

Presentation to the Connecticut Retirement Security Board: Employer Phone Survey

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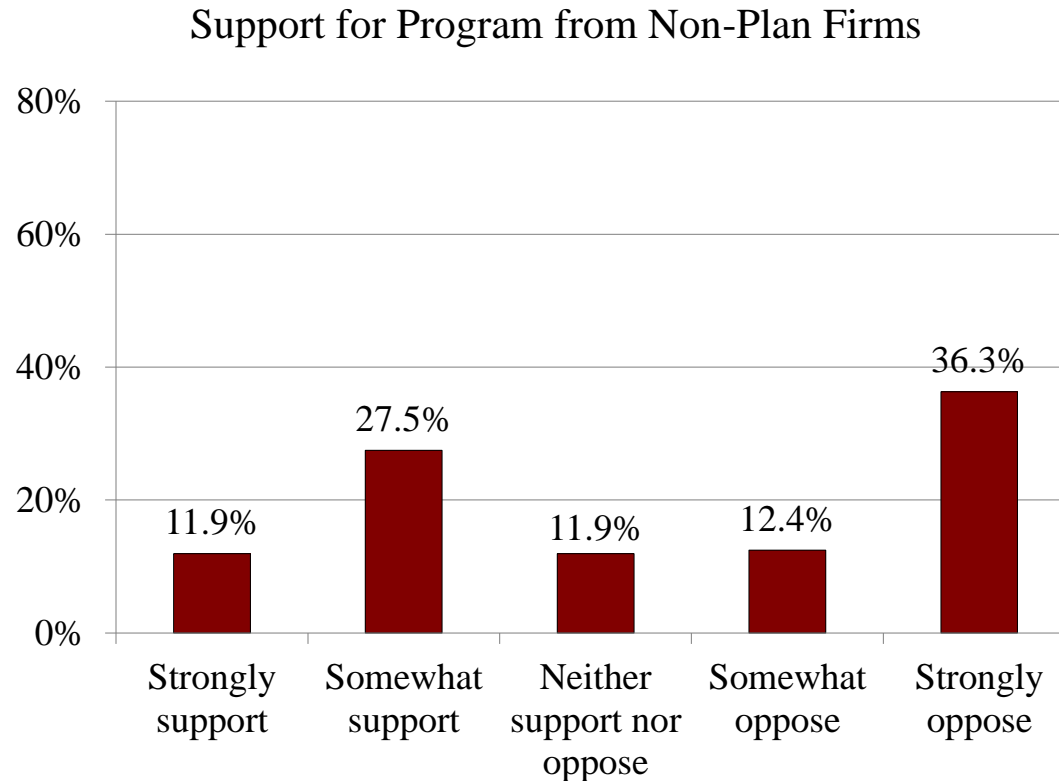
The employer phone survey was designed to study two groups of firms.

1. Firms without retirement plans, to find out:
 - level and drivers of employer opposition to program and ultimate employer message to employees; and
 - any practical concerns for small employers involving payroll management.
2. Firms offering plans, to find out:
 - desire to enroll non-eligible workers in the state program; and
 - likelihood to switch own plan for the state's program.

The sample included 199 firms without a plan and 201 with a plan.

- The sample was drawn from the Dun & Bradstreet database.
- Private-sector firms with under 100 employees were targeted.
- As expected, sampled firms without a retirement plan were smaller than those with a plan.
 - 92.5 percent of firms without a plan had fewer than 30 employees, compared to 52.5 percent of firms with a plan.

Overall support for program mixed among non-plan firms – about 50 percent oppose.



Note: Excludes six respondents who answered “Don’t know” or “Refuse.”

