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Encouraging New Hires to Save for Retirement

ROBERT CLARK, MELINDA SANDLER MORRILL AND JENNIFER MAKI

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ENCOURAGING NEW HIRES TO SAVE FOR RETIREMENT

FINAL REPORT

Robert L. Clark, Melinda Sandler Morrill, and Jennifer Maki

North Carolina State University

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Project Abstract

This project examines the impact of employer-provided financial education for newly hired workers on contributions to voluntary retirement savings plans. Using administrative data from five large employers, the researchers assess the impact of information and delivery methods on the choice to participate in the plans and the deferral amount selected. The researchers collected additional data from one employer-partner covering the two years before and after their automatic enrollment policy was implemented. Average participation rates increased sharply, while the same fraction of workers took advantage of the full employer match once eligible. The researchers also conducted a survey of newly hired workers. The survey measured employees' understanding of their company's voluntary retirement savings plan, their assessment of the employer-provided information, and their reasons for limited or non-participation. Non-participants demonstrated lower overall financial literacy relative to participants, and many respondents felt that the information provided by their employers was not sufficient. Finally, the largest employer-partner, BB&T, implemented a field experiment where an on-line mailing was sent to a random subset of non-participating newly hired workers. Younger workers receiving the flyer were significantly more likely to enroll in the 401(k) plan, while older workers actually had lower initiation rates relative to their control group. The research presented provides insights into the efficacy and importance of financial education provided by employers to newly hired workers and how it impacts their retirement saving decisions.

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GENERIC NEW HIRE SURVEY

1. Research Study

Your participation is requested in a research project examining employer-provided supplemental retirement saving programs. The study is being conducted by faculty members at the Poole College of Management at North Carolina State University through a partnership with the Financial Literacy Center and with funding from the Social Security Administration. You can learn more about this center by visiting their website at www.financialliteracyfocus.org.

The study will examine financial literacy and supplemental retirement saving program participation of all newly hired workers at five large national employers. The research will be based on surveys completed by you and other newly hired workers around the country. As a participant in this research, you will be asked to complete the short survey that follows. This should take no more than 10 minutes to complete. Your responses will be combined with other participants at your employer to create a data set that will be used to examine the determinants of participation in the 401(k) plan.

The information that you provide in the survey will be completely confidential; it will not be made available on an individual basis to your employer or to anyone else. Participation in this research study is voluntary.

You can learn more about the research project and access papers describing the results of the research as they are written by visiting our website at: http://www.financialliteracyfocus.org. If you have any questions or concerns, please contact the study principal investigator, Professor Robert Clark at robert_clark@ncsu.edu.

THANK YOU FOR YOUR PARTICIPATION IN THIS PROJECT

2. Participation in the Supplemental Retirement Fund

Your employer offers you the opportunity to participate in a 401(k) plan, which is a tax deferred retirement saving plan. Participation in the 401(k) plan is voluntary so you must decide to participate in this plan and if so, you must specify how much you want withheld from your check each pay period. Some employers match employee contributions up to a specified limit of payroll. The employer contribution does not affect your pay check. In this section of the survey, there are a series of questions about the plan itself and your participation in the plan.

1. Which statement best describes the timing of your employer's match incentive?

- ◯ My employer provides a match immediately
- ◯ My employer provides a match after 60 days of employment
- ◯ My employer provides a match after six months of employment
- ◯ My employer provides a match after one year of employment
- ◯ My employer does not provide a match
- ◯ Do not know

2. If your employer provides a match to your contribution to your 401(k) plan, how much is the employer match?

- ◯ 100 percent of first 7 percent of salary
- ◯ 100 percent of first 6 percent of salary
- ◯ 100 percent of first 4 percent, and 50 percent on the next 2 percent of salary
- ◯ 50 percent of first 7 percent of salary
- ◯ My employer does not offer a match
- ◯ Do not know

3. Are you currently contributing to the 401(k) retirement plan?

- ◯ Yes
- ◯ No
- ◯ Do not know

GENERIC NEW HIRE SURVEY

3. Participation in the Supplemental Retirement Fund

1. If you are contributing to the 401(k) retirement plan, about what percent of your salary are you contributing each period?

2. What factors limit the amount you contribute to the 401(k) plan? Check all that apply to you:

- ☐ I plan to increase my contribution amount once I am eligible for the employer 401(k) match
- ☐ I am concerned about the volatility of the stock market
- ☐ Taking into account Social Security, employer pensions and spouse's retirement benefits, I expect that I will have sufficient retirement income with the amount I am currently contributing
- ☐ Instead of saving more for retirement, I am paying off credit card debt
- ☐ Instead of saving more for retirement, I am paying off student loans, mortgages, or other debt (not including credit card debt)
- ☐ I am primarily concerned with saving for a large purchase such as a car or a home
- ☐ I plan to start saving more in the future when I am closer to retirement
- ☐ My salary covers my monthly living expenses with little extra room for retirement savings

Other (please specify)

GENERIC NEW HIRE SURVEY

4. Participation in the Supplemental Retirement Fund

1. If you are not currently contributing to the 401(k) plan, why are you not currently contributing to the plan?
Check all that apply to you:

