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## **The Effects on Employees from the Switch to Mandatory Contributions in the University of Arkansas Retirement Plan**

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### **Abstract**

After the 2016 fiscal year, the University of Arkansas Retirement Plan instituted mandatory contributions for full-time employees, presumably to boost retirement savings among those least prepared for retirement. Mandatory contributions began at 1% in fiscal-year 2017 and increased annually to 5% in fiscal-year 2022. This change may have harmed employees with tight budget constraints who wish to contribute less than the minimum contribution rate. At the same time, it may have helped those who were saving less than their optimal amount due to behavioral biases. We surveyed employees at the University of Arkansas campus to assess the effects from the change to mandatory contributions and received 171 responses. Our main findings are that most respondents are unaffected by the change to mandatory contributions; a small minority are unsatisfied with the change; average contribution rates increased for all full-time employees, especially staff; a small percentage of staff, but no faculty, may have been harmed by the change; and a larger percentage of staff and faculty may have been helped. These results, however, must be interpreted with caution because they are limited by a relatively small sample size that is not representative of the employee composition at the University of Arkansas. For more robust results, a much larger survey is needed that reaches across all campuses of the University of Arkansas System to accurately assess the effects on employees from mandatory contributions.

**Keywords:** retirement savings, mandatory contributions, behavioral biases, inertia, loss aversion, present bias, budget constraints

## Profiles of the Authors



**Sarah Brasche** graduated from the University of Arkansas cum laude in May of 2021 with a Bachelor of Science in Business Administration. Brasche is currently continuing her studies at Arkansas as a graduate student pursuing a Master of Science in Agricultural Economics and an International Master's of Rural Development. Brasche will complete her graduate program in 2023 with goals to work in rural community development.



**Dr. Timothy J. Yeager** is Professor of Finance and holds the Arkansas Bankers Association Chair in Banking at the University of Arkansas. His responsibilities include teaching, research, and outreach to Arkansas bankers. Prior to joining the University in 2006, Dr. Yeager was an Assistant Vice President in the Bank Supervision and Regulation unit of the Federal Reserve Bank of St. Louis. His articles have been published in several banking and finance journals, and his work has been featured in national newspapers and select trade publications. Dr. Yeager received his Ph.D. in Economics in 1993 from Washington University.

## Introduction

Many Americans either contribute too little or wait too long to save for retirement, which forces them to live on a fraction of their income earned before retiring. A 2019 survey from the National Institute on Retirement Security (Oakley & Kenneally, 2019) shows that 75% of Americans believe there is a retirement crisis, and millennials are the most concerned about their financial security in retirement. Another report from the National Institute on Retirement Security (Rhee, 2013) estimates that 45% of working-age households have no retirement account assets, 92% do not meet conservative savings targets for their age and income, and only 52% of working-age households participate in a workplace retirement plans. In addition, the National Retirement Risk Index published by the Center for Retirement Research at Boston College shows that 49% of households in 2019 were at risk of not being able to maintain their pre-retirement standard of living in retirement. (Munnell, Chen, & Siliciano, 2021)

Saving too little for retirement can either be a rational (optimal) or irrational (suboptimal) decision. All households are budget constrained to some extent, meaning they must choose a savings rate that balances current consumption versus future consumption in retirement. Those who are severely budget constrained may not have the ability to contribute to retirement at all beyond Social Security taxes because they need all their disposable income for present day consumption. Others may choose to divert some of their income for retirement even though they know the amount is insufficient to fund the retirement lifestyle they would prefer. Others have the income that allows them to save enough to live comfortably in retirement. If these decisions are made with careful thought and with the best information available, then such savers are acting rationally. They are optimizing their retirement savings, even if it means not saving at all or saving too little to be prepared for retirement.

In contrast, an individual or household can irrationally choose to save too little for retirement, which leads to a suboptimal outcome. A behavioral bias exists when an individual makes a less-than-optimal decision given the available information because of a bias in the decision making. Three behavioral biases can lead people to voluntarily save too little even though they would prefer to save more. The first bias is *inertia*. Many people realize they need to increase saving for retirement, but they procrastinate until nudged or forced to do so. Second is *loss aversion* where the perception of a loss of a certain amount hurts more than the pleasure derived from an equal gain. This bias prevents some people from increasing their retirement saving because the intense pain of seeing their paycheck go down outweighs the pleasure of equal financial returns in the future. A purely rational decision would lead these people to save more. The third bias is *present bias*. People acknowledge a need to save more and may even make a non-binding pledge to doing so in the future, but as the future draws nearer, their preference for consumption in the present becomes increasingly stronger, which ultimately overcomes their desire to save. People with strong present bias have low self-discipline in the present moment.

After the 2016 fiscal year (FY), which ended June 30, 2016, the University of Arkansas enacted changes to the retirement plan, presumably to address low savings rates among some employees.<sup>1</sup> Beginning in 2017, the University of Arkansas Retirement Plan required all full-time employees to make a mandatory retirement contribution of 1% of salary. This contribution rate increased by one percentage point every fiscal year to 4% in 2020. The final increase to 5% was originally planned for 2021, but the university delayed that increase one additional year with the onset of COVID-19. As of July 1, 2021 (FY 2022), employees must contribute the minimum rate of 5%. The university matches employee contribution rates up to a maximum of 10%, so full-time employees that contribute the minimum rate in 2022 have a combined saving rate of 10% of their income, a large increase relative to those that chose not to participate in the program prior to 2017.

The change to mandatory contributions may have harmed some employees while making others better off. The main concern with mandatory contributions is that they harm individuals with tight budget constraints who wish to contribute less than the minimum contribution rate. Mandatory contributions are harmful to such employees because the reduction in utility from the decline in current consumption outweighs the increased utility from the additional retirement savings. These employees would view the minimum rate as too high, leading to suboptimal savings because they are unable to reduce the contribution rate to the rational rate they would choose without the mandate.

On the other hand, mandatory contributions may have benefitted some employees because behavioral biases prior to the change in the retirement plan caused them to have suboptimal savings rates that were too low.<sup>2</sup> For those with inertia, the rollout of the new plan may have raised awareness among the procrastinators to actively choose a more optimal contribution rate. Even if they did not take explicit action, the increase in the savings rate from mandatory contributions may have brought them closer to their optimal contribution rate. For employees with intense loss aversion, an increase in mandatory contributions would force them to save more optimally. With employer matching and tax benefits, a 1% increase in the contribution rate leads to an increase in savings of more than 2%. Finally, mandatory contributions would force those with present bias to make a more optimal trade-off between current consumption and future consumption by overcoming their inability to make a rational decision in the present moment. In sum,

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<sup>1</sup> The University of Arkansas fiscal year begins July 1 of the preceding calendar year and ends June 30 of the current calendar year. For example, FY2020 began July 1, 2019 and ended June 30, 2020. Reference to a year in this report is to the fiscal year.

<sup>2</sup> Apart from behavioral biases, some employees wishing to maximize their retirement savings may have benefited from mandatory contributions due to an easing of regulatory constraints. Employees who were previously unable to save at their optimal rates due to Internal Revenue Code 402(g), which limits the amount of elective deferrals a participant may exclude from taxable income, would have benefited because required contributions are exempt from 402(g), which effectively raises the contribution limit. Analysis of this effect, however, is beyond the scope of our paper.

mandatory retirement savings can increase saving rates to more optimal levels for many employees because it nudges or forces them to overcome at least partially each of these three biases.<sup>3</sup>

We document the effects on full-time employees from the changes to the University of Arkansas Retirement Plan. We designed and conducted a survey (see Appendix A) of full-time employees at the University of Arkansas.<sup>4</sup> The survey tracks annual contribution rates between 2016 and 2020 and identifies those that do not believe their retirement savings are optimal either because their contribution rates are too low or too high. Our objectives are to describe the impact of mandatory contributions on employee retirement savings, and to assess the degree to which employees have been helped or harmed. Those that have been harmed are relatively easy to identify because they would be contributing at the minimum rate (4% in 2020) and view their contribution rate in 2020 as ‘too high.’ Tight budget constraints rather than behavioral biases should account for the belief that their contribution rate is too high. Alternatively, those that have been helped would have increased their retirement contributions between 2016 and 2020, whether voluntarily or by force, because mandatory contributions helped them overcome behavioral biases. These employees would view their contribution rate in 2020 as ‘just right,’ and they should exhibit strong behavioral biases. Our main findings are the following:

1. Most survey respondents are unaffected by the switch to mandatory contributions. Of the 102 respondents that were employed prior to the change and reported all five years of contribution rates, 72% (92% of faculty and 59% of staff) contributed 10% or more to their retirement account in Fiscal Year 2020.
2. A large majority of respondents (89%) are either satisfied or indifferent to the change to mandatory contributions. Just 7% of faculty, and 15% of staff are not satisfied with the changes. In addition, 75% of faculty, and 64% of staff agree they are adequately prepared for retirement given their current contribution rates. However, a sizable minority of staff (28%) disagree with this viewpoint.
3. Average contribution rates increased for all full-time employees, especially staff, after the switch to mandatory contributions. The average contribution rate for staff increased by 100 basis points to 8.2% between 2016 and 2020. We estimate that the average staff member at the University of Arkansas in 2020 increased annual retirement contributions by \$1,266 including the employer match relative to the contributions they would have made without the switch to mandatory contributions. The average contribution rate for faculty increased by 30 basis points to 10.1%.