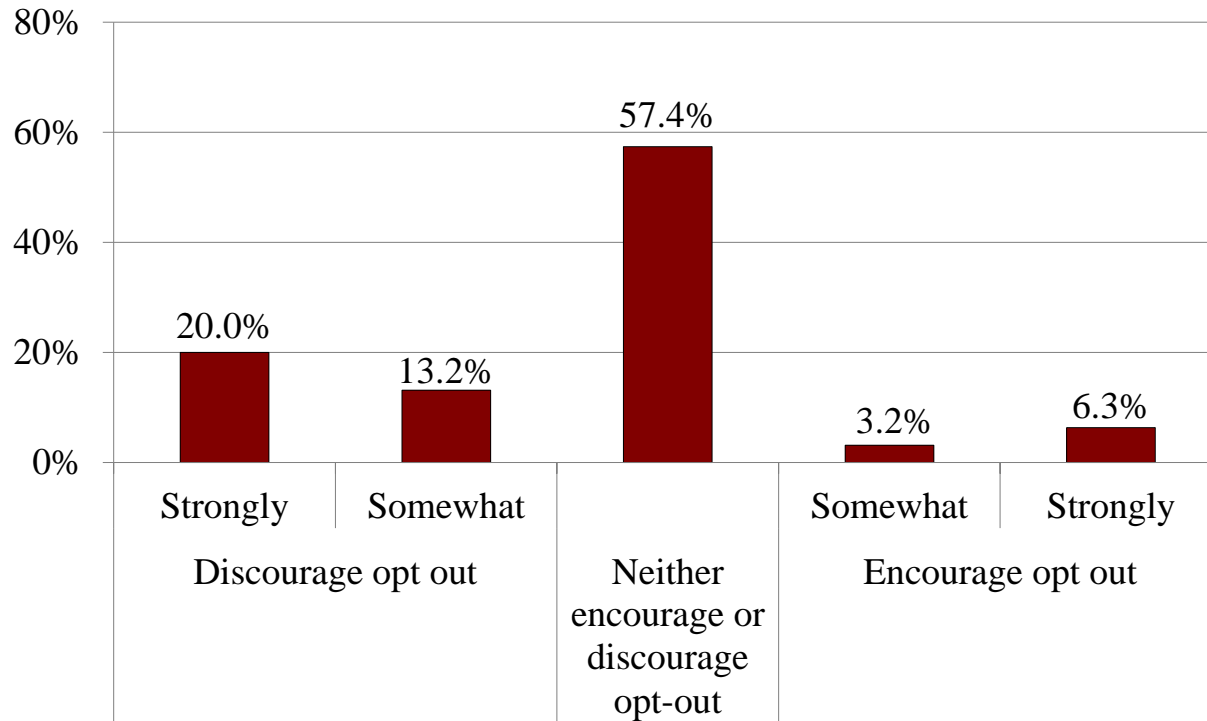
Source: Nielsen Phone Survey of Connecticut Employers.

Among non-plan firms, management is more likely to support the program than owners.

- 51 percent of the 58 managers surveyed supported the program, 39 percent opposed.
 - Only 21 percent of managers strongly opposed the program.
- 35 percent of the 141 owners or part-owners supported the program, 53 percent opposed.
 - 43 percent of owners strongly opposed the program.

Fortunately, opposition to program does not translate to employers encouraging opt-out.

