

Presentation to the Connecticut Retirement Security Board: Update on Market Surveys

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Agenda: Provide an update on two facets of CRR's ongoing analysis

1. Employee market survey pre-test

- Characteristics of respondents
- Results
- Problems identified and addressed

2. Employer phone survey

- Lessons learned from focus groups
- Current status

Overview of employee market survey

- Survey designed to determine:
 - the share of potential participants that may opt out under various program designs; and
 - the characteristics of those who will opt out and why.
- Potential participants include individuals who are:
 - 1) working in the private sector; and
 - 2) whose employer does not offer a retirement plan.

Employee market survey pre-test: sample

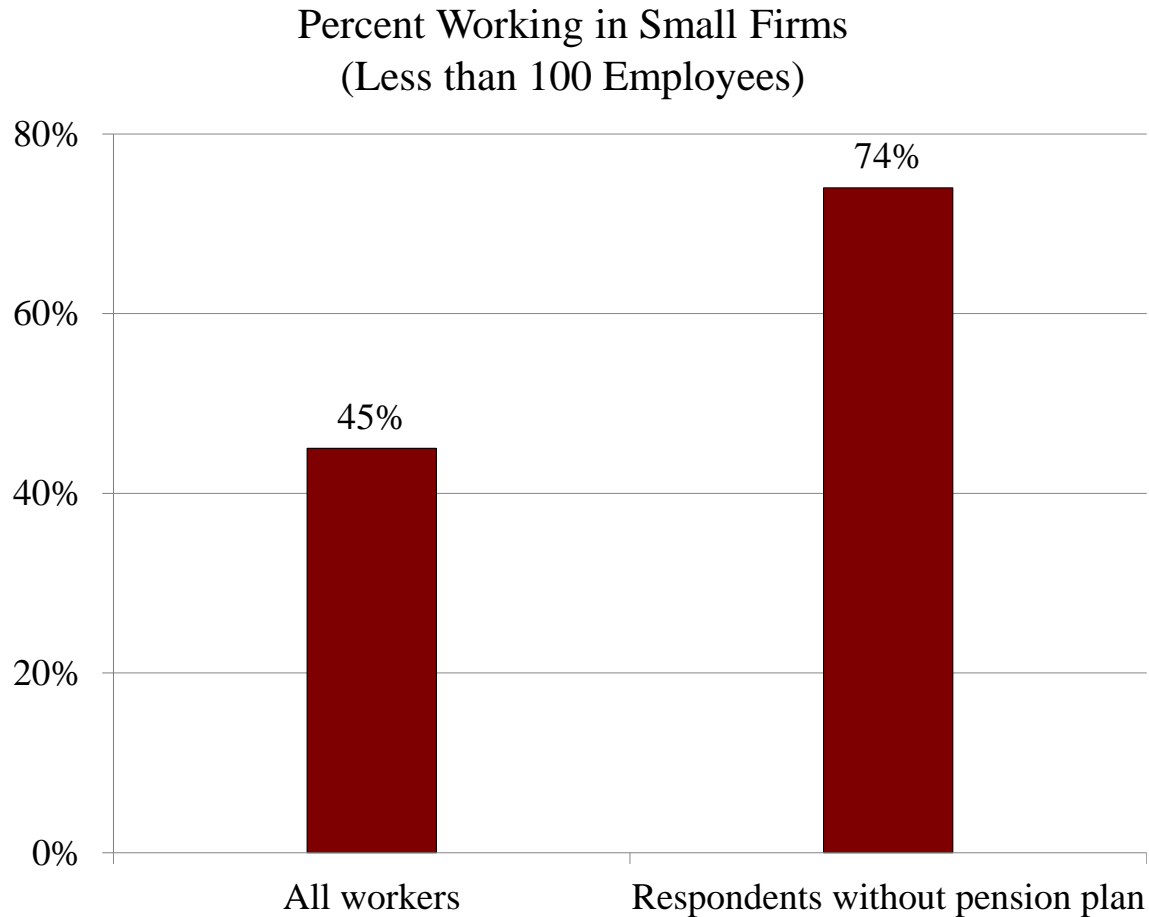
- A total of 481 individuals were interviewed as a pre-test to examine data quality.
 - 213 (44%) did not respond;
 - 218 (45%) had a retirement plan at work; and
 - 50 (11%) met the qualifications for inclusion in the study.