- [ ] I was not aware that my employer provided this saving option
- [ ] I plan to start contributing once I am eligible for the employer 401(k) match
- [ ] I am concerned about the volatility of the stock market
- [ ] Taking into account Social Security, employer pensions and spouse's retirement benefits, I expect that I will have sufficient retirement income
- [ ] Instead of saving for retirement, I am paying off credit card debt
- [ ] Instead of saving for retirement, I am paying off student loans, mortgages, or other debt (not including credit card debt)
- [ ] I am primarily concerned with saving for a large purchase such as a car or a home
- [ ] I plan to start contributing in the future when I am closer to retirement
- [ ] My salary covers my monthly living expenses with no extra for retirement savings
- [ ] I am unsure of whom to contact with questions or how to learn more about the 401(k) plan
- [ ] The enrollment procedures were unclear or cumbersome

Other (please specify)

GENERIC NEW HIRE SURVEY

5. Information Provided by Your Employer and the 401(k) Plan Provider

When you were hired, your employer may have given you information about the 401(k) plan and/or some general information about financial markets, investment strategies, and how to manage your retirement assets. This section of the survey contains several questions about this information, its usefulness and how it affected your decision on whether to participate in the 401(k) plan.

1. How would you rate the information you received during orientation or in new hire benefit manuals regarding your employer's 401(k) plan?

- ◯ The information I received was very comprehensive
- ◯ I would have benefited from more information
- ◯ I received information regarding my employer's 401(k) plan but did not read it
- ◯ I did not receive any information regarding my employer's 401(k) plan

2. Did the information you received influence your decision on whether or not to participate in the 401(k) plan?

- ◯ Yes, the information I received influenced my decision to participate
- ◯ Yes, the information I received influenced my decision to NOT participate
- ◯ No, the information did not influence my participation decision

3. How important was the employer match in your decision to participate in the 401(k) plan?

- ◯ Very important
- ◯ Important
- ◯ Somewhat important
- ◯ Somewhat unimportant
- ◯ Not at all important

4. What sources of information influenced your decision on whether or not to participate in the 401(k) plan?
Check all that apply to you:

- ☐ Family and relatives
- ☐ Colleagues and friends
- ☐ Benefit office, website, or other resources provided by your employer
- ☐ Internet
- ☐ Newspapers, planning books, and business magazines
- ☐ Financial advisor

GENERIC NEW HIRE SURVEY

6. Participant Information

This section of the survey contains a series of questions about you, your retirement plans, and your current financial status. Responses to these questions will provide baseline information for the research project.

1. What year were you born?

2. What is your gender?

- Male
- Female

3. What is your marital status?

- Married or living with partner
- Divorced
- Separated
- Widowed
- Never married

4. At what age do you plan to retire?

5. What is your current salary:

- Less than $25,000
- Between $25,000 and $49,999
- Between $50,000 and $74,999
- Between $75,000 and $99,999
- $100,000 and over

6. What is your race/Ethnicity?

- Non-Hispanic White
- Non-Hispanic Black
- Hispanic
- Other

7. Financial Knowledge

The purpose of this section is to obtain baseline information concerning your general financial knowledge. If you do not know the answer to any of these questions, please give your best guess.

1. If you have savings in the amount of $100 in the bank and the interest rate is 2%, how much will you have in your savings account after 5 years?

- ◯ More than $102
- ◯ $102
- ◯ Less than $102
- ◯ Do not know

2. If the current interest rate on your bank deposit is 1% per year and the inflation rate is 2% per year, how much do you think you will be able to buy with your money a year from now?

- ◯ A larger amount than you can buy now
- ◯ Exactly the same as you can buy now
- ◯ A smaller amount than you can buy now
- ◯ Do not know

3. Do you think the following statement is true or false? “Buying a single company stock usually provides a safer return than a diversified portfolio.”

- ◯ True
- ◯ False
- ◯ Do not know

4. Assume you are in the 25 percent tax bracket (you pay $0.25 in tax for each dollar earned) and you contribute $100 pre-tax to the 401(k) plan. Your take home pay (what is in your pay check after all taxes and other payments are taken out) will:

- ◯ Decline by $100
- ◯ Decline by $75
- ◯ Decline by $50
- ◯ Remain the same
- ◯ Do not know

5. Assume that your employer matches your contribution one dollar for each dollar you contribute to the 401(k) plan. If you contribute $100 to the 401(k) plan, your account balance in the plan, including your contribution, will:

- ◯ Increase by $50
- ◯ Increase by $100
- ◯ Increase by $200
- ◯ Remain unchanged
- ◯ Do not know

ENCOURAGING NEW HIRES TO SAVE FOR RETIREMENT

Executive Summary

The primary object of this research is to determine the effectiveness of employer-provided financial education on the retirement saving choices of newly hired workers as measured by their participation in and contributions to a voluntary tax qualified defined contribution pension plan. Many newly hired workers do not take advantage of employer-provided retirement saving programs, which is particularly surprising when there are substantial employer matches to employee contributions. This project examines the role financial literacy and financial education can play in the saving decisions of newly hired workers. In addition to updating the data collected in the first year of the project, in this second year of the project the researchers conducted three separate efforts aimed at understanding the role of employer-provided financial education in retirement savings.

In the first year of the project, the investigators partnered with several large employers, ensuring considerable variation in the terms of the retirement saving programs. The researchers gathered information on the type of information provided to new employees, when the information is given, the method of delivery, and the extent of follow through concerning the opportunity to participate in the retirement saving plan. In the second year of the project, each employer-partner provided an updated administrative data set on newly hired worker plan participation from 2008 through 2010. The data include hire date, gender, date of birth, salary (in most cases), an indicator for participation in the retirement savings plan, and contribution amount (if any).