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<sup>3</sup> These same behavioral biases could also lead to contribution rates that are too high. An employee may set a contribution rate of 10%, for example, but then a spouse is laid off, and inertia prevents the employee from reducing the contribution rate. However, if the optimal contribution rate is equal to or greater than the minimum required rate, the change to mandatory contributions has no effect. If the minimum required rate is binding, the harm to the employee results from budget constraints rather than behavioral biases.

<sup>4</sup> The survey received University of Arkansas IRB approval June 4, 2020 with Protocol # 2002247755.

4. A small percentage (3.5%) of staff, but no faculty, may have been harmed by the switch to mandatory contributions. These staff respondents perceive their 2020 contribution rate of 4% (the minimum) as ‘too high.’ They exhibit tight budget constraints and present bias. The power of statistical testing, however, is too weak to confirm these results.
5. A much larger percentage of staff (16%) and faculty (11%) may have been helped by the switch to mandatory contributions. These respondents increased their contribution rates at some point between 2016 and 2020 either voluntarily or by force, and they view their contribution rates in 2020 as ‘just right.’ These employees exhibit signs of inertia and present bias, and the staff also exhibit signs of loss aversion. Again, the power of statistical testing is too weak to confirm these results.

The results of this study must be interpreted with caution because they are limited by a small sample size. The 172 total responses may be insufficient to draw statistically significant inferences from a population of 4,593 full-time employees.<sup>5</sup> This problem is exacerbated even further by the few respondents that were harmed by the change to mandatory contributions. Just three respondents reported that their contributions rates were too high. A statistically reliable sample would require at least a ten-fold increase in the number of staff surveyed.

A second concern is that the survey respondents are not representative of the employee composition at the University of Arkansas. Roughly 10% of university employees work in the Sam M. Walton College of Business, but 62% of the respondents work there, so the results disproportionately represent Walton College employees. This disconnect results from our inability to solicit responses from all full-time employees via email. The survey was released in the summer of 2020, but we were able to email the survey only to Walton College employees. To reach employees in other colleges, the survey announcement was posted on the University’s online Newswire publication, but this indirect approach sharply reduced the response rate. The primary concern from the disproportionate representation of business school respondents is that the average faculty salary in the college is higher than the average faculty salary in other colleges. The bias arising from staff responses should be much smaller because average staff salaries are more equal across the campus. A much larger survey is needed that reaches across all campuses of the University of Arkansas System to accurately assess the effects on employees from mandatory contributions.

## Hypotheses

In this section, we state the hypotheses and describe the theory for why the implementation of mandatory contributions may have helped or harmed certain employees.

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<sup>5</sup> University of Arkansas Quick Facts, accessed March 2021 at <https://www.uark.edu/about/quick-facts.php>.

*Hypothesis 1: The switch to mandatory contributions in the University of Arkansas Retirement Plan has made some employees better off because mandatory contributions nudged or forced them to overcome behavioral biases that led to savings rates that were lower than optimal.*

Three behavioral biases can lead to suboptimal contribution rates that are lower than the optimal rate (Thaler & Sunstein, 2009; Thaler, 2015).

1. *Inertia.* People with inertia know they need to save more or start saving “soon” for retirement, but they procrastinate and may not act until nudged or forced to do so. Benartzi and Thaler (2013) state that almost a quarter of employees with access to an employer-sponsored plan fail to join. Madrian and Shea (2001) find that after companies switch to automatic enrollment from affirmative enrollment, participation in the retirement program is much higher, and many participants stick with the default contribution rate chosen by the company. Consequently, University of Arkansas employees with low savings rates driven by high inertia will benefit from the increase in mandatory contributions.
2. *Loss aversion.* People hate to see their paychecks go down, which happens when the retirement saving rate increases. Loss aversion means that an individual feels the pain from the loss of \$1 more than the joy from a gain of \$1. Although most people experience loss aversion to some extent, the loss aversion required to forego matching contributions must be at least 2 to 1 because an additional \$1 reduction in the paycheck is offset by \$2 in savings. Moreover, the gain to loss ratio may be greater than two-to-one because the additional savings reduces current taxes because the savings are tax deferred. Consequently, those forced to overcome loss aversion due to mandatory contributions will benefit financially in the long run.
3. *Present bias.* Although people differ in their intertemporal consumption preferences, the preferences of those with present bias change quickly as the future draws nearer. The behavioral effect is that people have more self-control when they make binding decisions now regarding actions they will take in the future rather than making decisions about the future only in the present. Planning to save money in the future is an easy thought, but actually increasing the savings rate in the present moment is much harder. People with strong present bias have less self-control to delay consumption when forced to make the choice, so they should benefit from a mandatory contribution retirement plan that boosts savings.

Regardless of the source of the bias, the survey respondents that benefitted from the program change would have increased their retirement contributions between 2016 and 2020, and they would view their contribution rate in 2020 as just right. They should also exhibit strong behavioral biases after controlling for budget constraints.



*Hypothesis 2: The switch to mandatory contributions in the University of Arkansas Retirement Plan has made employees that are severely budget constrained worse off because their contribution rates are too high and cannot be lowered to the optimal rate. The disutility of the reduction in current consumption exceeds the utility of the additional savings.*

Many people use their entire paycheck to purchase necessities and they have no desire to shift disposable income into retirement savings because the reduced consumption is painful and outweighs the future monetary gains in retirement. Mandatory contributions make these people worse off. These individuals would view their required contribution rate as too high, contribute the minimum rate to the retirement plan in 2020, and exhibit tight budget constraints after controlling for behavioral biases.

One alternative to mandating participation in retirement plans is to encourage employees to join the plan or increase contribution rates through social (peer) comparisons. The evidence, however, is mixed. Raue, D'Ambrosio, and Coughlin (2020) find support for upward social comparisons (comparing the saver to peers with more/better savings). Participants in an experiment who were told that their savings decision were poor in the first round were more likely to change their savings rates, and to revise them upward more than those categorized as better performers. Gunaratne and Nov (2015) also find that social comparison can improve an individual's asset allocations, but receiving advice from an expert is a more effective approach. Finally, a field experiment of a 401(k) plan provided peer information to randomized recipients that did not participate in the plan (Beshears, Choi, Laibson, Madrian, & Milkman, 2015). The information presented either the fraction of coworkers participating in the plan or the fraction contributing at least 6% to the plan. The upward social comparisons, however, led to a decrease in retirement savings of the nonparticipants.