Share of Non-Plan Firms Discouraging/Encouraging Opt Out

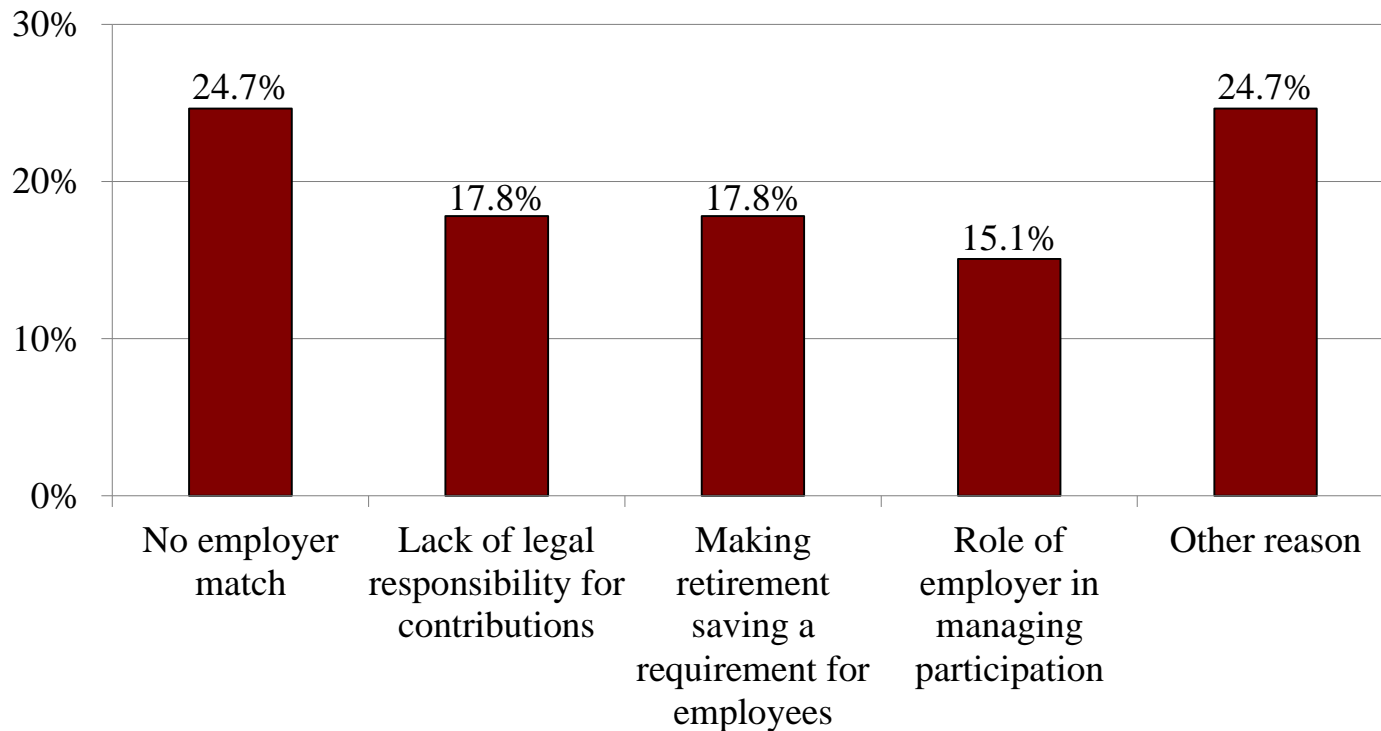


Note: Excludes nine respondents who answered "Don't know" or "Refuse."

Source: Nielsen Phone Survey of Connecticut Employers.

Among those supporting, opinion driven by limited role of employer in program.

Single Largest Reason Program Supported by Non-Plan Firms



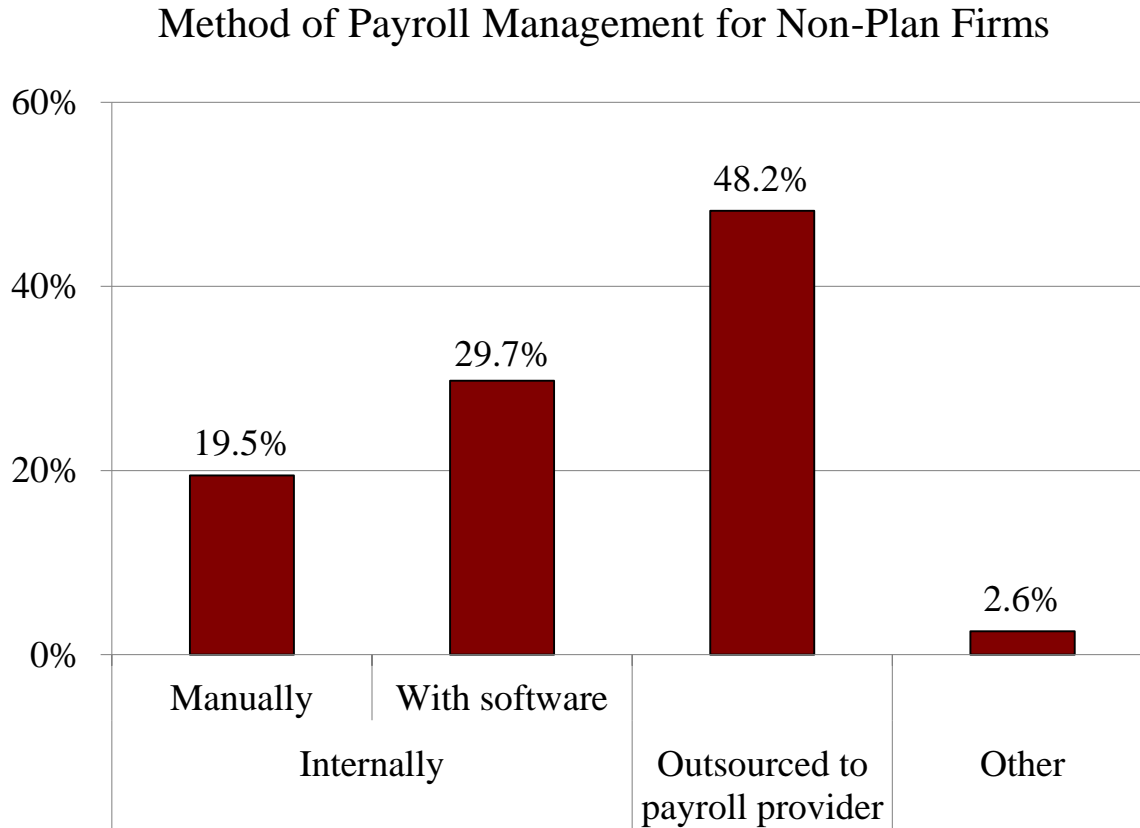
Note: "Other" verbatim responses: "low cost/easy access for employers," "voluntary aspect of program," and "like as option for employees."