From these data, the investigators calculate participation and contributions rates as of the spring of 2011. The Year 1 Final Report presents data on the number of workers hired by each employer in the years under review along with participation and contribution rates by length of employment, age, salary level, and gender. Participation rates rise with the length of service, the implementation of automatic enrollment, eligibility for employer matching contributions, and receipt of information. A condensed version of summary statistics, updated to include new data through 2010, is presented in Section II of this report. Relevant information gathered in the first year of the project is summarized in the Appendix.

Findings from Year 1 of the project illustrated an interesting phenomenon regarding the plans studied in this project: automatic enrollment plans are successful in achieving higher overall participation rates, but they exhibit lower average deferral rates when restricting the sample to active participants. To further explore this, the first effort in Year 2 was to examine the change in saving behavior due to a change in plan type. One employer-partner, Pepsi Bottling Ventures, LLC (PBV), recently implemented an opt-out enrollment plan. PBV provided data for the two years before and two years after enacting this policy change. The analysis shows that the program change was effective in increasing participation. Although the average deferral percentage declines, this is due to the inclusion of a large number of employees participating at the default level. The researchers find that the percent of match-eligible employees contributing at the level required to receive the full employer match remains relatively consistent with that seen in the pre-change period.

To better understand the connection between financial literacy and employees' retirement saving decisions, the second effort in Year 2 was to develop and field a survey of all newly hired workers. Four employer partners (BB&T, Martin Marietta Materials, North Carolina State

University, and Progress Energy) participated in this part of the project. The first wave of the survey was distributed March 1, 2011 and continued on a monthly basis, for a total of six months. Of the 2,576 surveys distributed, there were a total of 497 responses received, for an overall response rate of 19 percent.

The survey data provide insights about how respondents view employer provided retirement plan communications and the influence these communications have on their participation decision. The survey also contains a series of questions assessing the respondents' level of financial literacy and their understanding of the provisions of their employer's 401(k) plan. Preliminary results show that the employer match is a motivating factor for participation and that many employees plan to postpone participation until they are match-eligible. Employees value the information provided by their employer's benefit office and many indicate that they would like to receive more information regarding their company's plan.

Another finding from the survey data is that the employer benefit office is viewed as an important source of information when deciding whether to participate in the company 401(k) plan, second only to the employees' families. The majority of respondents indicate that the 401(k) plan information their employer provided was sufficient for making savings decisions, but nearly one third believe they would benefit from more information. Based on responses to a series of financial literacy questions included in the survey, we find that a majority of respondents do not understand the tax advantages of participating in their employer's 401(k) plan.

The third effort in Year 2 of the project was the development of a field experiment to determine the effectiveness of a low-cost intervention on plan participation. Working with BB&T, the largest employer in the sample, the researchers developed two versions of a one page flyer. The flyers were identical except that one version contained additional information about peers' savings behavior. Using detailed administrative data provided by BB&T, the researchers were able to explore how the responsiveness to the intervention varied across types of employees (e.g., salary differences, duration of employment, and differences between men and women). Results from the intervention show that it was successful in increasing participation for some groups of workers. Although the difference was not statistically significant, on average the treatment group increased participation by 15 percent more than the control group. Effectiveness of the intervention varied depending upon employee characteristics. Results indicate that the young, those 18 to 24 years old, were more likely to join the 401(k) plan if receiving an intervention, while those at the opposite end of the spectrum, age 55 years and older, were less likely to join the plan. Both differences are large in magnitude and statistically significant.

ENCOURAGING NEW HIRES TO SAVE FOR RETIREMENT

FINAL REPORT

I. Overview of Year 2 Activities

The primary object of this research project is to determine the effectiveness of employer-provided financial education on the retirement saving choices of newly hired workers. Many newly hired workers do not take advantage of employer provided retirement saving programs, which is particularly surprising when there are substantial employer matches to employee contributions that in most cases can provide workers with an immediate 100 percent return on their annual contributions. This project examines the role financial literacy and financial education can play in the saving decisions of newly hired workers. At the beginning of Year 1, the investigators reached agreement with six employers to participate in the project. The employer partners are BB&T, Progress Energy (PGN), Pepsi Bottling Ventures (PBV), Martin Marietta Materials (MMM), North Carolina State University (NCSU), and the Williams Companies (WLM). The investigators collected data on each employer's benefit plans and on the type of information given to new employees during orientation and in the months following their employment. Appendix Table 1 includes the overview of the retirement plans of each of the employers that was prepared in Year 1.

The investigators selected their employer-partners so that there would be considerable variation in the terms of the retirement saving programs. The diversity in the plan characteristics provides the investigators the opportunity to assess the impact of various forms of interventions by the employers. In Year 1 of the project the employer-partners provided data on their benefit plans and on the type of information given to new employees during orientation and in the months following their employment. In 2010, each of the employers provided administrative data on all employees hired in 2008 and 2009.

These data were updated in Year 2 of the project to include participation as of the spring of 2011 for employees hired in 2008 through 2010. The data includes date of employment, gender, date of birth, salary (in most cases), an indicator for participation in the plan, and contribution amount (if participating). Participation choices are related to the employees' length of service, the plan type (automatic enrollment versus opt-in plans), eligibility for employer matching contributions, and the information provided to workers in the first months of employment. The Year 1 Final Report presents detailed data on the participation and contribution rates for each employer, with results disaggregated by length of employment, age, salary level, and gender. Section II of this Year 2 Final Report includes a summary update of these findings using the new data release from the spring of 2011. Findings to date provide important insights into the role of defaults and information in decisions to participate in voluntary retirement savings plans. This provides the foundation for the work completed in the second year of this project

Section III of this report explores how a change in enrollment procedure from opt-in to opt-out impacted saving and 401(k) plan participation at one employer-partner, Pepsi Bottling Ventures (PBV). Prior to the change, PBV offered a traditional 401(k) plan where enrollment was achieved by employee action. In 2008, PBV adopted an opt-out policy whereby all new hires were automatically enrolled in the 401(k) plan at a minimum contribution rate but they could choose to opt-out of the plan. PBV provided data on employee participation as of April 13, 2011 for workers hired during the two years prior to the change and the two years after.