## **Summary Statistics**

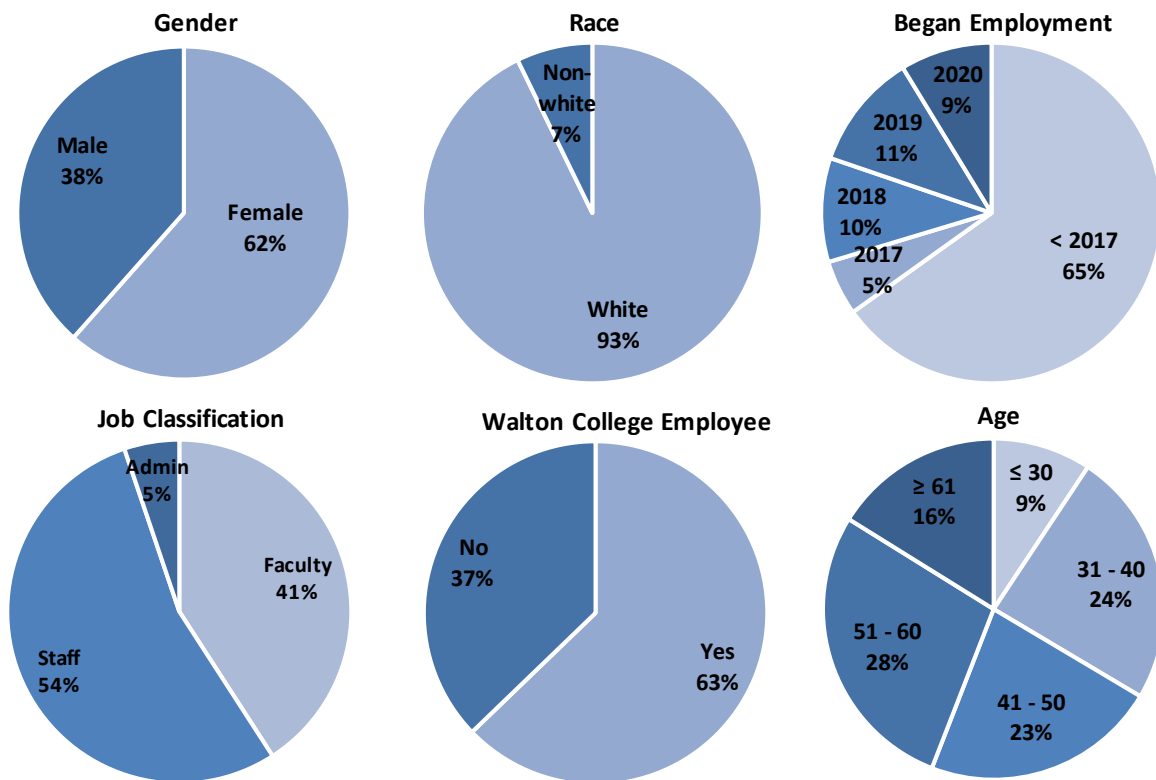
In this section, we present key summary statistics from the survey, first for all respondents and then separately for faculty and staff. We assess employees' perceptions of the retirement plan and examine the prevalence of behavioral biases and budget constraints.

### All Respondents

The survey solicitation received 172 responses from full-time employees at the University of Arkansas where at least one question was answered. The number of responses to a particular question varies depending on how many respondents chose to answer that question. The first several questions gather demographic information shown in Figure 1. Of the respondents, 62% are female and 93% are white. By job classification, 54% are staff, 41% faculty, and 5% administrators. The most common age

concentration is 51-60 at 28% of all responses, followed by 31-40 at 24%. The least common age group is those less than 30 years of age (9%). A majority (63%) of respondents work in the Sam M. Walton College of Business, reflecting easier survey access to business school employees. Finally, most respondents (65%) began full-time employment before 2017 meaning they were employed prior to the retirement plan's change to mandatory contribution. Another 5% started in 2017, and roughly 10% started each year from 2018 to 2020.

**Figure 1. Survey Demographics**



**Table 1. Summary Statistics by Job Classification**

Gender	N	Male	Female			
Faculty	78	56%	44%			
Staff	91	23%	77%			
Age	N	≤ 30	31 - 40	41 - 50	51 - 60	≥ 61
Faculty	72	4%	18%	25%	28%	25%
Staff	89	13%	29%	20%	28%	9%
Income	N	<\$25K	\$25K-50K	\$50K-75K	\$75K-100K	>\$100K
Faculty	78	1%	6%	10%	13%	69%
Staff	91	2%	58%	21%	14%	4%
Little Disposable Income	N	Agree	Indifferent	Disagree		
Faculty	73	12%	18%	70%		
Staff	85	51%	6%	44%		

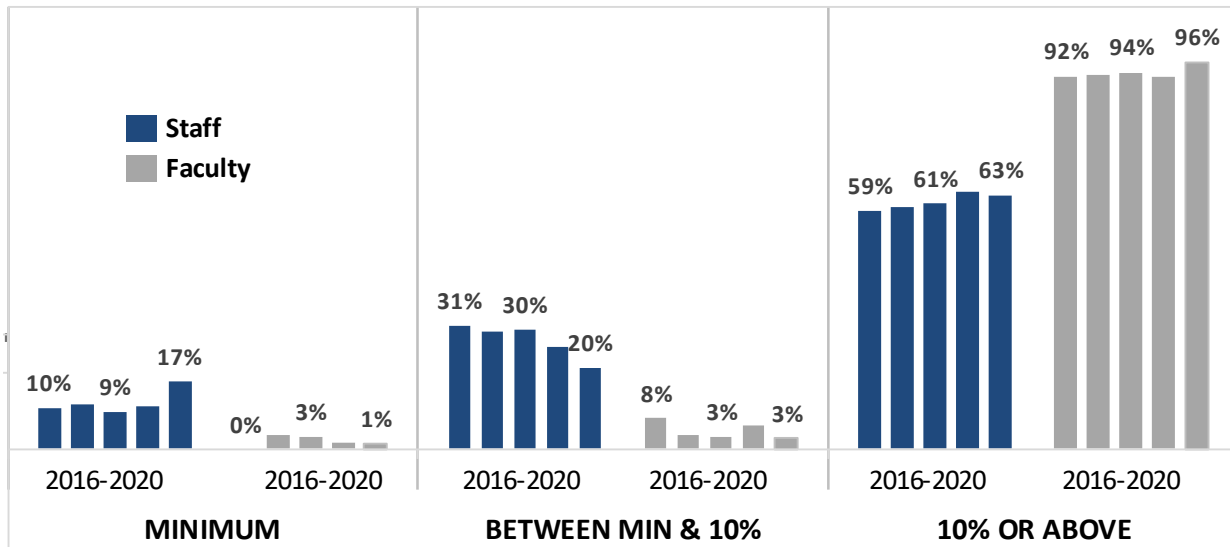
Faculty and Staff

We report several summary statistics separately for faculty and staff because gender, age, income, and education are quite different, which could affect contribution rates and budget constraints. Given the low number of responses by administrators (9) and their similarity with faculty profiles, we aggregate the two groups throughout the study and refer to them collectively as ‘Faculty.’<sup>6</sup>

Table 1 presents select summary statistics of the survey respondents by job classification. The majority of faculty (56%) are male, but 77% of staff are female. Faculty are older than staff on average; 25% of faculty are older than 60 years of age compared with 9% of staff. In addition, 22% of faculty are less than 40 years of age relative to 42% of staff. Most staff (58%) earn between \$25,000 and \$50,000 in annual income while most faculty (69%) earn \$100,000 or above. Given this wide pay gap, a decrease in take-home pay from mandatory contributions will harm staff more than faculty, and staff are more likely than faculty to be budget constrained. Half the staff, but just 12% of faculty agree with this statement: “After paying for necessities each month I have very little disposable income.”

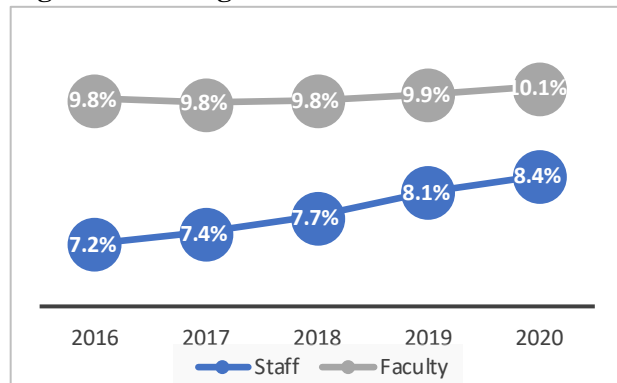
<sup>6</sup> Relative to staff, faculty profiles are more like administrator profiles on most measures. On average, faculty and administrators have similarly high contribution rates. Both groups are older than staff, more likely to be male, and have much higher incomes. Interestingly, faculty and staff are more similar to one another in their behavioral bias measures than they are to administrators. Administrators tend to procrastinate more, but they are less prone to loss aversion and present bias.

**Figure 2. Percentage of Respondents by Contribution Rate, 2016-2020**

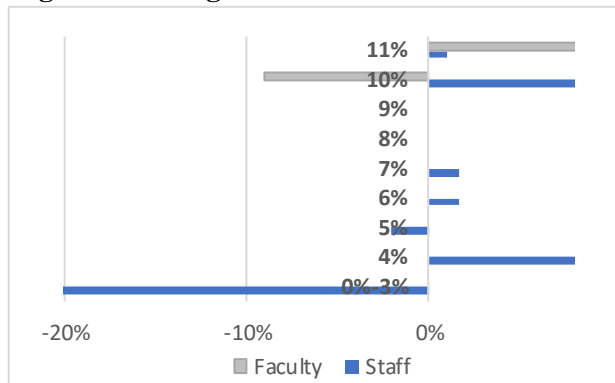


Most respondents take full advantage of the employee matching benefit provided by the university retirement plan. Figure 2 displays the percentage of staff and faculty, respectively, by contribution rate buckets for the years 2016 through 2020. Nearly all faculty (96%) and a majority of staff (63%) contributed at least 10% (the maximum rate for employer matching) to their retirement accounts in 2020. A significant minority of staff, however, contribute the minimum to the retirement plan. In 2016, the year before the introduction of mandatory contributions, 10% of staff respondents did not participate in the retirement plan. A similar percentage contributed the minimum rate through 2019, but the number jumped sharply to 17% in 2020 when the minimum rate was 4%. That jump, however, is misleading because it ignores the percentage of respondents in prior years that had contribution rates less than or equal to 4%. In 2016, for example, 22% of staff respondents had contribution rates of 4% or less, five percentage points higher than the 17% of respondents in 2020.

