Evaluating Workplace Education for New Hires

Robert L. Clark
Melinda Sandler Morrill

North Carolina State University
Overview

• This project documents participation and contribution rates of newly hired workers in optional retirement savings programs.

• Goal: to determine how information and plan structure affects participation.
Overview: Year One

• Partnered with six large, national employers.
• Reviewed plan structure and current information provision.
• Gathered data on plan participation for workers hired in 2008 and 2009 at each employer.
Employer Partners: BB&T

• Plan Type:
  – Eligible on 1st day of employment.
  – Optional defined contribution
  – Supplements the DB plan

• Match:
  – Qualify: 1,000 hours and 1 year of service
  – 100% on first 6% 

• Information:
  – Benefits discussed at orientation and annual review.
Employer Partners: Progress Energy

• Plan Type:
  – Eligible on 1st day of employment.
  – Optional defined contribution
  – Supplements the DB plan

• Match:
  – Qualify: 1st day of employment
  – 100% on first 6%

• Information:
  – Orientation only.
Employer Partners: Pepsi Bottling Ventures, LLC

- Plan Type:
  - Auto-enroll
  - Eligible after 60 days of employment.
  - Optional defined contribution
  - Only retirement savings plan (no DB plan)
- Match:
  - Qualify: 1,000 hours and 1 year of service
  - 100% on first 4%, 50% on next 2%
- Information:
  - Orientation only.
Employer Partners: Martin Marietta Materials

- Plan Type:
  - Auto-enroll
  - Eligible on 1st day of employment.
  - Optional defined contribution
  - Supplements the DB plan

- Match:
  - Qualify: 6 months of service
  - 50% on first 7%

- Information:
  - At orientation, annually sends plan information.
Employer Partners: North Carolina State University

• Plan Type:
  – Eligible on 1st day of employment.
  – Optional defined contribution 401(k), 403(b), 457
  – Supplements the DB plan

• No Match

• Information:
  – At orientation, emails sent annually by provider, optional workshops.
Employer Partners: Williams

• Plan Type:
  – Eligible on 1st day of employment.
  – Optional defined contribution
  – Supplements the DB plan

• Match:
  – Eligible on 1st day of employment
  – 100% on first 6%

• Information:
  – At orientation, email reminders sent by staff (ad-hoc),
    emails sent by plan provider.
Background on Employer-Partners

• Two employers have opt-out plans.
• All but one offer an employer match.
  – Variation in amount of match and in service requirements to qualify for match.
• All but one have a DB plan in addition to the DC plan.
Preliminary Data

• Administrative data on approx. 10K individuals hired in 2008 and 2009 and currently employed in Summer 2010.

• All employers:
  – Date of hire, gender, date of birth, current participation level.

• Additional information:
  – Salary, date contributions began, job classification
Preliminary Findings from Year 1

• **Research Finding 1:** The employers provide extensive information at orientation, but further efforts to reach workers are mostly ad-hoc.
Preliminary Findings from Year 1

• Research Finding 2: Employees are responsive to match incentives.
Williams: Deferral Percentages for Individuals Hired in 2009 as of May 28, 2010 (6% match)

Preliminary Findings from Year 1

• **Research Finding 3:** The date when the employer match begins should be an important “teachable moment” for employers to reach out to employees
BB&T: Time until Sign-up for Individuals Hired in 2008 & 2009. (match begins after 1 year)

Williams: Time until Sign-up

WLM: Time until Sign-up for Individuals Hired in 2008 & 2009. (match begins immediately)
Preliminary Findings from Year 1

- **Research Finding 4**: Auto-enroll programs increase retirement savings plan participation considerably.