Respondents not offered retirement plan younger, poorer, less likely to have families.

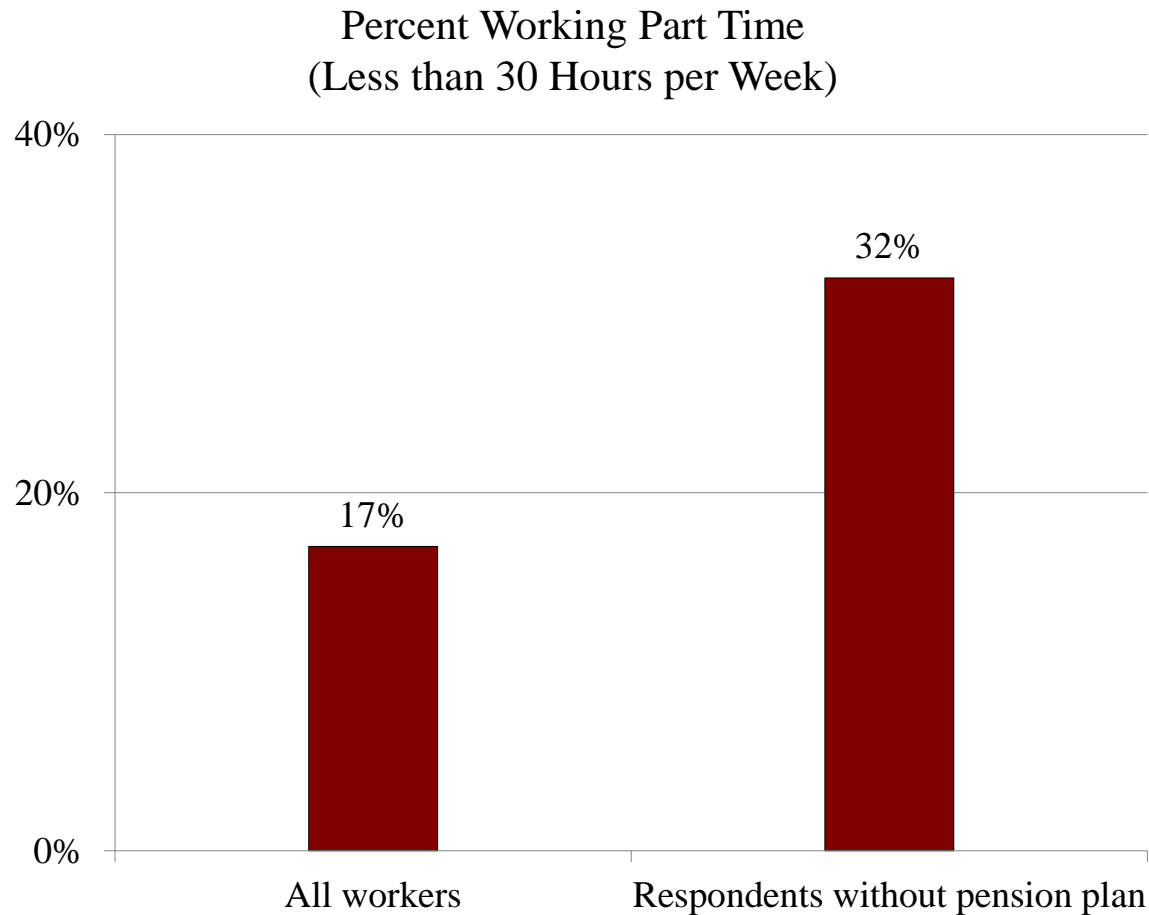
Comparison of Non-Respondents, All Respondents, and Qualified Respondents

	Non-respondents	Respondents	
		All	Without retirement plan
Observations	213	268	50
Average age	39	44	37
Female	51%	54%	54%
Married	54%	54%	22%
With children	42%	31%	22%
African American	13%	7%	10%
Median income range	\$60-75,000	\$75-85,000	\$60-75,000

As expected, respondents not offered pension plans tend to work for smaller firms.