**Figure 3. Average Contribution Rates**



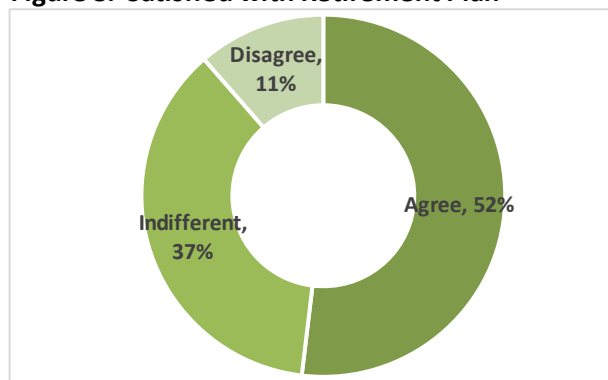
**Figure 4. Change Between 2016 and 2020**



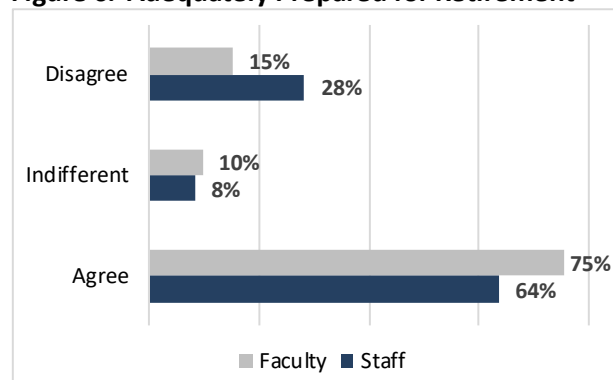
Mandatory contributions have led to higher average retirement savings rates. Figure 3 plots the average contribution rates by year of faculty and staff, respectively, that were employed prior to 2016. The average contribution rate for faculty increased by 30 basis points between 2016 and 2020 to 10.1% while the average rate for staff increased by 120 basis points to 8.4%.<sup>7</sup> Assuming that the contribution rates and income brackets of the respondents are representative of the 3,300 full-time staff as a whole, we estimate that the average staff member at the University of Arkansas who earned a salary in 2020 of \$52,709, increased retirement contributions by \$633, which was matched by an additional \$633 for a total increase of \$1,266 relative to retirement contributions that would have occurred if the switch to mandatory contributions did not occur. (See Appendix B for the details of this computation.)

Figure 4 shows why retirement contributions increased between 2016 and 2020. The figure plots the change between those years in the percentage of respondents hired prior to 2016 that selected a particular contribution rate. The increase in the average contribution rate by faculty resulted primarily from a shift in contributions of 10% to contributions greater than 10%. The share of faculty contributing 10% declined by 4 percentage points while the share contributing more than 10% increased by 6 percentage points. The increase by staff, in contrast, resulted primarily from a shift in contribution rates of 3% or less to contribution rates of 4% and contribution rates of 10% or above. The share of staff contributing 3% or less declined between 2016 and 2020 by 20 percentage points, while the share contributing 4% increased 10 percentage points. In addition, the share contributing 10% or more increased by 8 percentage points.<sup>8</sup>

**Figure 5. Satisfied with Retirement Plan**



**Figure 6. Adequately Prepared for Retirement**



<sup>7</sup> When all staff respondents are included regardless of the year they began employment, the increase in the average contribution rate between 2016 and 2020 is 100 basis points to 8.2%.

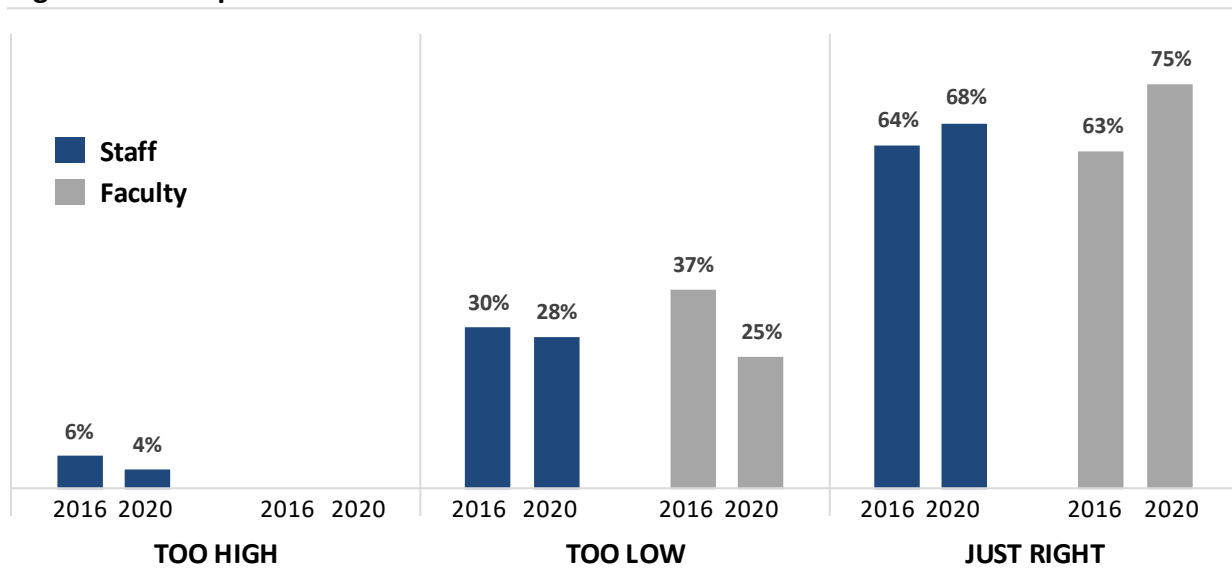
<sup>8</sup> The share of all staff respondents contributing 3% or less declined by 20 percentage points between 2016 and 2020, while the share contributing 4% increased by 15 percentage points, and the share contributing 11% or more increased by 4 percentage points.

Perceptions of the Retirement Plan

Several survey questions asked all respondents their perceptions of the retirement program. As Figure 5 shows, a large majority of full-time employees (89%) are either satisfied or indifferent to the change to mandatory contributions. Just 7% of faculty, and 15% of staff are not satisfied with the changes. In addition, Figure 6 shows that 76% of faculty, and 63% of staff agree they are adequately prepared for retirement given their current contribution rates. However, a sizable minority of staff (29%) disagree with this viewpoint.

The switch to mandatory contributions is correlated with an increase in the percentage of employees who believe their contribution rates are ‘just right.’ As shown in Figure 7, the share of faculty that perceived their contribution rates to be just right increased from 64% in 2016 to 76% in 2020. Similarly, the share of staff that perceived their contribution rates to be just right increased from 64% to 69%. A minority of respondents, however, perceive their contribution rates as too high or too low. Nearly one-quarter of faculty and 28% of staff view their contribution rates in 2020 as too low. In addition, 3% of staff (3 respondents) view their contribution rate as too high. These employees are the ones that may be hurt by the change to mandatory contributions.

**Figure 7. Perception of Contribution Rates in 2016 and 2020**

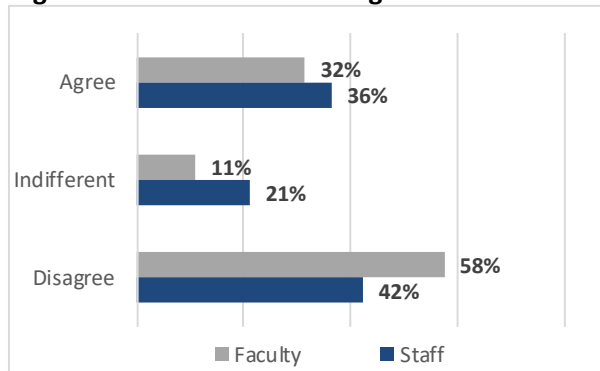


Behavioral Biases

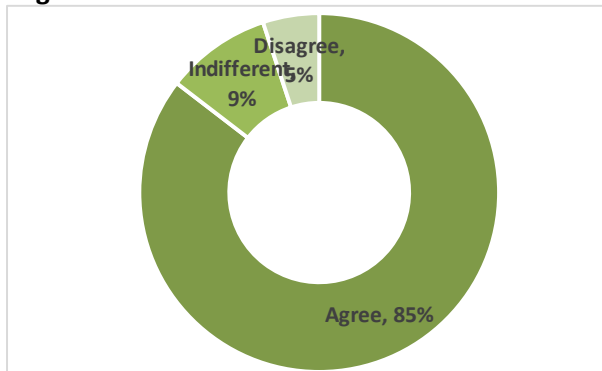
Behavioral biases could lead to suboptimal contribution rates that are too low. Employees hired before the change to mandatory contributions may have been saving less than they desired, and this change either encouraged or forced them to increase contribution rates to save more optimally. We present summary statistics for evidence of inertia, loss aversion, and present bias.

