addition, the employee pays investment management fees that vary by the investment fund chosen.

[16] Washington State Department of Commerce (2020).
[17] Washington State Department of Commerce (2019).
[18] Massachusetts Budget and Policy Center (2018).
[19] Employee contributions increase by 1 or 2 percent annually depending on the employer's election.

As of June 2021, after about four years in operation, 110 employers and 750 employees are currently registered in the program.[20] These employees represent about 2.7 percent of Massachusetts employees working in small non-profits. The result reflects the general disinterest of small employers in voluntarily adopt a retirement plan.

Marketplace Design

Drivers of Employer Demand

The outcome of these voluntary studies is not surprising given that – in addition to cost and administrative concerns – other challenges deter small businesses from offering plans.[21] Employers cite both employee-related and business-related concerns.

Employee-related concerns include having too few employees and a perceived lack of employee interest. A survey of 1,600 small- and medium-sized employers indicates that one-third of employers do not think their employees want a retirement savings program.[22] Additional surveys of small employers indicate that employees at small firms prefer increases in wages or other benefits such as health insurance in place of a retirement plan.[23] A significant proportion of small employers also report disinterest in starting a plan because a large portion of workers are seasonal, part-time, or have high turnover.[24]

Business-related concerns include the length of time in business, uncertain profitability, and the expense of providing an employer match. Small employers – especially start-ups – rely heavily on the personal investment of owners as well as bank credit. Because operating revenue can be uncertain from one year to the next, providing retirement benefits is difficult from a budgeting perspective and a low priority relative to other business concerns.[25] A significant proportion of small employers report that an increase in profits would be required to increase their interest in starting a plan voluntarily.[26]

All the existing evidence suggests that New Mexico's employers will also have limited interest in New Mexico's retirement plan marketplace, since it not does not address the main

[20] Personal communication with MA CORE staff (2021).
[21] AARP (2016; 2019); Scott (2017); Sharebuilder Advisors, LLC (2007); and EBRI (2003).
[22]Scott (2017).
[23] EBRI (2003).
[24] GAO (2012b).
[25] GAO (2012b) and Lichtenstein (2010).
[26] Scott (2017) and GAO (2017).

reasons why employers are hesitant to provide a plan – low employee tenure and operating revenue volatility. Only an employer mandate and auto-IRA would alleviate administrative and cost burdens of providing the plan from the employer and provide short-tenure seasonal or part-time employees with coverage, if they switch jobs within the state.

Drivers of Interest from Plan Administrators

In order for a marketplace to be viable, not only do employers need to participate but administrators also have to offer their plans. To be listed on the marketplace, providers will have to be screened and agree to caps on how much in fees they charge. Many providers in the financial service industry are opposed to fee caps.[27] Larger providers that currently offer low fee options may not have as much interest in joining the State's Marketplace since they already hold a large share of the retirement marketplace. The three largest providers, Fidelity, Empower, and Vanguard, combined hold more than half of total 401(k) retirement assets and also show up among the first results in a quick Google search for "small business retirement plan".[28]

Design Options

A key takeaway from the experience with voluntary initiatives is that retirement plans need to be "sold" to employers, so increases in marketing budgets are required to gain meaningful signups. Some providers may be willing to join if the fee caps were increased to 125 to 150 basis points, higher than the current cap but lower than what is typically offered to small employers.[29] A marketplace in conjunction with a mandatory Auto-IRA could incentivize administrators to cross-sell their 401(k)s, but this could also increase the cost neutral timeline for the Auto-IRA. Finally, it is possible that a local plan administrator that is familiar with the concerns of local employers and specializes in providing plans to small employers, which account for a large proportion of uncovered workers, may be more willing to engage. While these options could slightly improve participation in a retirement plan marketplace, the initiative is unlikely to increase coverage like an employer mandate coupled with an auto-enrollment would.

[27] Conversations with plan administrators.
[28] PlanSponsor (2021).
[29] Conversations with plan administrators and Brightscope (2021).

Table 5. *Total Projected Startup Costs for New Mexico Work and $ave IRA Program and Marketplace*

	IRA program	Marketplace
Marketing/outreach	$174,750	$174,750
Program consultant	165,000	60,000
ERISA attorney	38,000	2,000
Web developer/operator	12,000	113,000
Investment consultant	120,000	17,500
Other/ contracts	11,250	11,250
Salaries	279,560	279,560
Total	$800,560	$658,060

Note: Costs are for FY 20-24
Source: *Data from New Mexico Work and $ave*

Despite the limited effect on coverage, establishing a retirement plan marketplace would still require start-up investments. Start-up costs for establishing marketplace in New Mexico is estimated to be 80 percent of start-up costs of launching an IRA program (see Table 5).

Conclusion

The State of New Mexico is introducing a Retirement Plan Marketplace to help improve employee retirement security. The Marketplace would provide employers without a retirement plan access to low-cost retirement plans through an online portal. The key question is how many employers would voluntarily participate and whether administrators want to list their plans.

While national surveys of small employers indicate general interest in helping employees save for retirement, this interest has not translated into action. Results from federal initiatives, Washington State's Retirement Marketplace, and other voluntary retirement programs suggest that few employers are likely to participate in the absence of an employer mandate. Preliminary outcomes from Washington's Marketplace and Massachusetts' CORE plan indicate that less than 1 percent of employees at eligible employers are currently enrolled. Results from national programs validate these findings, and suggest that employers have little interest in voluntarily starting a plan, even when minimal responsibility is required. At the same time, few administrators may find it attractive to list their plans on the marketplace, due to fee caps and other requirements.

While New Mexico employees without a plan at work cannot rely on Social Security alone, the evidence to date suggests that employer participation in a marketplace will not be substantial enough to move the needle.

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