Source: Nielsen Phone Survey of Connecticut Employers.

Opposition was driven by mandate and opposition to any state-run program.

- 46 percent of those opposing said, “Making retirement savings a requirement,” was the most important reason.
- 38 percent did not pick any of choices provided, but many provided verbatim responses with 2 broad themes:
 - State should not mandate employer participation; or
 - Any state-run program will be a failure.
- This reasoning may be why 48 percent of firms indicated they would try to find a private-sector provider following mandate.

One concern is administration may be hard for non-plan firms that manage own payroll.

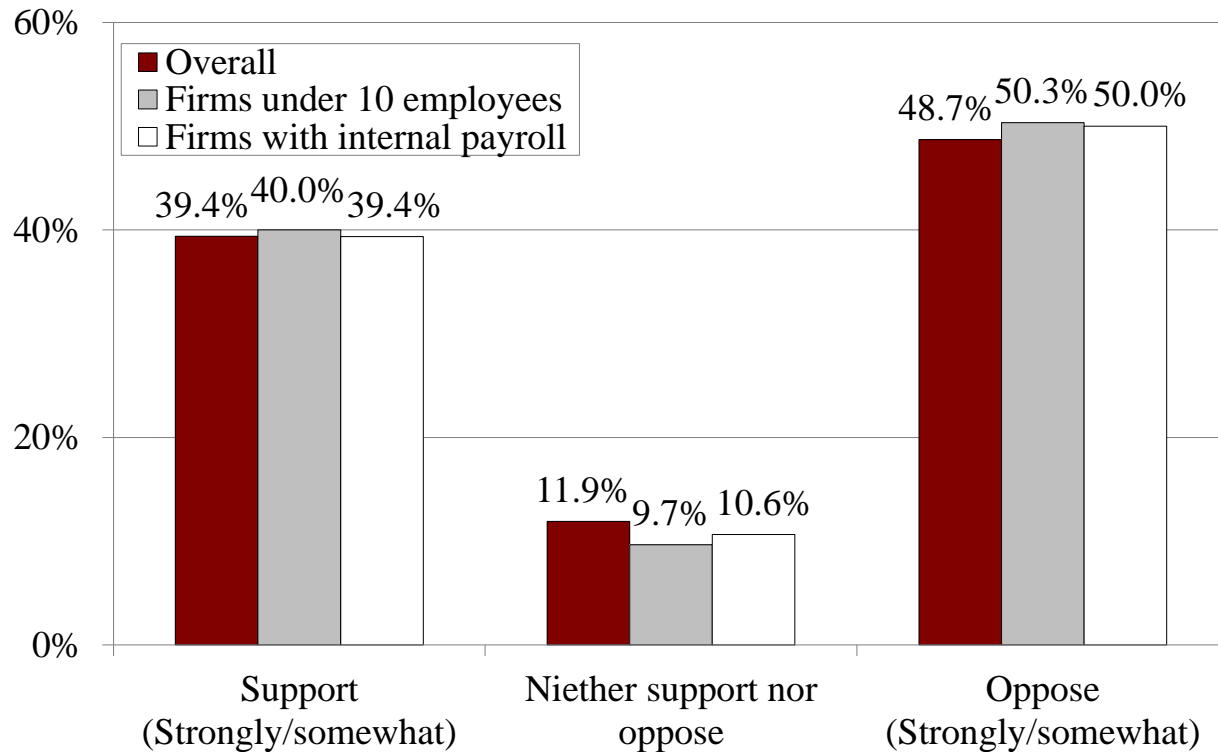


Note: Excludes four respondents who answered "Don't know."

Source: Nielsen Phone Survey of Connecticut Employers.

But support for the program does not vary by payroll management method or firm size.

Support for the Program from Non-Plan Firms



Note: Excludes six respondents who answered "Don't know" or "Refuse."

Source: Nielsen Phone Survey of Connecticut Employers.

In fact, non-plan firms with five or fewer employees interested in offering program.

- The final question asked to non-plan firms focused on employers with five or fewer employees.
- They were told the program would not be mandatory for them, but asked if they would they be interested in offering it to employees voluntarily?
 - 58 percent said they would be interested.
 - 15 percent indicated they would consider it but needed more information.
 - 25 percent said they would not be interested.

For firms with retirement plans, focus was non-eligible workers and plan elimination.