Prior to automatic enrollment, approximately 60 percent of new hires were participating in the retirement savings plan. However, in the post period, participation rates exceed 90 percent.

Section IV reports on the findings from surveys sent to newly hired employees at BB&T, Martin Marietta Materials, North Carolina State University, and Progress Energy. Due to reorganization of the company, Williams was unable to participate in subsequent components of the research project. The surveys were developed to assess the employees' financial literacy and how it relates to their retirement saving behavior. The questions probe employees' understanding of the employer's retirement plan and solicit their opinions of the information employers provide regarding their 401(k) plan. The survey instrument was similar across all employers with only minimal changes required due to differences between those companies with an opt-out plan or without a match.

Section V presents the results from a field experiment developed for employees at BB&T, the largest employer partner. The goal of the intervention was to evaluate the effectiveness of employer-provided information regarding the benefits of retirement savings plans. The intervention consisted of a one page flyer highlighting the effects of compounding. One version of the flyer contained additional information about peers' savings behavior.

The intervention targeted employees hired during 2008-2010 who were not currently participating in their employer sponsored retirement saving 401(k) plan, a total sample size of 4,111. The sample was divided into three separate groups (roughly 1,370 workers each), one control group that received no information intervention and two others that received different versions of the flyer. The flyer was distributed by email for the majority of the sample; those employees who did not have an email address received the material via inter-office mail.

BB&T provided an updated data file two months after the mailings were sent, allowing employees time to enroll in their company's 401(k) plan.

The intervention was successful in increasing participation in the 401(k) plan for some groups. Perhaps due to the relatively small number of sign-ups occurring during the period under review, the intervention did not significantly increase initiation of plan participation on average. The treatment group did have a 15 percent higher participation rate relative to the control, but the difference was not statistically significant. Effectiveness of the intervention varied depending upon employee characteristics. Younger workers were significantly more likely to initiate participation if they received the intervention material relative to their control group peers. On the other hand, non-participants ages 55 years and older receiving the flyers were statistically significantly *less* likely to join the plan relative to their control group.

The key findings from this research and important lessons learned based on the findings are described in Section VI of the report.

Section II. Employer Administrative Data on Optional Retirement Savings Plan Participation

This section includes an update of employer-provided 401(k) participation information for newly hired workers from each of the participating employers. For a more detailed analysis, please see the updated Year 1 Report, available from the authors upon request.

II.A. Summary of Updated Findings: BB&T as of February 28, 2011

BB&T provided information on over 7,800 employees hired during 2008 to 2010. The data include gender, date of birth, date of hire, date of participation, date of first contribution, date of termination, job grade, compensation, deferral percentage, and contribution amounts. At BB&T, financial education is provided when workers are initially hired. In addition, BB&T asks managers to discuss retirement savings choices during employees' annual reviews. Other than these yearly meetings, BB&T does not yet have any other interventions in place to increase plan participation. Because the timing of the annual review corresponds to the date of eligibility for the employer match for most employees at BB&T (all non-officers), we are not able to separately identify the effects of the match at 12 months from the annual review where managers are instructed to encourage employees to participate in the supplemental retirement savings plans.

BB&T Table 1: Full Sample Descriptive Statistics as of February 28, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires	2574	1589	3699
Average Age	34.6	34.3	34.5
Number of Females Hired	1734	1076	2406
Number of Males Hired	840	513	1293
Average Salary	50,648	46,437	49,220
Participation Rate within 30 Days	0.2%	1.2%	1.3%
Participation Rate within 90 Days	22.2%	21.5%	23.6%
Participation Rate as of February 28, 2011	62.6%	51.5%	36.7%

BB&T Table 2: Participation Rates for 2008-2010 New Hires as of February 28, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	2574	1612	62.6%	6.4
Female	1734	993	57.3%	5.7
Male	840	619	73.7%	7.6
Salary -- Low[b]	1830	980	53.6%	5.2
Salary – High[b]	744	632	84.9%	8.3
Age: <25	646	373	57.7%	5.4
25-34	837	530	63.3%	5.8
35-44	561	350	62.4%	6.3
45-54	386	273	70.7%	8.6[a]
55-64	133	81	60.9%	8.5[a]
65+	11	5	45.5%	6.3[a]
2009 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2009 New Hires	1589	819	51.5%	6.4
Female	1076	484	45.0%	5.5
Male	513	335	65.3%	7.7
Salary -- Low[b]	1114	461	41.4%	5.3
Salary – High[b]	475	358	75.4%	7.9
Age: <25	441	185	42.0%	5.3
25-34	510	273	53.5%	5.6
35-44	311	155	49.8%	6.4
45-54	228	144	63.2%	8.9[a]
55-64	96	62	64.6%	4.5[a]
65+	3	0	0.0%	N/A
2010 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2010 New Hires	3699	1320	36.7%	6.7
Female	2406	719	29.9%	6.0
Male	1293	601	46.5%	7.5
Salary -- Low[b]	2505	608	24.3%	5.3
Salary – High[b]	1194	712	59.6%	7.9
Age: <25	964	220	22.8%	5.7
25-34	1198	437	36.5%	5.9
35-44	756	303	40.1%	6.7
45-54	563	260	46.2%	8.0[a]
55-64	210	100	47.6%	8.8[a]
65+	8	0	0.0%	N/A

[a] Employees age 50 and older are eligible for catch-up contributions, which cause the average contribution rates to be higher.

