

# *Presentation to the Connecticut Retirement Security Board: Employee Enrollment Experiment*

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# Background

- The main goal of the employee survey is to estimate the effect of program design on opt-out rates.
- 2,757 participants have responded to the employee survey so far, enough to report:
  - Overall opt-out rate;
  - Opt-out rate (across all scenarios) by demographics; and
  - Differences in opt-out rates due to program design.

# The bottom line: uncovered workers in the experiment behaved like covered workers in the real world.

- Approximately 20 percent of the participants opted out.
- Minorities, women, and young workers opted out at lower rates than whites, men, and older workers.
- Opt-out rates did not differ between scenarios with 3-percent and 6-percent default contribution rates.

# Opt-out rates increase with age.

Age group	Opt out	Total	% Opt out
18-24	38	236	16.1 %
25-34	97	569	17.0
35-44	81	404	20.0
45-54	115	562	20.5
55-64	170	702	24.2
65-74	83	248	33.5
75+	11	36	30.6
Total	595	2,757	21.6

*Source:* Authors' calculations from survey.

# Opt-out rates decrease with income.

Household income	Opt out	Total	% Opt out
Less than \$25,000	135	540	25.0%
\$25,000-\$50,000	174	776	22.4
\$50,000-\$75,000	120	566	21.2
\$75,000-\$100,000	77	420	18.3
More than \$100,000	89	455	19.6
Total	595	2,757	21.6

*Source:* Authors' calculations from survey.

# Minorities opt out at a lower rate.

Race	Opt out	Total	% Opt out
White, non-Hispanic	486	2,073	23.4 %
Black, non-Hispanic	36	217	16.6
Hispanic	47	312	15.1
Other	26	155	16.7
Total	595	2,757	21.6

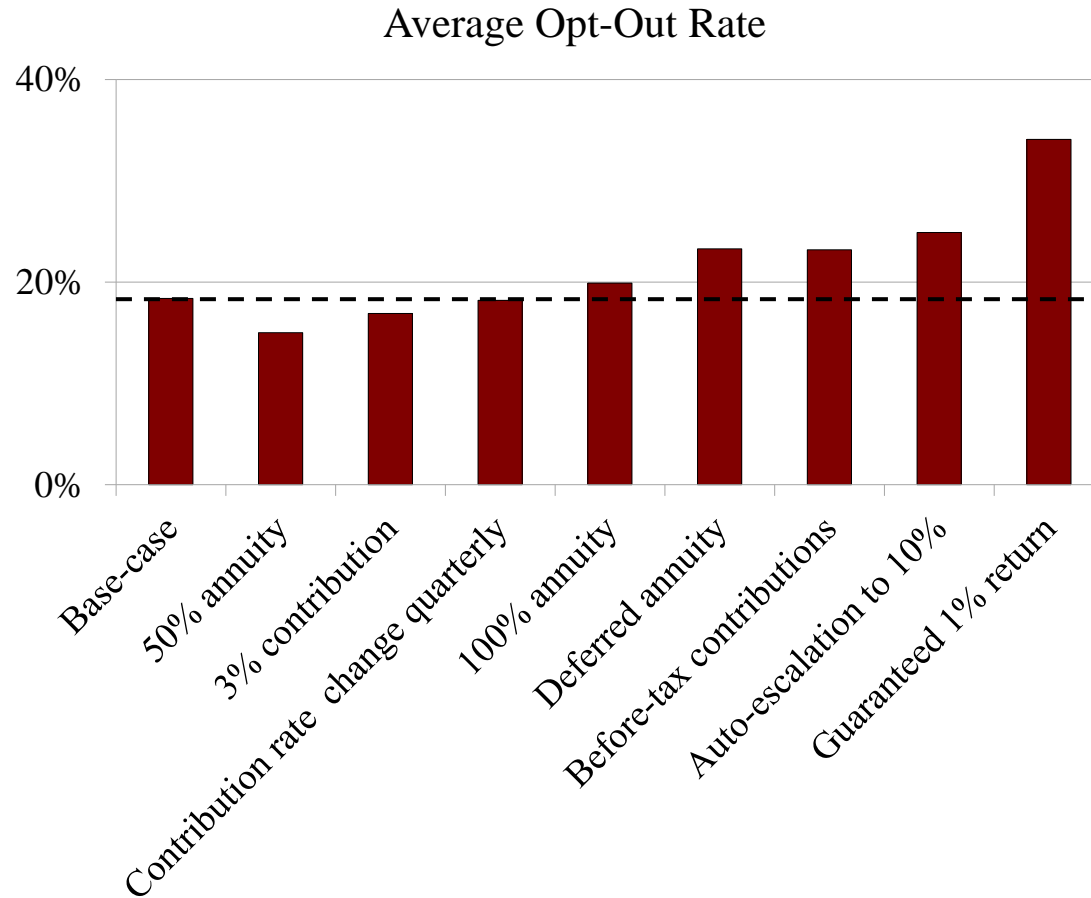
*Source:* Authors' calculations from survey.