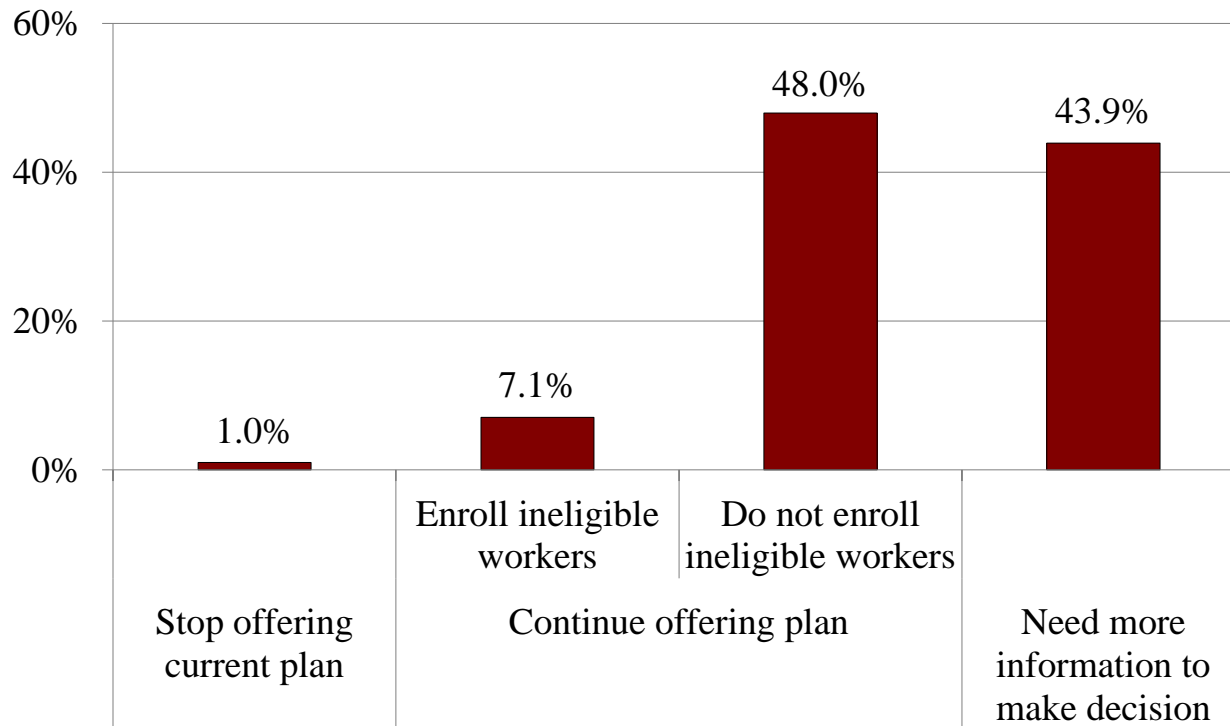
- One issue is whether firms with plans would enroll uncovered workers in the state program.
- Another issue with offering a state savings program is that firms may drop own plan and switch to the state program.

Many firms with plans have non-eligible workers due to hours or tenure requirements.

- 82 percent of firms had an hours requirement and of these 70 percent require at least 30 hours worked.
- 86 percent of firms had a tenure requirement.
 - The most common were 1 month (10 percent), 3 months (18 percent), 6 months (15 percent), or a year (46 percent).
- The net effect of these restrictions is that about 18 percent of workers at these firms are ineligible for the plan.

Few firms indicated they would enroll the ineligible or stop plan.

Firms with Plan's Action If State Program Offered



Note: Excludes three respondents who answered "Don't know" or "Refuse."

Source: Nielsen Phone Survey of Connecticut Employers.

Takeaways: non-plan firms

- Presenting the state program to employers requires:
 - Highlighting the need for increased retirement savings – many thought unnecessary.
 - Making it clear that program is independent of state pensions and will use a private-sector investment vehicle.
- Employers less concerned with administrative burden than in the focus groups – phone survey made clear burden was small.
- Employer opposition did not incite encouragement of opt out.

Takeaways: firms with plans

- Many part-time and low tenure workers may be left out.
 - Few firms expressed interest in expanding coverage to ineligible workers through the state program.
- Firms jumping to the state program seems unlikely to occur.
- Many firms need more information to make a decision.
 - Firms said administrative costs for employers, investment fees for employees, and paperwork required would influence decision.

Next steps

- CRR will prepare a written report which will provide:
 - Correlates of support/opposition.
 - Common payroll software and external payroll providers used by employers.
 - Comments on reasons for support/opposition.
 - More detailed data on the nature of retirement plans offered by firms (auto-enrollment, DB/DC, participation).