[b] Low/High represents the number of employees who have a salary that is above/below the total BB&T sample average salary of $50,648 in 2008, $46,437 in 2009, $49,220 in 2010.

II.B. Summary of Updated Findings: Martin Marietta Materials (MMM) as of February 10, 2011

Martin Marietta Materials (MMM) provided information on 550 employees hired during 2008 to 2010. The data include gender, date of birth, date of hire, date of first contribution, pay frequency (hourly or salary), compensation, annual contribution, and contribution percentage. The data only include the current participation choice, not the date that the employee opted-out, if applicable. MMM's 401(k) plan is designed as an opt-out plan. All employees are automatically enrolled in the savings plan and must manually elect non-participation. In addition to the supplemental plan, MMM offers a traditional final average pay defined benefit plan.

MMM Table 1: Full Sample Descriptive Statistics as of February 10, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires	155	119	276
Average Age	36.4	36.3	35.8
Number of Females Hired	20	18	22
Number of Males Hired	135	101	254
Average Salary	40,956	36,812	36,426
Participation Rate as of February 10, 2011	95.5%	89.9%	98.6%

MMM Table 2: Participation Rates for 2008-2010 New Hires as of February 10, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	155	148	95.5%	5.4
Female	20	20	100.0%	6.0
Male	135	128	94.8%	5.3
Salary – Low [a]	115	109	94.8%	4.5
Salary – High [a]	40	39	97.5%	7.7
Age: <25	28	27	96.4%	4.4
25-34	42	41	97.6%	4.9
35-44	50	45	90.0%	5.9
45-54	27	27	100.0%	6.1
55-64	8	8	100.0%	5.4
65+	0	0	N/A	N/A
2009 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2009 New Hires	119	107	89.9%	4.2
Female	18	16	88.9%	5.1
Male	101	91	90.1%	4.0
Salary – Low [a]	82	73	89.0%	3.6
Salary – High [a]	37	34	91.9%	5.5
Age: <25	23	22	95.7%	4.5
25-34	34	33	97.1%	3.9
35-44	32	26	91.3%	4.8
45-54	26	22	84.6%	3.7
55-64	3	3	100.0%	3.3
65+	1	1	100.0%	3.0
2010 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2010 New Hires	276	272	98.6%	2.9
Female	22	22	100.0%	3.9
Male	254	250	98.4%	2.8
Salary – Low [a]	204	201	98.5%	2.5
Salary – High [a]	72	71	98.6%	4.1
Age: <25	54	54	100.0%	2.9
25-34	91	91	100.0%	3.0
35-44	69	67	97.8%	2.6
45-54	45	44	97.8%	3.2
55-64	17	16	94.1%	2.2
65+	0	0	N/A	N/A

[a] Low/High represents the number of employees who have a salary that is above/below the total MMM sample average salary of $40,956 in 2008, $36,812 in 2009, and $36,426 in 2010.

II.C. Summary of Updated Findings: North Carolina State University (NCSU) as of February 28, 2011

North Carolina State University (NCSU) provided information on over 650 employees hired during 2008, 2009, and 2010. The data include date of birth, date of hire, gender, employee classification, job type, compensation, and monthly contribution amounts.[1] Permanent NCSU employees who work at least 30 hours a week are required by law to participate in a mandatory retirement program. University faculty can choose between the state defined benefit retirement plan and several defined contribution options while most other employees are required to enroll in the state defined benefit plan. State statute requires that all qualified employees contribute 6 percent of gross pay each period to the mandatory pension plan whether it is the state defined benefit plan or one of the defined contribution plans. However, employees also have the option of participating in one of three supplemental savings plans. Our investigation is based on the savings behavior in these supplemental plans. Employees are fully eligible to participate on the first day of employment, but are not at any time eligible for a match.[2]

NCSU Table 1: Full Sample Descriptive Statistics as of February 28, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires	740	396	803
Average Age	37.6	38.5	37.6
Number of Females Hired	387	202	461
Number of Males Hired	353	194	342
Average Salary	49,842	50,686	45,449
Participation Rate within 30 Days	4.2%	2.5%	3.6%
Participation Rate within 90 Days	9.2%	5.6%	8.0%
Participation Rate as of February 28, 2011	16.6%	12.1%	11.5%

[1] The NCSU data lists each month individually over the entire period and the amount contributed in each of those months. The date of participation was imputed from the data provided by assigning the first month with a non-zero contribution amount as the date of first participation.
[2] The campus police force workers are eligible for matching contributions. However, there are very few police officers in the data. We are not able to identify which workers are a part of the police force.