Two survey questions address a respondent’s degree of inertia. Figure 8 shows that 37% of staff respondents and 32% of faculty agree that they procrastinate making financial decisions. However, Figure 9 shows that just 6% of all respondents disagree with the statement “I make a conscious effort to make the best decision on my contribution rate,” suggesting that inertia may not be prevalent. Responses by faculty and staff are similar for this question.

**Figure 8. Procrastinate Making Financial Decisions**



**Figure 9. Make Conscious Effort on Rate Decisions**



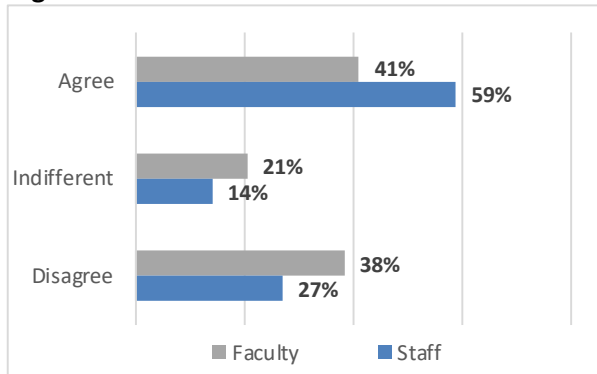
Loss aversion could be contributing to low and suboptimal contribution rates for staff. Two-thirds (107) of all respondents pay attention to the section on their paycheck showing retirement contributions. Of those respondents, as shown in Figure 10, eleven staff (19%) but just two faculty (4%) view the contribution as a reduction from their paycheck rather than an addition to their retirement savings.

Present bias does not seem to be an important bias among the respondents. To calculate effects from present bias, we use the methodology used by Ameriks et al. (2007) where present bias is measured using with the expected-ideal (EI) gap. Respondents are asked about a hypothetical situation in which they receive ten free dinner tickets to any restaurant to use within two years. They first must choose the number they would *ideally* use in each year (Q31). They are then asked how many tickets they actually *expect* to use each year (Q34). The EI gap is computed by subtracting the expected number of tickets used in year 1 by the ideal number of tickets used in year 1. The theory behind this scenario is that those who do have a present bias will choose to use more meal tickets in the first year than their ideal number. A positive EI gap represents a standard problem of overconsumption due to low self-control, and a negative gap corresponds to underconsumption.

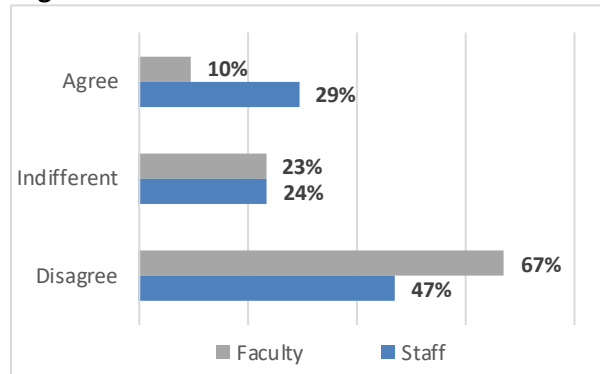
When survey respondents were asked about the hypothetical dinner ticket situation, most answered that they would use more tickets in year one rather than year two. However, just 29% stated they would be tempted to use more tickets in year one than initially stated. Moreover, the difference in means of the expected and ideal number of tickets used in year one is less than one whole ticket. This outcome suggests that present bias is not an important reason for suboptimal savings.

Budget Constraints

**Figure 11. Increase Contribution Rate if Given Raise**



**Figure 12. Save Less Elsewhere**



Budget constraints prevent many staff from achieving their optimal contribution rates. Figure 11 shows that 41% of faculty answered that they would increase their contribution rate if they received a raise beyond the normal increase for cost of living, but an even greater percentage of staff (59%) would do so. Further, just one faculty member (1%) but 14 staff (17%) contributed the minimum rate of 4% in Fiscal Year 2020. Of the staff respondents, 14 of 15 (93%) would contribute 10% if they could afford to do so.

Two additional survey questions assess the effects from budget constraints. The first asks whether respondents agree with the statement “I offset the adverse effect on my budget from mandatory University of Arkansas contributions by contributing less to my other long-term financial savings accounts (Q19).” Once again, as shown in Figure 12, a larger percentage of staff (29%) than faculty (10%) agree that they save less elsewhere. Finally, Table 1 shows that 51% of staff agree that they have little disposable income after paying for necessities each month, while only 12% of faculty agree with that statement. In sum, staff are more budget constrained than faculty.

**Respondents Most Likely Helped and Harmed**

In this section, we identify the respondents most likely to be impacted (either helped or harmed) by the switch to mandatory contributions. We then use mean differencing to compare their behavioral biases and budget constraints with respondents less likely to be impacted.

**Table 2. Profiles of Employees Most Likely Harmed and Helped**

Harmed	Helped
<ul style="list-style-type: none"> <li>• Contribution rate in 2020 perceived as too high</li> <li>• Contribution rate at the minimum 4% in 2020</li> <li>• Tight budget constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution rate increased between year of employment &amp; 2020</li> <li>• Contribution rate in 2020 perceived as just right</li> <li>• Strong behavioral biases</li> </ul>



Table 2 summarizes the expected employee profiles for each category. Respondents most likely to be harmed by the switch to mandatory contributions perceive their 2020 contribution rate as too high, and their contribution rate in that year is the minimum of 4%. These respondents should exhibit tighter budget constraints than other respondents. Given their awareness that contribution rates are too high, those harmed should be less driven by behavioral biases than other respondents, they should be less prepared for retirement, and less satisfied with the program.

Respondents most likely to be helped are those with strong behavioral biases whose contributions rates increased between their first year of employment<sup>9</sup> and 2020, whether by force or from voluntary decisions. These employees should also perceive their contribution rate as ‘just right’ in 2020 because the change moved them closer to their optimal rate.<sup>10</sup> We expect these respondents to be more satisfied with the program changes because the increase in the contribution rate, whether forced or voluntary, was perceived positively. Although most of these respondents experienced a reduction in their paychecks, they may still face significant budget constraints because they are more likely to have lower income and contribute at the minimum rate.

For robustness, we also define those helped slightly differently by including only respondents who were employed on or before 2016 (*Helped-2016*). Although this condition reduces the sample nearly in half, these employees were more cognizant of the changes to the retirement plan because they worked—often for many years—under the previous rules, which gives them a different reference point than those hired after the change was in effect.

To conduct mean difference testing, we create a set of variables from the survey, most of which are binary. All variables and definitions are listed in Table 3, but we also describe them here for convenience. The behavioral variables used for mean differencing are as follows. Inertia is proxied by *NoEffort* and *Procrastinate*. *NoEffort* equals one for respondents that either somewhat or extremely disagree that they make a conscious effort each year to make the best decision about their retirement contribution rate, and zero otherwise. *Procrastinate* equals one for respondents who either somewhat or strongly agree that they tend to procrastinate making financial decisions. Loss aversion is measured with *Reduction*, which equals one if respondents

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<sup>9</sup> Contribution rates from 2016 are used for those who were employed before the switch to mandatory contributions.

<sup>10</sup> It is also possible that those helped by the change could view their contribution rates as too low if they are budget constrained. Excluding these respondents, however, provides a cleaner identification of behavioral biases and budget constraints.

