



## Auto Enrollment Survey Summary

This survey was done to ask state employees what they thought about the possibility of automatically enrolling employees into the Oregon Savings Growth Plan (OSGP), essentially changing the default enrollment decision from an “opt-in” plan to an “opt-out” plan.

The idea behind the change is to reduce the analysis paralysis that accompanies retirement saving and to financially benefit state workers. A common regret of retiree-aged workers is wishing they started saving earlier. In that sense, the current system more often hurts than helps a state employee.

While the advantages are not immediately obvious, beginning a small deferment early in one’s career pays off.

Over 4,500 employees responded. While some were very vocal in their opposition to auto-enrollment, the majority believe it is a good idea.

The results are as follows:

When asked if state employees felt they were saving enough for retirement:

- 62 percent of all respondents stated that they were not.

Asked if they knew about OSGP:

- 58 percent stated they were already enrolled in OSGP. Of those not enrolled, when asked why they were

not, 33 percent said they could not afford it, and 30 percent said they didn’t know enough about it. Others responded that they wanted a Roth, some felt overwhelmed by the paperwork, and others thought they weren’t eligible because they were new employees and had not completed their six months.

Asked if they would support making OSGP an “opt-out” program:

- 60 percent of all respondents said they would support making OSGP an “opt-out” program, while 37 percent said they would not support that decision.

Comments ranged from, “I think this is a great idea to get people saving early,” to “I think this plan is too paternalistic and employees should have control over their own money.”

When asked if they supported auto-enrolling all state employees or just new hires:

- 44 percent stated they supported automatically enrolling all existing and new state workers in OSGP, while 40 percent said they opposed automatically enrolling anyone in OSGP.
- 16 percent said they supported automatically enrolling only new employees.

Asked about adding auto-escalation of deferments (increasing contributions by 1 percent in the first year up to 3 percent if the participation had not increased contributions on their own):

- 33 percent supported auto escalation
- 30 percent felt that the contribution should be left at 1 percent until participants chose to change it.

- 33 percent said they were opposed to auto enrollment and therefore auto escalation.
- For those who said they supported automatic enrollment, 38 percent said they liked the idea of increasing contributions annually up to 5 percent over a five-year period, 16 percent said they felt that going up to 3 percent was sufficient, and 45 percent said they preferred that it be left at 1 percent until participant changed it on their own.

### **Feedback from respondents:**

“This is a great idea to help people save for the future.”

“Need to target new(er) employees and educate them on the importance of starting a plan. The 1% is a good start and is a way to get information to them about options they have about the program. I am one of those staff who are wishing I started sooner in the plan.”

“This is a good idea and you should implement it despite protests. The best advice I got as a new hire - years ago from a caring supervisor, was to contribute to my retirement plan.”

“Opt-in is the ONLY way enrollment SHOULD BE. Taking from a paycheck without an employee’s full knowledge is tantamount to THEFT. Rarely do clear instructions or options find their way to unaware contributors. WE STRONGLY DISAGREE WITH OPT-OUT.”

“Very bad idea all around.”

“Great idea to help people establish more for their later years. I just think people can think for themselves and don't like the idea of having deduction just taken out and hope I would remember before 90 days to take action.”

“THANKS YOU FOR THE OPPORTUNITY TO HAVE MY VOICE HEARD.”

“I think the initial automatic enrollment amount should be 2% or 3%, and after 1 year employees should be allowed to increase or decrease that percentage as they choose.”

“State Employees' paychecks are already under attack from Health Insurance premiums and Furlough Days. Not to mention the looming 3-6% PERS pick-up that's coming down the road. The overall impact will be, as usual, having to do more with less. This just makes it harder and harder to be able to afford to save, whether it's for retirement, or just a rainy day. Maybe this is all the more reason to encourage people to think, think, think about retirement, and where they'd like to be when they get there... They won't regret it!”

“This process, if passed will eliminate procrastination of initial enrollment. Thanks.”

“I think auto enrollment is a bad idea. Give the employees credit for being able to make good decisions for themselves given adequate information.”

“It is a personal decision. I don't think the state has the right to demand someone set up a savings program. It is good information to provide and I do share what I do with others but it is still their choice.”

“This is a great idea! I think people need a reality check when it comes to saving for retirement. OSGP would be well advised to hire people very skilled at communicating to young/new employees about the realities of paying for retirement.”