NCSU Table 2: Participation Rates for 2008-2010 New Hires as of February 28, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	740	123	16.6%	7.0
Female	387	67	17.8%	6.7
Male	353	56	15.9%	7.3
Salary – Low [a]	448	66	14.7%	5.7
Salary – High [a]	292	57	19.5%	8.5
Age: <25	81	10	14.1%	4.5
25-34	267	38	14.2%	7.6
35-44	213	47	22.1%	6.7
45-54	130	24	18.5%	7.4
55-64	44	3	6.8%	10.9
65+	5	1	20.0%	-
2009 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2009 New Hires	396	48	12.1%	8.8
Female	202	17	8.4%	9.1
Male	194	31	16.0%	8.6
Salary – Low [a]	258	22	8.5%	8.9
Salary – High [a]	138	26	18.8%	8.6
Age: <25	47	5	10.6%	3.6
25-34	132	11	8.3%	7.8
35-44	103	15	14.6%	6.1
45-54	68	10	14.7%	11.3
55-64	37	6	16.2%	12.1
65+	9	1	11.1%	-
2010 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2010 New Hires	803	92	11.5%	8.3
Female	461	61	13.2%	7.8
Male	342	31	9.1%	9.2
Salary – Low [a]	550	49	8.9%	5.0
Salary – High [a]	253	43	17.0%	12.0
Age: <25	89	10	11.2%	3.7
25-34	304	33	10.9%	5.6
35-44	200	20	10.0%	8.1
45-54	135	21	15.6%	13.1
55-64	60	7	11.7%	5.4
65+	15	1	6.7%	66.0[10]

[a] Low/High represents the number of employees who have a salary that is above/below the total NCSU sample average salary of $49,842 in 2008, $50,686 in 2009, and $45,449 in 2010.

II.D. Summary of Updated Findings: Pepsi Bottling Ventures (PBV) as of April 13, 2011

Pepsi Bottling Ventures, LLC (PBV) provided information on over 576 employees hired in 2008, 2009, and 2010. The data include gender, date of birth, date of hire, status, compensation, and contribution percentage. The data only includes the current participation choice, not the date that the employee opted-out, if applicable. PBV's 401(k) plan adopted a major policy change effective 2009. Prior to the change, PBV offered a traditional 401(k) plan where enrollment was achieved by employee action. However, in 2009 PBV adopted an opt-out policy whereby all 2009 new hires were automatically enrolled. The 401(k) plan is the primary employee retirement savings vehicle offered by the company; they do not have a traditional defined benefit plan. More detail on PBV is presented in Section III of this report.

PBV Table 1: Full Sample Descriptive Statistics as of April 13, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires	159	186	231
Average Age	32.0	31.8	31.2
Number of Females Hired	11	16	21
Number of Males Hired	148	170	210
Average Salary	36,072	33,386	28,315
Participation Rate as of April 13, 2011	90.6%	95.7%	94.4%

PBV Table 2: Participation Rates for 2006-2010 New Hires as of April 13, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	159	144	90.6%	4.2
Female	11	9	81.8%	4.8
Male	148	135	91.2%	4.1
Salary – Low [a]	102	91	89.2%	3.7
Salary – High [a]	57	53	93.0%	5.0
Age: <25	54	48	88.9%	3.6
25-34	49	45	91.8%	4.2
35-44	36	32	88.9%	4.6
45-54	15	14	93.3%	5.1
55-64	5	5	100.0%	4.0
65+	0	0	N/A	N/A
2009 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2009 New Hires	186	178	95.7%	4.1
Female	16	16	100.0%	5.2
Male	170	162	95.3%	3.9
Salary – Low [a]	131	125	95.4%	3.6
Salary – High [a]	55	53	96.4%	4.9
Age: <25	49	46	93.9%	3.7
25-34	75	72	96.7%	3.8
35-44	43	43	100.0%	4.2
45-54	16	14	87.5%	5.2
55-64	3	3	100.0%	4.7
65+	0	0	N/A	N/A
2010 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2010 New Hires	231	218	94.4%	3.3
Female	21	18	84.6%	3.3
Male	210	200	93.9%	3.3
Salary – Low [a]	161	155	92.4%	3.1
Salary – High [a]	70	63	95.0%	3.9
Age: <25	69	67	90.0%	3.0
25-34	99	96	92.1%	3.5
35-44	41	34	94.9%	3.3
45-54	18	17	100.0%	3.1
55-64	4	4	100.0%	6.8
65+	0	0	N/A	N/A

[a] Low/High represents the number of employees who have a salary that is above/below the total PBV sample average salary of $36,072 in 2008, $33,386 in 2009, and $28,315 in 2010.

II.E. Summary of Updated Findings: Progress Energy (PGN) as of February 28, 2011

Progress Energy provided information on over 1,085 employees hired during 2008, 2009, and 2010. The data include gender, date of birth, date of hire, status, deferral percentage, and contribution amount. They were not able to provide data on salary, or the date participation was initiated, if applicable. Employees are fully eligible to participate in the 401(k) saving plan on the first day of employment. Employees elect to participate, there is no auto-enroll feature. The 401(k) plan is a supplemental savings plan. Progress Energy also has a traditional defined benefit plan.

Progress Energy Table 1: Full Sample Descriptive Statistics as of February 28, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires	614	224	247
Average Age	35.5	35.9	35.3
Number of Females Hired	161	54	78
Number of Males Hired	453	170	169
Participation Rate as of February 28, 2011	81.4%	71.9%	68.4%

Note: There is no data on salary or the date participation was initiated.