Also as expected, respondents not offered pension more likely to work part time.

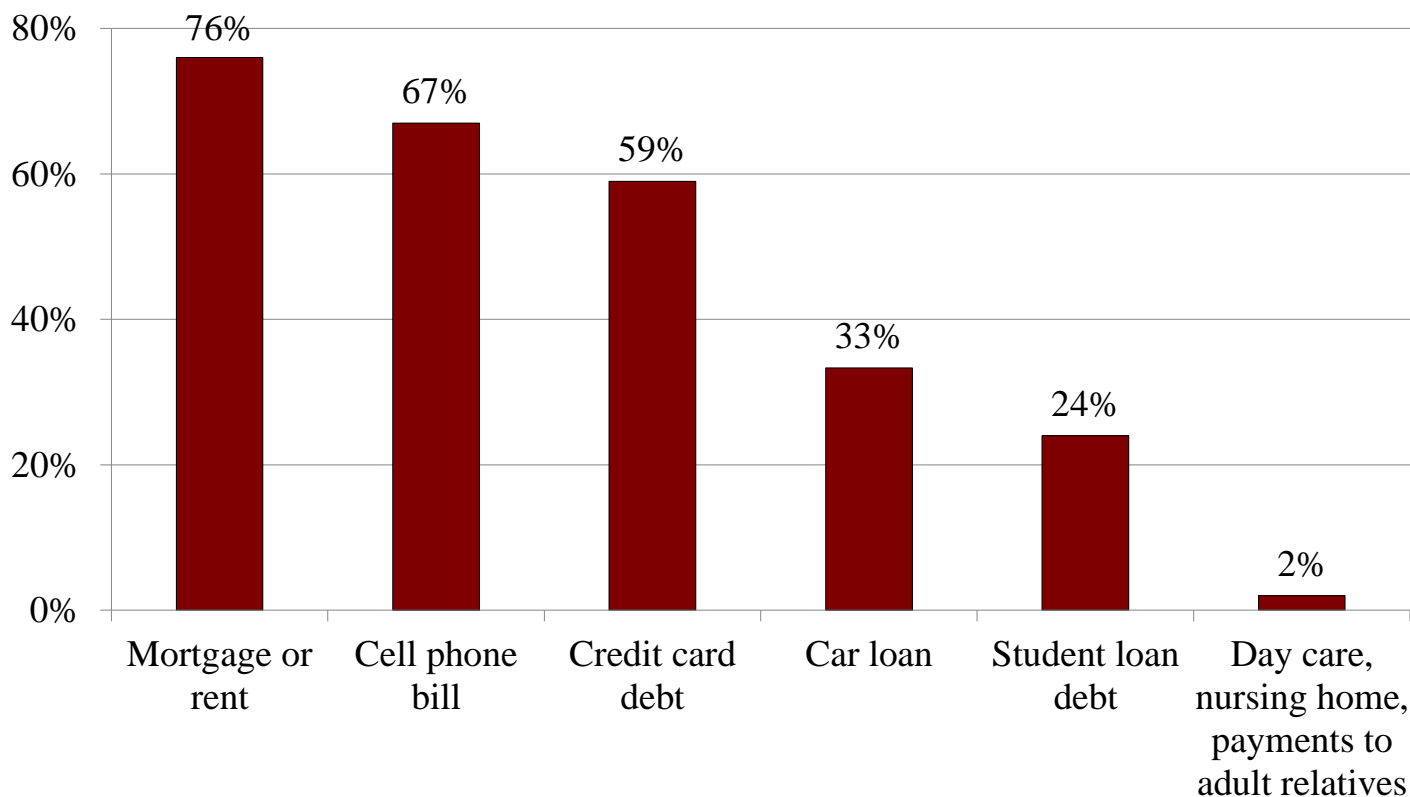


The good news: Only 10 of the 50 respondents without a retirement plan at work chose to opt out of the basic plan.

