OES 2016 Project Abstract

On-Base Active Choice for TSP

Active choice during a reset moment promotes savings enrollment

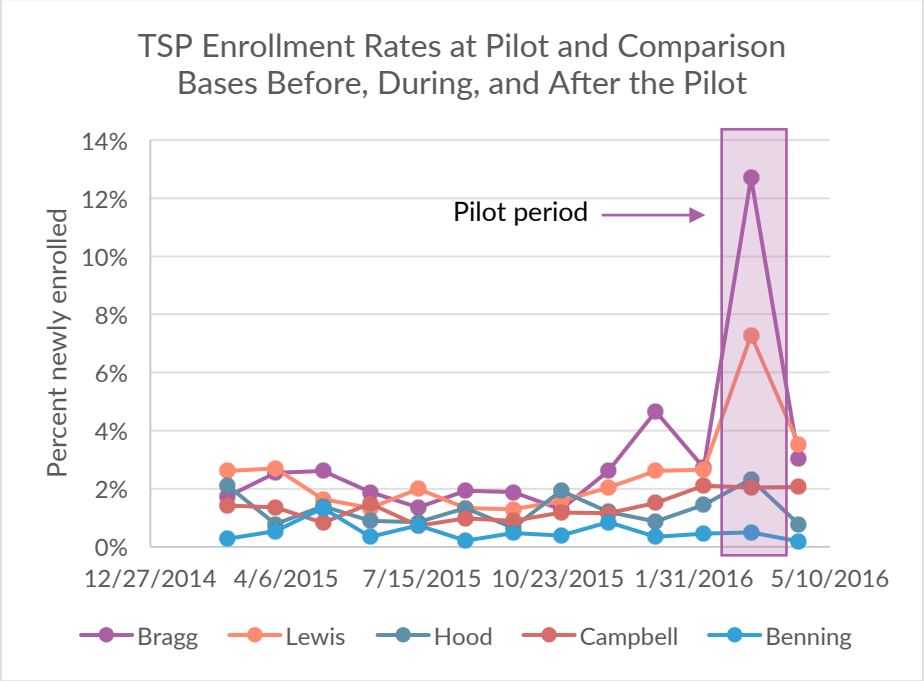
Agency Objective. Encourage service members to make an active choice to enroll—or not—in Thrift Savings Plans during a reset moment, in order to promote higher rates of enrollment.

Background. The Federal Government, including the military, operates a savings program for its employees known as the Thrift Savings Plan (TSP).[1] Roughly 56 percent of the over 1.3 million active duty service members in the Armed Forces are not currently enrolled in any TSP plan, and only around 1 percent newly enroll each month.[2] The success of *active choices* in private sector workplace savings—where employees have to actively choose whether to contribute or not—suggests that many service members might enroll if they were required to choose to enroll (or not).[3] A successful 2015 Department of Defense (DOD) and SBST pilot showed that Permanent Change of Duty Station (PCS, or transferring to a new installation) can be a reset moment, or a good time to provide service members with new information, choices, and a TSP enrollment form.[4]

Methods. In collaboration with DOD and Army G-1, SBST ran two pilots at large Army installations—Fort Bragg, NC, and Fort Lewis, WA—testing active choice interventions during "in-processing," the orientations that occur as service members are newly assigned to a base.[5] At Fort Bragg, service members received and were required to submit a TSP-U-1 Election Form with an added choice between three options: "Yes, I choose to enroll and save," "No, I choose not to enroll and save," or "I'm already enrolled." At Fort Lewis, service members were asked to raise their hand if they were not enrolled in TSP and wanted to; those who raised their hand were immediately led to computers to enroll online using the myPay system. A cover sheet and video were also provided to service members providing information on the benefits of TSP investing; and asking service members why they chose to enroll (or not). Briefing logistics made random assignment infeasible; for the purposes of estimating impacts of the treatment at Forts Bragg and Lewis, TSP enrollment data were collected on enrollment rates at treatment bases over the year preceding the pilot period and from a comparison set of similar forts: Forts Hood, Campbell, and Benning.

[1] For general background information on TSP, see: tsp.gov
[2] The fraction of service members currently not enrolled (56 percent) is calculated based on DOD administrative data. The fraction newly enrolling each month is extrapolated from prior OES work, see: Social and Behavioral Sciences Team, *Annual Report* (2015), 30.
[3] Gabriel D. Carroll, James J. Choi, David Laibson, Brigitte C. Madrian, and Andrew Metrick, "Optimal Defaults and Active Decisions," *Quarterly Journal of Economics* 124 (2009): 1639–1674.
[4] See "Servicemember TSP Enrollment," Social and Behavioral Sciences Team, *Annual Report* (2015), 31.
[5] The pilot ran from 03/21/2016 to 04/18/2016 at Ft. Bragg and from 03/14/2016 to 04/8/2016 at Ft. Lewis.

Results. During the five-week period including the pilot at both bases, the enrollment rate was 10.74 percent at Fort Bragg and 8.39 percent at Fort Lewis, compared to a maximum of 1.86 percent at the other three bases. We use a linear probability model to estimate that the pilot led to a 8.32 percentage point increase in the likelihood of a service member enrolling in TSP within four weeks of in-processing (p < 0.01, 95% CI [7.13, 9.51]).[6,7] There is also some evidence, as seen in the figure below, that the Fort Bragg intervention—an active choice on a paper form—led to a larger effect size than the computer-based enrollment intervention at Fort Lewis.



If we restrict the data to examine service members likely to have been in the service for four years or less, and thus more likely to be making initial decisions about retirement savings, we estimate that the pilot led to a 9.88 percentage point increase in the likelihood of enrolling within four weeks of inprocessing (p < 0.01, 95% CI [8.95, 10.81]).[8]

Conclusions. While auto-enrollment and auto-escalation savings plans have shown dramatic success at increasing participation in savings plans by new employees, active choice interventions can also be used to increase participation (and perhaps contribution rates among existing participants) by existing employees. These findings can inform policy discussions regarding defined contribution savings participation in the armed forces and beyond.

[6] The linear probability model includes dummy variables—fixed effects—for each base, a linear time trend, and a dummy variable indicating whether or not a service member in-processed during a pilot. The reported effect represents the coefficient estimate on this last variable. We estimate the model with robust clustered standard errors. We also estimated models including other control variables, including a polynomial time trend and the grade (pay) of the service member; the results reported are the most conservative estimate of the treatment effect.

[7] For those who filled out a supplemental information form describing reasons why they did or did not enroll, more than four in five (83 percent) of enrolling service members said they were doing so "to save for the future." For those who did not enroll, only 8 percent said it was because they were not interested in TSP enrollment, with others saying they wanted to do more research (12 percent) or wanted to talk with a spouse (4 percent) or enroll later in their career (8 percent).

[8] To estimate this model we restrict the data to include service members of ranks E1 to E4 and O1 to O2, who are most likely to have served four years or less.