**Table 3. Variable Names and Definitions**

<b>Dependent Variables</b>	<b>Definition</b>
Harmed	Equals one if the contribution rate in 2020 is too high and is at the minimum of 4%; zero otherwise. (Q14,Q17)
Helped	Equals one if the contribution rate in 2020 is greater than either the contribution rate in 2016 or the first year of employment if it occurred after 2016, and the contribution rate in 2020 is perceived to be just right; zero otherwise. (Q10-Q14,Q17)
Helped-2016	Equals one if the contribution rate in 2020 is greater than the contribution rate in 2016, and the contribution rate in 2020 is perceived to be just right; zero otherwise. (Q10,Q14,Q17)
NotPrepared	Equals one if you somewhat or extremely disagree that at current contribution rate, you will be adequately prepared for retirement, zero otherwise. (Q18)
NotSatisfied	Equals one if you somewhat or extremely disagree that you are satisfied with the mandatory contribution changes to the University's Retirement Plan because they have made you better prepared for retirement, zero otherwise. (Q29)
<b>Explanatory Variables</b>	<b>Definition</b>
Income	<\$25K=1; \$25K-\$50K=1; \$50K-75K=3; \$75K-\$100K=4; >\$100K=5 (Q6)
NoEffort	Equals one if you somewhat or strongly disagree that I make a conscious effort each year to make the best decision about my contribution rate, zero otherwise. (Q16)
OffsetBudget	Equals one if you extremely or somewhat agree that you offset the adverse effect on your budget from mandatory University of Arkansas contributions by contributing less to other long-term financial savings accounts, zero otherwise. (Q19)
Reduction	Equals one if you think of the section on your paycheck that shows your retirement contributions primarily as a reduction, zero otherwise. (Q23)
Procrastinate	Equals one if you strongly or somewhat agree that you tend to procrastinate making financial decisions, zero otherwise. (Q24)
LittleDispIncome	Equals one if you strongly or somewhat agree that after paying for necessities each month you have very little disposable income, zero otherwise. (Q27)
EIGap	Difference between number of certificates expected to use in Year 1 and the ideal number to use in Year 1. (Q34 less Q31)
Tempted	Equals one if you would be somewhat/strongly tempted to use more certificates in the first year than would be ideal, zero otherwise. (Q32)

think of the section on their paycheck that shows their retirement contributions primarily as a reduction from their paycheck. Respondents only answered this question if they always or frequently pay attention

to the section on their paycheck that shows the retirement contributions. We assume, therefore, that those that do not pay attention to their paycheck also do not view their contributions as a reduction in pay. Finally, present bias is measured with *Tempted* and *EIGAP*. *Tempted* equals one if respondents state they would be somewhat or strongly tempted to use more restaurant certificates in the first year than would be ideal. *EIGAP* is the difference between the expected and ideal number of certificates the respondent would use in the first year. For both variables, higher values signal stronger present bias.

Three budget constraint variables are also used in the mean differencing. *OffsetBudget* equals one if the respondent extremely or somewhat agrees that they offset the adverse effect on their budget from mandatory University of Arkansas contributions by contributing less to other long-term financial savings accounts. *Income* is the respondent's income bracket, which ranges from 1 to 5 where higher values represent higher income. *LittleDispIncome* equals one if the respondent strongly or somewhat agrees that after paying for necessities each month they have little disposable income, zero otherwise.

Finally, we include two variables that assess the respondent's overall perception of the retirement plan. *NotPrepared* equals one if the respondent somewhat or extremely disagrees that at the current contribution rate, they will be adequately prepared for retirement, zero otherwise. *NotSatisfied* equals one if the respondent somewhat or extremely disagrees that they are satisfied with the mandatory contribution changes to the University's Retirement Plan because the changes have made them better prepared for retirement, zero otherwise. (Q29)

Table 4 lists mean differences of key variables between those most likely impacted (harmed or helped) and those less likely impacted by the change to mandatory contributions. We separate staff and faculty in the analysis, but no statistics are reported for faculty that were likely harmed because no faculty fit that profile. The expected signs for the mean differences are listed in the table as well. Differences in means with unexpected signs are shaded, and the differences that are statistically significant at least at the 10% level are in bold font.<sup>11</sup>

Table 4 lists mean differences of key variables between those most likely impacted (harmed or helped) and those less likely impacted by the change to mandatory contributions. We separate staff and faculty in the analysis, but no statistics are reported for faculty that were likely harmed because no faculty fit that profile. The expected signs for the mean differences are listed in the table as well. Differences in

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<sup>11</sup> We compute statistical significance of the t-tests conservatively using the pooled method that assumes equal variances of the two groups because the small numbers of observations in the harmed (helped) sample are insufficient to generate reliable variances.

means with unexpected signs are shaded, and the differences that are statistically significant at least at the 10% level are in bold font.<sup>12</sup>

The first row of the table lists the mean change in the contribution rate between 2016 (or first year of employment) and 2020. For those likely harmed, mean contribution rates increased by a statistically insignificant 1.49 percentage points more than for staff less likely harmed. For those more likely helped, contribution rates increased by more than 3.0 percentage points for staff, and at least 1.98 percentage points for faculty relative to those less likely helped, and all four mean differences are statistically significant.

Columns 1 and 2 of Table 4 list the expected signs and mean differences, respectively, for those most likely harmed relative to those not likely to be harmed. Consider the three budget constraint variables: *Income*, *OffsetBudget*, and *LittleDispIncome*. We expect the mean income bracket of those harmed to be lower than the mean income bracket of the respondents not harmed, and the mean difference of -0.59 is negative as expected. Similarly, those more likely to be harmed should have little disposable income (positive sign) and offset their budget by saving less elsewhere (positive sign). Indeed, both mean differences in the table are positive, and *OffsetBudget* is also statistically significant. We also expect that these employees will have unfavorable perceptions of the program. Again, the results are consistent with this view. Mean differences in those not prepared for retirement (0.22) and those not satisfied with the program (0.87) are positive, and the latter is statistically significant. On the other hand, we do not expect behavioral biases to be stronger for those that are likely harmed, so the mean differences for the five behavioral bias variables should have negative signs. Table 4, however, shows that the values for two of them, *EIGap* and *Tempted*, are positive and shaded. The bottom portion of the table displays the number of observations in the likely harmed group (2) and the not likely harmed group (83). It also shows that 8 of 10 (80%) variables have the expected signs.

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<sup>12</sup> We compute statistical significance of the t-tests conservatively using the pooled method that assumes equal variances of the two groups because the small numbers of observations in the harmed (helped) sample are insufficient to generate reliable variances.

**Table 4. Differences in Means of Those Likely Impacted and Those Not Likely Impacted**

Mean differences of those most likely to be harmed (helped) less those less likely to be harmed (helped). Shaded cells represent mean differences with unexpected signs. Numbers in bold font represent statistical significance at the 10% level or better.

Variable	Harmed		Helped			Helped-2016	
	Sign	Staff	Sign	Staff	Faculty	Staff	Faculty
Chg in Contribution Rate		<b>1.49%</b>		<b>3.31%</b>	<b>1.98%</b>	<b>3.06%</b>	<b>2.40%</b>
<i>Program Perception</i>							
NotPrepared	+	0.22	?	0.18	-0.14	0.22	-0.17
NotSatisfied	+	<b>0.87</b>	-	0.11	-0.07	0.11	-0.06
<i>Behavioral Biases</i>							
NoEffort	-	-0.06	+	0.12	0.11	0.10	0.16
Procrastinate	-	-0.37	+	0.04	0.11	0.06	0.23
Reduction	-	-0.13	+	0.07	-0.03	0.10	-0.04
EIGap	-	1.25	+	-0.09	-0.40	-0.11	-0.90
Tempted	-	0.15	+	0.07	0.23	0.11	0.21
<i>Budget Constraints</i>							
Income	-	-0.59	-	-0.08	-0.04	-0.31	-0.23
OffsetBudget	+	<b>0.72</b>	+	0.00	0.04	0.04	-0.13
LittleDispIncome	+	0.51	+	0.06	0.06	0.07	0.10
No. Harmed/Helped		2		12	7	11	5
No. not Harmed/Helped		83		63	59	38	48
Percent with Expected Sign		80%		78%	78%	78%	67%

Results in columns 4-7 of Table 4 compare mean differences for those likely helped less those not likely helped, and column 3 displays the expected signs. We expect behavioral biases and budget constraints to be stronger for those helped. We also expect these respondents to be satisfied with the program so that the sign on *NotSatisfied* is negative. However, the expected sign for *NotPrepared* is ambiguous because employees may believe they are more prepared for retirement than before the program changes, but they still may be unprepared overall due to budget constraints. For staff likely helped, none of the mean differences are statistically significant. However, four of five behavioral biases (except *EIGap*) have the correct signs, as well as all three budget constraint variables. Interestingly, *NotSatisfied* is positive, indicating that staff most likely helped are not satisfied with the program relative to those less likely helped. In sum, 7 of 9 (78%) of the variables had the expected signs. All these results hold for both definitions of *Helped*. With a few exceptions, results are similar for faculty most likely to be helped. The sign on *Reduction* is unexpectedly negative, suggesting that loss aversion is not an important bias for those faculty. In addition, *NotSatisfied* has the expected negative sign. In all, 7 of 9 (78%) of the variables for *Helped* have the expected signs, and 6 of 9 (67%) have the expected signs for *Helped-2016*, which includes only those that were employed prior to the change to mandatory contributions.