Example of Explanations for Decisions

Respondents opting in	Respondents opting out
I can get my money out at any time.	I can do much better on my own, unless the company offers matching.
I'm concerned about the future, and I wouldn't have to do anything to start it.	Anything the government will do is a recipe for disaster.
Need a retirement income other than Social Security.	Because it is my business.
Nice savings opportunity, no penalties and can opt out.	I would prefer to invest the money on my own through a mutual fund [provider] such as Fidelity.
Earnings tax-free; change the contribution; no penalty if you make withdrawal.	I would like to handle my finances myself with a bank and program that I choose.
I need to save for retirement.	I need all my money NOW.
I'm lazy; my employer has done the leg work; I can withdraw all of it at once without penalty.	Not ready for any retirement programs as of yet paying to get through college.

Low opt out is despite many having debt or monthly payments.



Problem #1: Just 19% (50/268) of respondents had employer with no plan.

- *Possible explanation:* Respondents may confuse Social Security for retirement plan.
 - *Response:* Eliminated option that an employer offered a plan other than a DB or DC.
- *Possible explanation:* Respondents may say they have access due to own IRA.
 - *Response:* Eliminated “Simple IRA” as an example of DC.
- *Possible explanation:* Some public sector workers included.
 - *Response:* Eliminated these workers from sample.

Problem #1: Changes increased percent without plan to 30% vs. expected 45-50%

- *Possible explanation:* Connecticut's legislation, and hence our sample, focuses on workers at employers that don't offer plans.
 - But 11% to 16% of workers work for an employer who offers a plan but they are not covered.
- *Implication:* Overall sample size cut from 4,400 to 3,000 for target analyses, leaving two options:
 - 1) Reduce sample size per feature from 400 to 270; or
 - 2) Cut 3 features to be tested to achieve close to 400 per tested feature.

Problem #2: High non-response for three questions.

- *Question 1*: “Would you consider rolling over money from other retirement accounts into state-sponsored program.”
 - *Response*: Have dropped this question from survey.
- *Questions 2 & 3*: Pertaining to access to other retirement accounts and debt/monthly payments.
 - *Response*: High non-response because “don’t know” or “none” were not options in the pre-test, so have been added.

Problem #3: 12% provided income data that suggested an hourly or bi-weekly amount.

- *Response:* Added a pop-up box shown to respondents who enter less than \$1,000 asking them to provide an *annual* amount.

Summary

- The pre-test yielded encouraging results.
 - Demographic and employment characteristics of those without a plan consistent with expectations.
 - The opt-out rate of 20% is consistent with the literature and explanations for decision seem reasonable.
- A few problems arose in the pre-test which were corrected.
- Current situation requires reducing sample size per feature or cutting number of features tested.

Employer phone survey: lessons from focus groups.

- *Problem:* Participants had difficulty understanding plan.
 - *Response:* the plan description was shortened.
- *Problem:* “Gut reaction” to a general plan to expand coverage did not provide useful responses.
 - *Response:* Eliminated questions and put program specifics before request for reactions.
- *Bonus:* Elimination of “gut reaction” questions allowed additional focus on employer concerns.

Employer phone survey: current status

- Updated questions were approved by sub-committee.
- Nielsen has taken the updated questions and written the phone survey script, so the survey is ready to field.
- CRR expects Boston College IRB final approval in a week.