# Women opt out at a lower rate.

Gender	Opt out	Total	% Opt out
Male	234	971	24.1 %
Female	361	1,786	20.2
Total	595	2,757	21.6

*Source:* Authors' calculations from survey.

# Opt-out rates vary from the base-case when program design is changed.



Source: Authors' calculations from survey.



# Which benefit designs influence opt-out?

- We compare the base-case to each scenario using linear regression.
- We control for age, income, gender, and race.
- The statistical significance of the difference in opt-out rates is used to assess the likelihood that the observed difference is due to chance.

# Base-case

*Imagine you're offered the chance to participate in a retirement program at work. Please read the information about the program offered (below) and select the choice you'd likely make if this program were offered to you in reality.*

Your employer will automatically deduct a contribution each paycheck (just like it does for Social Security), and deposit the money into a retirement account in your name. Your savings will be invested and grow over time to provide you with income in retirement. Some important features of this program:

- 6 percent of your pay, or \$60 per every \$1,000 you earn, will be deducted and deposited into your account. You can change how much you contribute to your account once a year and can stop contributing at any time by opting out of the program.
- The money will be invested in a fund appropriate for someone your age, managed by a private company selected by the State of Connecticut.
- You can withdraw your contributions without penalty at any time; you pay taxes on your contributions up front.
- You can access *all* of your account balance (contributions plus investment earnings) without penalty or taxes when you retire.

Detailed information on the program can be found [here](#).

# Effect of default contributions on opt-out

*From a baseline opt-out rate of 18.4 percent:*

- +3.4 percentage points if pre-tax contributions (marginally statistically significant).
- +5.9 percentage points if contribution rate automatically escalates from 6 percent to 10 percent (statistically significant).
- -2.3 percentage points if default contribution rate is 3 percent (not statistically significant).
- -0.8 percentage points if contribution rates can be changed quarterly (not statistically significant).

# Effect of withdrawal options on opt-out

*From a baseline opt-out rate of 18.4 percent:*

- + 4.4 percentage points if 15 percent of assets are used to buy a deferred annuity (marginally statistically significant).
- - 4.0 percentage points if 50 percent of assets are used to buy an immediate annuity (marginally statistically significant).
- +0.1 percentage points if 100 percent of assets are used to buy an immediate annuity (not statistically significant).

# Effect of guarantee on opt-out

*From a baseline opt out rate of 18.4 percent:*

- + 14.1 percentage points if presented with the statement: *“Your assets will be guaranteed to grow by at least 1 percent per year. Your assets will be unlikely to grow by more than the guaranteed 1 percent.”* (statistically significant)

# Next steps

- CRR will complete additional analysis when all the data are in.
  - Reason for low incidence of uncovered workers
  - Results weighted to Connecticut's uncovered workers
  - Opt-out rates by financial conditions (e.g. high debt)
  - Interaction between demographics and benefit design
  - Revised statistical significance – findings that are marginally significant may become more significant
- Written report