“If the automatic enrollment does not get approved, then all new employees should receive some literature about the program and an email with clear and easy instructions on how to sign up. Investment examples would help ‘sell’ the idea to people. I really

appreciate the efforts OSGP has undergone to get the word out to employees. I brought Justin into our office to provide training and it was very useful.”

“Leave my money alone!”

“I believe you need to do a better job of communicating the severe problems associated with not having adequately prepared for retirement. It is absolutely devastating!”

“My biggest concern is that during times of pay freezes and/or furloughs, an automatic escalation would be a huge burden on the employees. I could only support the program if escalations can be suspended during those times. I also don't like to limit the ‘opt out’ alternative to the first 90 days of employment. A year would be better.”

“OSGP is a great program. Many of my coworkers choose to ignore it. If you have the budget, find a way to promote it more heavily.”

“Thanks for asking for feedback.”

“I find the thought of making this program an opt-out program bad. I find the thought of automatic contribution increases appalling.”

### **Questions and comments from respondents:**

*I was never told about OSGP when I was hired. OSGP sends plan information to HR departments across the state. We count on them to provide this information to new employees. We also send out welcome postcard to new hires. OSGP offers workshops across the state and employees can register on-line at:*

[http://www.oregon.gov/PERS/OSGP/section/2012\\_osgp\\_workshop.shtml](http://www.oregon.gov/PERS/OSGP/section/2012_osgp_workshop.shtml)

*I would like to see a Roth account.*

OSGP is adding a Roth 457 in 2012. Watch for more information about this new provision next year. It should be available on or about July 1.

*One of my family members is a teacher for the state of OR and has the opportunity to participate in a Roth 403-b, and I would like to know why I don't also have that option.*

As indicated in the response above, OSGP will be offering a Roth 457 in 2012. Participants will be able to contribute the maximum allowable limit to the Roth 457 (\$17,000 in 2012) in the same manner they currently do on a pre-tax basis.

*I would consider enrolling and supporting your proposal if there were socially responsible options.*

While OSGP does not offer a socially responsible option at this time, you can find those options in the Self-Directed Brokerage Option which offers more than 6,000 mutual funds and ETFs.

*I am unsure how to invest. It is confusing to me.*

OSGP offers workshops on the investments in the plan. You can also call our office at any time, and staff will go over the funds with you.

*Why would you do this?*

Statistics tell us that people are not saving enough for retirement. Survey respondents indicated that 60 percent of them felt they were not saving enough. Even public employees, who have a pension plan, need to have personal savings along with the PERS plan and Social Security to ensure a financially sound retirement.

We heard from many participants who said they didn't even know about OSGP, and that they wish they would have gotten into the plan sooner.

Helping state employees save for retirement is the only reason we would have for opening this discussion. OSGP has nothing to gain from auto-enrollment and no outside entity is pushing this.

*Why are you promoting OSGP over some other investment?*

OSGP is the only employer-sponsored voluntary plan offered to state employees. The plan offers low fees and a diversified investment line-up. For example, the fees on the target date funds are only 10 basis points.

Employees are free to choose whatever investment vehicle they want on their own, and many of our participants in the local government and education sector have several choices offered by their employers.

*I answered the questions assuming that a person could "opt-out" of continuing to contribute earnings at any time. Is that correct?*

Yes, it is. Even if an employee missed the 90-day window to opt out, he/she could stop contributing to the account at any time.

*When can we expect to be able to transfer 100% of our account to the Self-Directed Brokerage Option (SDBO)?*

OSGP and Treasury made the decision to allow a transfer of 50 percent of a participant's OSGP account in to the SDBO. There is no possibility of allowing 100 percent of the account to be transferred, as you are still responsible for administrative fees, and so a portion would have to be available in the core funds to pay these fees. Treasury may consider allowing a larger percentage sometime in the future. Other investment options may also become available.

*Is this deduction pre-tax dollars?*

Yes, the plan is currently a pre-tax plan. However, in 2012, we will also offer a Roth, and the employee could choose whether they wanted pre-tax or after-tax dollars.

If your question wasn't answered, or if you have any further comments or suggestions, send them to [osgpcustsvc.PERS@state.or.us](mailto:osgpcustsvc.PERS@state.or.us) Please keep your comments professional and related to auto-enrollment. OSGP staff will respond within two business days.