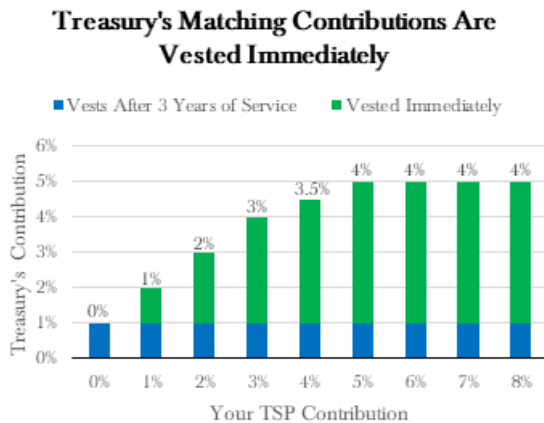


# Prompting Decisions on Retirement Saving

## *Testing the effect of prompted choice on TSP contribution rates*

**Agency Objective** Support retirement security of employees, by encouraging new employees to contribute at least 5 percent to TSP.

**Background** The Federal Government operates a savings program for its employees known as the Thrift Savings Plan (TSP). New employees are automatically enrolled in the plan at a contribution rate of 3 percent, and nearly 90 percent of civilian employees participate in the plan. Civilian employees who contribute to TSP receive matching employer contributions up to a maximum of 5 percent. Nearly 1 in 3 new Treasury employees contributed less than 5 percent in FY 2015 and therefore sacrificed both overall compensation and added retirement security. The success of *prompted choices* in private sector workplace savings—where employees are encouraged to actively choose whether to contribute and how much—suggests that many new employees might contribute more if they were encouraged to make a choice.<sup>1</sup>



*This image was included on updated orientation materials encouraging higher contribution rates.*

**Program Change** In collaboration with the Department of the Treasury (Treasury), OES ran a pilot project at new employee orientations in three

Treasury bureaus. A suite of materials encouraged new employees to consider making a decision to contribute at least 5 percent: (i) information on matching in offer letters, (ii) a cover sheet and TSP-1 enrollment form given during orientation, (iii) revised slides and scripts during benefits presentations, (iv) inclusion of TSP matching decisions on the new employee's first week checklist, and (v) questions about TSP matching in the orientation follow-up survey.<sup>2</sup> Orientations were held roughly every two weeks.

**Evaluation Methods** Orientation logistics made random assignment infeasible. For the purpose of estimating impacts of the treatment at pilot bureaus, TSP contribution rates were collected at pilot bureaus in the same time period in the year preceding the pilot period, and from eight other Treasury bureaus during the pilot and pre-pilot periods. We estimated the treatment effects on retirement saving outcomes using a difference-in-differences research design. Our statistical tests were adjusted for the clustering of employees within bureaus and the small number of bureaus.<sup>3</sup>

**Results** We analyzed the likelihood that a new employee contributed at least 5 percent to TSP, as well as the likelihood that a new employee contributed the default rate of 3%. We compared the change from 2015 (pre-trial period) to 2016 (trial period) for the three trial bureaus and the nine comparison bureaus. Using a linear regression model, we accounted for differences among all 11 bureaus, and when we did this we found no statistically reliable effect of the intervention on either outcome.

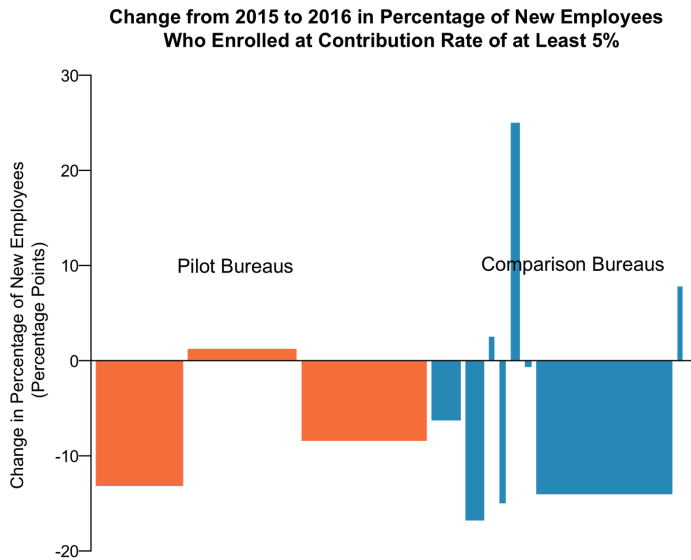
<sup>1</sup> Carroll, Choi, Laibson, Madrian, and Metrick (2009). "Optimal Defaults and Active Decisions," *Quarterly Journal of Economics*, 124: 1639–1676.

<sup>2</sup> The pilot ran from 4/5/2016 to 10/17/2016 at Departmental Offices, Bureau of the Fiscal Service, and Office of the Comptroller of Currency.

<sup>3</sup> Given the small number of bureaus, we confirmed our statistical tests using permutation tests.

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*In this plot, the width of each bar represents the number of new employees who joined each bureau during the pre-trial and trial periods - and thus the weight that each bureau carried in our estimate of overall change.*

**Conclusion** While automatic enrollment into retirement savings plans has shown success at increasing participation, in the Federal Government many employees remain at the default contribution rate of 3 percent, potentially forgoing both additional compensation and future retirement security. While the informational materials we tested in this pilot project did not result in a statistically significant change in the percentage of new employees contributing 5% or more, Treasury was able to rapidly evaluate the impact of this intervention, and the results can inform future efforts to promote contribution to TSP.