In sum, the analysis in Table 4 reveals that the sample is too small to assess statistical significance of the mean differences.<sup>13</sup> Nevertheless, a high percentage of the mean differences consistently have the expected signs, suggesting that behavioral bias may be an important reason that staff and faculty were helped by the switch to mandatory contributions, and budget constraints may be an important reason that some staff were harmed.

## Conclusion

We analyzed survey results of 172 full-time employees at the University of Arkansas to examine the effects from the retirement plan switch to mandatory contributions beginning in Fiscal Year 2017. Minimum required contribution rates increased by one percentage point each year to 5% in Fiscal Year 2022. (The increase from 4% to 5% was delayed one year due to the Covid pandemic.)

We found that 72% of respondents are unaffected by the switch to mandatory contributions because they already contribute 10% or more to their retirement, which is the maximum rate for employee matching. Average contribution rates, however, increased for all full-time employees, and especially for staff where the average contribution rate increased by 1.2 percentage points. In addition, 89% of respondents are either satisfied or indifferent to the changes even though 29% of staff disagree that they are adequately prepared for retirement given their current contribution rates.

We also examined the percentage of employees that were most likely to be harmed or helped by the program changes. Mandatory contributions harm individuals with tight budget constraints who wish to contribute less than the minimum contribution rate. We identified the respondents most likely to be harmed as those that perceive their 2020 contribution rate of 4% (the minimum) as ‘too high.’ We find that 2.4% of staff may have been harmed by the switch to mandatory contributions. However, logit regression analysis and T-tests of mean differences between those likely harmed and those not likely harmed cannot confirm these results because the sample size is too small.

In contrast, mandatory contributions may help those with strong behavioral biases of inertia, loss aversion, or present bias. Such biases lead individuals to save too little, and mandatory contributions can nudge or force them to save more optimally. Those most likely helped by the change increased their contribution rates at some point between 2016 and 2020 either voluntarily or by force, and they perceived their contribution rates in 2020 as ‘just right.’ We find that 16% of staff and 11% of faculty may have been helped by the switch to mandatory contributions because it helped them overcome their low savings rates

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<sup>13</sup> The mean difference approach analyzes variables one at a time so we cannot determine the relative importance and statistical significance of a particular variable while controlling for the effects from other variables. Multivariate regression analysis overcomes this shortcoming. Unfortunately, our sample size is too small to draw reliable inferences from regressions, so we leave it to future research when a larger survey is undertaken.

resulting from behavioral biases. Again, the power of our statistical tests is too weak to confirm these results.

Our results need to be interpreted with caution because the sample size is too small to conduct statistically reliable tests. Moreover, the respondent sample may not accurately reflect the profiles of university employees, especially faculty profiles. The sample greatly overrepresents employees from the Walton College resulting from our inability to directly solicit responses from employees in other colleges. Consequently, a much larger survey needs to be done across all campuses of the University of Arkansas System to assess with greater statistical confidence the effects on employees from the change to mandatory contributions.

### **Acknowledgements**

This research project builds on the undergraduate Honors Thesis completed by Sarah Brasche in the Spring 2021 semester under the supervision of Dr. Yeager. We thank Katherine Moore in Human Resources for her generous time and effort to gather and provide us aggregate data on employee contribution rates.

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## Appendix A. Retirement Plan Survey

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Start of Block: Intro



Q0 Sarah Brasche is an undergraduate majoring in Finance. She is conducting her Honors Thesis under the supervision of Professor Tim Yeager (tyeager@uark.edu) in the Finance Department on the effects on retirement savings from recent changes to the University of Arkansas Retirement Plan that required mandatory contributions for all full-time employees. Mandatory contributions began with Fiscal Year 2017 (July 1, 2016 – June 30, 2017) at 1% and have increased by 1% each year. In this current Fiscal Year 2020, the mandatory contribution rate is 4%, and it will cap at 5% in Fiscal Year 2022 (which begins July 1, 2021). It would be so helpful to Sarah if you could take 5 minutes to answer these survey questions. In addition, the research will be used to inform our university community of the effects from these retirement plan changes. The survey must be completed by end of day July 13th. There are no foreseeable risks in taking this survey. If you are uncomfortable with any question, you do not need to answer it. You may stop participating in the survey at any time without penalty (45 CRF 46.116(a)). All responses will be kept confidential to the extent allowed by law and university policy. Should you have questions about the survey itself or how it will be used, you can contact Professor Yeager at 479-575-2992 or tyeager@uark.edu.

You may also contact the University of Arkansas Research Compliance office listed below if you have questions about your rights as a participant or to discuss any concerns about or problems with the research.

Iroshi (Ro) Windwalker, CIP, IRB Coordinator Research Compliance,  
109 MLKG Building, Fayetteville, AR 72701 phone 479-575-2208 and fax 479-575-6257

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Q1 Are you a full time employee at the University of Arkansas that participates in the University of Arkansas retirement plan? (Answer 'No' if you are participating in the Arkansas Public Employee Retirement System or the Arkansas Teacher Retirement System.)

Yes (1)

No (2)

End of Block: Intro

---

Start of Block: Demographic Questions

Q2 Indicate your gender.

- Male (1)
  - Female (2)
  - Prefer not to answer (3)
- 

Q3 What is your race or origin? You may select more than one option.

- Black or African American (2)
  - Asian (3)
  - Hispanic, Latino, or Spanish origin (4)
  - White (5)
  - Other (6)
  - Prefer not to answer (7)
- 

Q4 Indicate your age in years.

---

---

Q5 Are you faculty, staff, or administration?

- Faculty (1)
  - Staff (2)
  - Administration (3)
- 

Q6 In which bracket does your income earned in calendar year 2019 fall?

- < \$25,000 (1)
  - \$25,001 - \$50,000 (2)
  - \$50,001 - \$75,000 (3)
  - \$75,001 - \$100,000 (4)
  - > \$100,000 (5)
- 

Q7 Do you work in the Sam M. Walton College of Business?

- Yes (1)
  - No (2)
-

Q8 When did you begin full-time employment with the University of Arkansas? (If you were full-time and then quit and returned, select the year that you began your most recent employment with the university.)

- Before July 1st 2016 (1)
- Between July 1st 2016 and June 30th 2017 (2)
- Between July 1st 2017 and June 30th 2018 (3)
- Between July 1st 2018 and June 30th 2019 (4)
- After July 1st 2019 (5)

End of Block: Demographic Questions

---

Start of Block: Yearly Contribution Questions

Q9

For each fiscal year between 2016 and 2020 that you have been employed at the University of Arkansas, you will be asked in these next question(s) to select your total contribution rate to the retirement plan.

To find your contribution rate for a given fiscal year, you can view your past earnings statements on webBasis. After logging on, click **My Pay > Pay Activity**. By searching for any earnings statement between **January** and **June** of a given calendar year, you will be viewing your statement for that **same fiscal year**. (A statement from July through December is for the next fiscal year.) You will see one or two entries in the Deductions section that says something like: TIAA/CREF Mandatory [X%], TIAA/CREF TaxDeferrd [Y%]. (Your statement may reference Fidelity instead.) Add the contribution rates together and that is your contribution rate for the fiscal year.

---

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

Q10 Your Fiscal Year 2016 (July 1st 2015 - June 30th 2016) contribution rate (a value of '5', for example, indicates a contribution rate of 5% of your salary). If your contribution is more than 10% please select 11%+.

- 0% (2)
- 1% (3)
- 2% (4)
- 3% (5)
- 4% (6)
- 5% (7)
- 6% (8)
- 7% (9)
- 8% (10)
- 9% (11)
- 10% (12)
- 11%+ (13)

---

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2016 and June 30th 2017*

Q11 Your Fiscal Year 2017(July 1st 2016 - June 30th 2017) contribution rate (a value of '5', for example, indicates a contribution rate of 5% of your salary). If your contribution is more than 10% please select 11%+.

- 1% (2)
- 2% (3)
- 3% (4)
- 4% (5)
- 5% (6)
- 6% (7)
- 7% (8)
- 8% (9)
- 9% (10)
- 10% (11)
- 11%+ (12)

---

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2016 and June 30th 2017*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2017 and June 30th 2018*

Q12 Your Fiscal Year 2018 (July 1st 2017 - June 30th 2018) contribution rate (a value of '5', for example indicates a contribution rate of 5% of your salary). If your contribution is more than 10% please select 11%+.