Progress Energy Table 2: Participation Rates for 2008-2010 New Hires as of February 28, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	614	500	81.4%	8.5%
Female	161	128	79.5%	8.1%
Male	453	372	82.1%	8.6%
Age: <25	97	71	73.2%	8.3%
25-34	227	181	79.7%	8.6%
35-44	172	148	86.0%	7.9%
45-54	98	85	86.7%	8.6%
55-64	19	14	73.7%	13.8%
65+	1	1	100%	6%
2009 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2009 New Hires	224	161	71.9%	7.9 %
Female	54	43	81.0%	7.8%
Male	170	118	69.4%	8.0%
Age: <25	46	32	69.6%	7.7%
25-34	68	47	69.1%	7.3%
35-44	59	40	67.8%	6.8%
45-54	37	29	78.4%	9.0%
55-64	14	13	92.9%	12.5%
65+	0	0	N/A	N/A
2010 New Hires Statistics	**Total Sample Size**	**Number of New Hires Participating**	**Percent Participating**	**Average Deferral**
2010 New Hires	247	169	68.4%	7.3%
Female	78	54	69.2%	7.1%
Male	169	115	68.1%	7.4%
Age: <25	46	17	40.0%	6.3%
25-34	83	57	68.7%	6.3%
35-44	67	53	79.1%	8.1%
45-54	44	36	81.8%	8.3%
55-64	7	6	85.7%	7.3%
65+	0	0	N/A	N/A

Note: There is no data on salary or the date participation was initiated.

II.F. Summary of Updated Findings: Williams as of February 21, 2011

Williams provided information on nearly 1,100 employees hired during 2008, 2009, and 2010. The data include gender, date of birth, date of hire, date of participation, date of effective deferral, date of termination (if applicable), deferral percentage, and catch up contribution (if any). Williams' employees are eligible to receive the company match immediately, and Williams makes repeated efforts during the year to increase enrollment. In 2007 (before the time period studied here), every month Williams sent an email to those hired in the previous month that had not enrolled in the plan. The email reminded them of the benefits of the 401(k) plan and encouraged them to enroll. Currently, Williams' plan provider contacts employees not yet enrolled every February, May and October. In addition, the employees receive a Total Rewards letter each March at which time the manager is to have discussion with employees to ensure they understand the value of company benefits that they are part of their Total Reward package. Managers may encourage employees to contribute at least enough to receive the full benefit of the Williams 401(k) plan match.

Williams Table 1: Full Sample Descriptive Statistics as of February 21, 2011

Full Sample Summary Statistics	2008	2009	2010
Number of New Hires:	401	244	450
Average Age	35.7	36.3	35.9
Number of Females Hired	131	62	119
Number of Males Hired	270	182	331
Participation Rate within 30 Days	57.9%	45.5%	57.6%
Participation Rate within 90 Days	69.3%	59.8%	62.7%
Participation Rate as of February 21, 2011	85.8%	77.1%	76.7%

Note: There is no data on salary.

Williams Table 2: Participation Rates for 2008-2010 New Hires as of February 21, 2011

2008 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2008 New Hires	401	344	85.8%	7.2%
Female	131	109	83.2%	7.1%
Male	270	235	87.0%	7.3%
Age: <25	66	61	92.4%	7.0%
25-34	149	122	81.9%	6.8%
35-44	90	73	81.1%	6.5%
45-54	72	66	91.7%	8.1%
55-64	22	21	95.5%	9.6%
65+	2	1	50%	10%
2009 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2009 New Hires	244	188	77.1%	7.3%
Female	62	46	69.7%	7.3%
Male	182	142	78.0%	7.3%
Age: <25	46	38	82.6%	6.7%
25-34	88	68	77.3%	6.5%
35-44	48	39	81.3%	7.6%
45-54	42	30	71.4%	7.8%
55-64	20	13	65.0%	10.4%
65+	0	0	N/A	N/A
2010 New Hires Statistics	Total Sample Size	Number of New Hires Participating	Percent Participating	Average Deferral
2010 New Hires	450	345	76.7%	7.1%
Female	119	85	71.4%	7.0%
Male	331	260	78.9%	7.1%
Age: <25	81	58	71.6%	7.0%
25-34	159	123	77.4%	6.5%
35-44	111	85	76.6%	7.1%
45-54	74	60	81.1%	8.2%
55-64	25	19	76.0%	6.8%
65+	0	0	N/A	N/A

Note: There is no data on salary.

Section III. The Effects of Automatic Enrollment Policy Implementation at Pepsi Bottling Ventures, LLC (PBV)

Pepsi Bottling Ventures, LLC (PBV) provided administrative data on over 950 employees hired between 2006 and 2010. The data were compiled on April 13, 2011. The information includes gender, date of birth, date of hire, status, compensation, and contribution percentage. During 2008, PBV's 401(k) plan converted from a traditional 401(k) plan, where enrollment was achieved by employee action, to an opt-out policy, where new hires are automatically enrolled. The 401(k) plan is the primary employee retirement savings vehicle offered by the company; they do not have a traditional defined benefit plan. The data reported are from 2006-2007, the two years prior to the change, and from 2009-2010, the two years after. The data on workers hired in 2008 is excluded from this analysis for two reasons. There was a major acquisition in 2008 and many of these "new hires" are employees from an acquired bottler. Second, the expectation of the change may have lead to an altering of employee behavior and/or plan communications during this period.