![Bar chart showing percent of employees participating as of Summer 2010 by year of hire]
Preliminary Findings from Year 1

• **Research Finding 5:** There is little decay in participation rates over time for employers using auto-enrollment.
Preliminary Findings from Year 1

• **Research Finding 6:** There is evidence that persons automatically enrolled in supplemental plans have lower contribution rates that are concentrated at the default level.
Martin Marietta Materials:
Deferral Percentages
Auto-enroll at 2% and
increases annually by 1%
# Average Deferral Percentages for 2008 New Hires, as of Summer 2010

<table>
<thead>
<tr>
<th></th>
<th>Auto-Enroll</th>
<th>Opt-In</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMM</td>
<td>94.1%</td>
<td>52.1%</td>
</tr>
<tr>
<td>PBV</td>
<td>91.7%</td>
<td>70.1%</td>
</tr>
<tr>
<td>BB&amp;T</td>
<td></td>
<td>76.3%</td>
</tr>
<tr>
<td>PGN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WLM</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Participation Rate</th>
<th>MMM</th>
<th>PBV</th>
<th>BB&amp;T</th>
<th>PGN</th>
<th>WLM</th>
</tr>
</thead>
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<td>76.3%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Deferral Percentage for ActiveParticipants</th>
<th>Auto-Enroll</th>
<th>Opt-In</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.36%</td>
<td>3.83%</td>
<td>6.35%</td>
</tr>
<tr>
<td>6.35%</td>
<td>8.16%</td>
<td>6.54%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Deferral Percentage (including zeros)</th>
<th>Auto-Enroll</th>
<th>Opt-In</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.11%</td>
<td>3.51%</td>
<td>3.29%</td>
</tr>
<tr>
<td>3.29%</td>
<td>5.72%</td>
<td>5.04%</td>
</tr>
</tbody>
</table>

| MMM                  | 52.1%       | 70.1%  |
| PBV                  | 70.1%       | 76.3%  |
| BB&T                 |             |        |
| PGN                  |             |        |
| WLM                  |             |        |
Preliminary Findings from Year 1

• Research Finding 7:
  • Standard opt-in plans:
    – Lower enrollment rates for younger and female workers.
  • Opt-out plans:
    – No significant differences in plan participation for groups with traditionally low participation rates.
Sample: Workers hired in 2008 or 2009
Dependent Variable: Participation within 90 Days

<table>
<thead>
<tr>
<th>Variable</th>
<th>PBV (opt-out)</th>
<th>Williams [0.035]**</th>
<th>BB&amp;T [0.012]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hired in 2008</td>
<td>-0.050** [0.017]</td>
<td>0.130 [0.035]**</td>
<td>0.003 [0.012]</td>
</tr>
<tr>
<td>Female</td>
<td>-0.022 [0.031]</td>
<td>-0.091 [0.037]*</td>
<td>-0.160 [0.009]**</td>
</tr>
<tr>
<td>Age when Hired:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age 18-24</td>
<td>-0.006 [0.020]</td>
<td>-0.057 [0.045]</td>
<td>-0.041 [0.014]**</td>
</tr>
<tr>
<td>Age 35-44</td>
<td>-0.004 [0.023]</td>
<td>0.092 [0.047]*</td>
<td>0.040 [0.016]*</td>
</tr>
<tr>
<td>Age 45-54</td>
<td>-0.014 [0.031]</td>
<td>0.089 [0.050]</td>
<td>0.101 [0.018]**</td>
</tr>
<tr>
<td>Age 55-65</td>
<td>-0.015 [0.061]</td>
<td>0.164 [0.075]*</td>
<td>0.064 [0.027]*</td>
</tr>
<tr>
<td>Salary (in thousands):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td>-0.011 [0.020]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-29</td>
<td>-0.006 [0.033]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-39</td>
<td>-0.004 [0.025]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40-59</td>
<td>0.042 [0.039]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60+</td>
<td>0.071 [0.046]</td>
<td></td>
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</tr>
<tr>
<td>Observations</td>
<td>783</td>
<td>840</td>
<td>4,959</td>
</tr>
<tr>
<td>Avg Participation Rate</td>
<td>94.5%</td>
<td>59.3%</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

* significant at 5%, ** significant at 1%.
Summary of Main Findings

1. Employees respond to match incentives.
2. Employers with opt-in defaults have lower participation rates among younger and female workers.
3. Auto-enroll programs:
   - Increase retirement savings plan participation.
   - Employees contribution at (lower) default levels.
   - No significant differences by age, gender, or salary.
Plans for Year 2 of Project

- Survey non-participants.
- Include with survey information about the plan and measure efficacy of intervention.
- Vary information content and timing within employers.