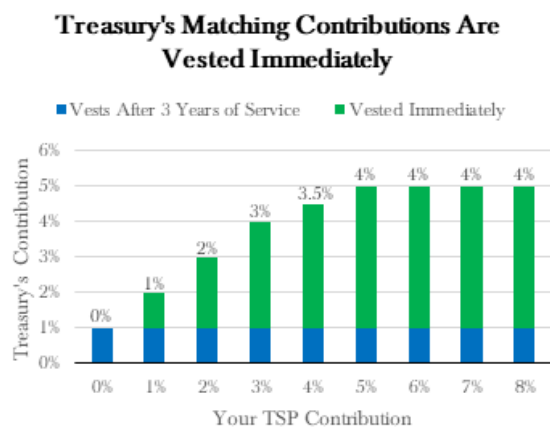


Prompting Decisions on Retirement Saving

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 of their paycheck 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. However, 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, thereby sacrificing both overall compensation and added retirement security. The success in private sector workplace settings of *prompted choices*—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.¹



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

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

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.² Orientations were held roughly every two weeks.

Evaluation Methods Orientation logistics made random assignment infeasible. In order to gauge the impact of the pilot project at three bureaus, TSP contribution rates for the same time period during the year preceding the pilot project were collected from each pilot bureau, and TSP contribution rates were obtained from the eight other Treasury bureaus for both the pilot period and the comparable prior year period. OES estimated the pilot project's effects on retirement saving outcomes using a difference-in-differences research design. Statistical tests were adjusted for the clustering of employees within bureaus and the small number of bureaus.³

Results OES 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 eight comparison bureaus. Using a linear regression model, OES accounted for differences

² 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.

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

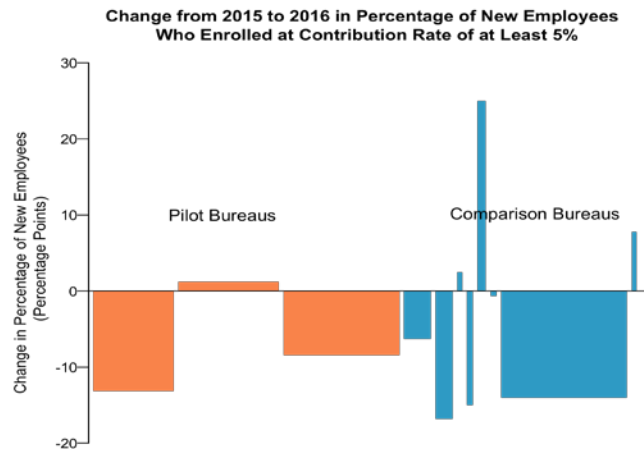


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among all 11 bureaus, and found no statistically reliable effect of the intervention on either outcome.

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, essentially leaving a non-trivial amount of their compensation on the table. While the informational materials tested by Treasury 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. The movement across government to rapidly learn what works is equally supported by learning what doesn't, providing a base to adapt and build upon for the next iteration of communication about retirement contribution.



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.