- 2% (3)
- 3% (4)
- 4% (5)
- 5% (6)
- 6% (7)
- 7% (8)
- 8% (9)
- 9% (10)
- 10% (11)
- 11%+ (12)

---

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2016 and June 30th 2017*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2017 and June 30th 2018*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2018 and June 30th 2019*

Q13 Your Fiscal Year 2019 (July 1st 2018 - June 30th 2019) contribution rate (a value of '5', for example, indicates a contribution rate of 5% of your salary). If your contribution is more than 10% please select 11%+.

- 3% (4)
- 4% (5)
- 5% (6)
- 6% (7)
- 7% (8)
- 8% (9)
- 9% (10)
- 10% (11)
- 11%+ (12)

---

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2016 and June 30th 2017*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2017 and June 30th 2018*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Between July 1st 2018 and June 30th 2019*

*Or When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = After July 1st 2019*



Q14 Your Fiscal Year 2020 (July 1st 2019 - June 30th 2020) contribution rate (a value of '5', for example, indicates a contribution rate of 5% of your salary). If your contribution is more than 10% please select 11%+.

- 4% (4)
- 5% (5)
- 6% (6)
- 7% (7)
- 8% (8)
- 9% (10)
- 10% (11)
- 11%+ (12)

**End of Block: Yearly Contribution Questions**

---

**Start of Block: Contribution Policy Questions**

*Display This Question:*

*If When did you begin full-time employment with the University of Arkansas? (If you were full-time a... = Before July 1st 2016*

Q15 The University began mandatory contributions of 1% for full-time employees in Fiscal Year 2017 (Beginning July 1st 2016.). In your opinion, was your contribution rate in the previous Fiscal Year 2016 (July 1st 2015 to June 30th 2016) too high, too low, or just right?

- Too high (1)
  - Too low (2)
  - Just right (3)
-

Q16 I make a conscious effort each year to make the best decision about my retirement contribution rate.

- Extremely agree (1)
  - Somewhat agree (2)
  - Neither agree nor disagree (3)
  - Somewhat disagree (4)
  - Extremely disagree (5)
- 

Q17 In your opinion, is your contribution rate in the Fiscal Year 2020 (July 1st 2019 through June 30th 2020) too high, too low, or just right?

- Too high (1)
  - Too low (2)
  - Just right (3)
- 

Q18 At my current contribution rate, I believe I will be adequately prepared for retirement.

- Extremely agree (1)
  - Somewhat agree (2)
  - Neither agree nor disagree (3)
  - Somewhat disagree (4)
  - Extremely disagree (5)
-

Q19 I offset the adverse effect on my budget from mandatory University of Arkansas contributions by contributing less to my other long-term financial savings accounts.

- Extremely agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Extremely disagree (5)

---

*Display This Question:*

*If Your Fiscal Year 2020 (July 1st 2019 - June 30th 2020) contribution rate (a value of '5', for exa... = 4%*

Q20 Are you planning to increase your contribution rate in the Fiscal Year 2021 (July 1st 2020 to June 30th 2021)?

- Definitely yes (1)
  - Probably yes (2)
  - Might or might not (3)
  - Probably not (4)
  - Definitely not (5)
-

Q21 If you were to get an increase in salary beyond the expected raise for cost of living (e.g. from a promotion), would you contribute a larger percent to retirement?

- Definitely yes (1)
  - Probably yes (2)
  - Might or might not (3)
  - Probably not (4)
  - Definitely not (5)
- 

Q22 Do you pay attention to the section on your paycheck that shows your retirement contributions?

- Always (5)
  - Frequently (1)
  - Sometimes (2)
  - Rarely (3)
  - Never (4)
- 

*Display This Question:*

*If Do you pay attention to the section on your paycheck that shows your retirement contributions? = Always*

*Or Do you pay attention to the section on your paycheck that shows your retirement contributions? = Frequently*

Q23 Do you think of the section on your paycheck that shows your retirement contributions primarily as an addition to your retirement savings account or a reduction from your paycheck?

- An addition (1)
- I am indifferent (2)
- A reduction (3)

**End of Block: Contribution Policy Questions**

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**Start of Block: Likert Scale Questions**

Q24 I tend to procrastinate making financial decisions.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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*Display This Question:*

*If Your Fiscal Year 2020 (July 1st 2019 - June 30th 2020) contribution rate (a value of '5', for exa...  
= 4%*

Q25 When my mandatory contribution rate increases it has a negative effect on my budget and lifestyle.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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*Display This Question:*

*If Your Fiscal Year 2020 (July 1st 2019 - June 30th 2020) contribution rate (a value of '5', for exa...  
= 4%*

Q26 If I could afford to contribute 10% in order to receive the highest retirement matchings from the university, I would.

- Definitely yes (1)
  - Probably yes (2)
  - Might or might not (3)
  - Probably no (4)
  - Definitely no (5)
-

Q27 After paying for necessities each month I have very little disposable income.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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*Display This Question:*

*If Your Fiscal Year 2020 (July 1st 2019 - June 30th 2020) contribution rate (a value of '5', for exa...  
= 4%*

Q28 The adverse effect on my budget has gotten easier to accept as the mandatory contribution rate has risen each fiscal year.

- Strongly agree (1)
  - Somewhat agree (2)
  - Neither agree nor disagree (3)
  - Somewhat disagree (4)
  - Strongly disagree (5)
-

Q29 I am satisfied with the mandatory contribution changes to the University's Retirement Plan because they have made me better prepared for retirement.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

End of Block: Likert Scale Questions

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Start of Block: Meal Tickets Questions

Q30 Now we will present you with a hypothetical situation. Please answer the following questions after careful consideration of this situation.

Situation: Suppose you win ten certificates, each of which can be used (once) to receive a “dream restaurant night.” On each such night, you and a companion will get the best table and an unlimited budget for food and drink at a restaurant of your choosing. There will be no cost to you: all payments, including gratuities, come as part of the prize. The certificates are available for immediate use, starting tonight, and there is an absolute guarantee that they will be honored by any restaurant you select if they are used within a two-year window. If they are not used up within this two-year period, however, any that remain are valueless.

Q31 From your current perspective, how many of the ten certificates would you ideally like to use in year 1 (as opposed to year 2)?

0	1	2	3	4	5	6	7	8	9	10
Year 1 ()										



Q32 Some people might be tempted to depart from their ideal allocation. Which of the following best describes you?

- I would be strongly/somewhat tempted to keep more certificates for use in the second year than would be ideal. (1)
- I would have no temptation in either direction. (2)
- I would be somewhat/strongly tempted to use more certificates in the first year than would be ideal. (3)

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Q33 If you were to give in to your temptation, how many certificates do you think you would use in year 1 (as opposed to year 2)?

0      1      2      3      4      5      6      7      8      9      10



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Q34 Based on your most accurate forecast of how you think you would actually behave, how many of the nights would you end up using in year 1 (as opposed to year 2)?

0      1      2      3      4      5      6      7      8      9      10



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End of Block: Meal Tickets Questions

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## Appendix B. Estimate of Average Staff Salary and Increase in Retirement Contributions

Table B.1 shows the assumptions made to estimate the average staff salary and increase in retirement contributions at the University of Arkansas in FY2020. Each survey respondent identified the income bracket they fell into in FY2020, and we used those values to compute a representative salary (usually the mid-point) for each bucket, shown in the *Estimated Avg. Income (\$)* column. We then weighted each estimated salary by the number of staff in that income bracket and summed across all buckets to arrive at the weighted salary of \$52,072 (e.g. the 25K-50K bracket is weighted by multiplying \$37,500 x 53/90). Finally, the increase in retirement income is the estimated change in staff dollar contributions to retirement income in FY 2020 relative to what the contribution would have been without the change to mandatory contributions. The value of \$625 is computed by multiplying the average staff salary of \$52,072 by the average change in the retirement contribution rate of 1.2%. The matched value of \$1,250 accounts for the university match of 1.2%.

**Table B.1. Estimated Increase in Retirement Contributions in 2020**

Income Bracket	Estimated Avg. Income (\$)	Number of Staff	Weighted Salary (\$)	Increase in Retirement Income (\$)
<25K	22,000	2	484	6
25K-50K	37,500	53	21,841	262
50K-75K	62,500	19	13,049	157
75K-100K	87,500	13	12,500	150
>100K	110,000	4	4,835	58
Sum:		91	52,709	633
Matched:				1,266