For workers with at least one year of service, PBV matches 100 percent of the first 4 percent saved and 50 percent of the next 2 percent saved. Therefore, at the date the data were compiled, only workers that were hired before April 2010 will have been eligible for the company match. Workers would have to contribute at least 6 percent to take full advantage of the match. The current policy at PBV includes an automatic escalation feature whereby participating employees have their deferral percentage automatically increased by one percent each year on the date of their anniversary until their deferral reaches 6 percent. Employees hired in 2010 were automatically subject to this automatic increase provision, while those hired in

2009 could have selected this option if interested. We do not yet have data on who selected the automatic increase option or who chose to opt-out of the automatic escalation.[3]

Table III.1 provides summary statistics of the PBV sample. We see that while the sample composition is quite similar across years of hire, the participation rate as of April 2011 is substantially higher for those individuals hired in 2009, after the opt-out policy was implemented. We see a similar pattern in Figure III.1, which illustrates the percent of employees participating by year and quarter hired. Although there is quarterly variation, the participation rate for those hired during 2006 and 2007 hovers around 60 percent. However, for those hired in the period following the implementation of the automatic enrollment policy, participation rates increase substantially to approximately 90 percent. We also see in Table III.1 and Figure III.1 that 2009 participation rates slightly exceed the 2010 participation rates. This may suggest that match eligibility may play a role in increasing participation even when participation rates are already at high levels, although the difference in participation rates between workers hired in 2009 versus 2010 is not statistically significant.

Table III.2 provides information on participation rates and deferral percentages for employees hired during the 2006-2007 period (under the traditional opt-in enrollment policy) versus 2009-2010 (under the automatic enrollment policy). Again, approximately 60 percent of workers hired prior to automatic enrollment were participating in the retirement savings plan as of April 2011, while those hired in the post-policy change period were participating at rates exceeding 90 percent. In the first row of Table III.2 we see that the average deferral amount

[3] One concern with automatic escalation plans is that they could provide an incentive for employees to opt-out of the plan altogether. If an employee has a low threshold or preference for saving, he or she might remain in the plan at a low initial default deferral but would be motivated to intervene at a higher deferral amount. At this point the employee might choose to opt-out of the plan. Whether the opt-out rate increased when automatic escalation was implemented at PBV is an interesting topic for further research.

among those participating drops from 5.0 percent under the opt-in policy to 3.6 percent under the opt-out policy. As shown below, this is due to the inclusion of many employees participating at the default level who likely would not have participated under the opt-in policy. Although average contribution rates for participants is lower under the opt-out policy for all groups, we see similar patterns of relative deferral rates by gender, earnings, and age groups under both policy regimes.

Table III.3 reports the number of workers hired in years 2006-2010 electing each deferral amount. Figures III.2 through III.5 illustrate this information graphically, showing the deferral percentage by year hired. For workers hired in 2006 and 2007, the distribution of deferral percentages is bi-modal with peaks at both 3 percent and 6 percent. All of these new hires would have been fully eligible for the company match as of date of data collection. The peak at 6 percent indicates that many employees are trying to capture the entire company match. However, the spike at the 3 percent level is more difficult to explain, particularly given that PBV provides a 100 percent match on the first 4 percent of salary deferred. PBV completed acquisitions during the period under review, so it is possible that these acquired "new hires" may have selected the 3 percent deferral because that was the maximum match provided by their previous employer. In personal communications, the PBV human resource manager, DeeAnne Watson, noted that a 3 percent deferral is typical in the industry, so employees may be following a rule of thumb investment decision they have developed prior to joining PBV. It is also possible that 3 percent is the optimal contribution amount for these workers even considering the match incentive. It is also possible that these workers changed their deferral percentage to 3 percent when the automatically enrollment process began because they observed their peers contributing at the lower default rate.

As described above, the default contribution rate under automatic enrollment was set at 3 percent. In Table III.3 and Figures III.4 and III.5, we see there is significant bunching at the 3 percent contribution level for workers hired in 2009 and 2010. All 2009 new hires would have been eligible for the company match at the date of data collection. Therefore, it is not surprising that there are higher participation rates at the 4 and 6 percent level for these 2009 hires. This provides some evidence that employees are changing their deferral percentage to maximize the company match, although only approximately 20 percent of workers hired in 2009 (all of whom are match-eligible as of the data release) contribute enough to receive the full employer match. Eighty percent of employees hired in 2010 were not yet match-eligible (those hired between April 2010 and December 2010) as of April 13, 2011. Therefore, it is not surprising that in Figure III.5 only a small number of employees hired in 2010 are deferring 6 percent or more of their salary.

Table III.3 and Figures III.2 through III.5 illustrate the main driver behind the drop in the average deferral amount observed in Table III.2 is due to the inclusion of employees that would not have participated otherwise. In 2006 and 2007, 16 percent and 19 percent, respectively, of new hires elected to defer 6 percent of salary, thereby taking full advantage of the employer matching contributions. Among 2009 new hires, 15 percent elected to defer 6 percent of salary. These figures indicate that the drop in average deferral rates among participants, shown in Table III.2, is not due to a reduction in the number of employees that maximize the employer match, but simply to the inclusion of a large number of employees who participate at the default level. Figure III.5 indicates a significant reduction in the number hires participating at the 6 percent level relative to that seen in previous years, which is likely due to the large fraction of workers hired in 2010 that were not eligible for the match as of the date of data collection.

Table III.4 presents estimated coefficients of a regression of participation (as of April 2011) on the enrollment policy type (opt-in vs. opt-out), gender, and age and salary groups. The first column presents the results for the entire period under review while the second and third column consider the period before and after the change, respectively. In the first column of Table III.4, the results show that workers hired in 2006 and 2007 are 34.2 percentage points less likely to be participating as of April 13, 2011, controlling for other characteristics. The difference is both large in magnitude and statistically significant. Table III.4, columns 2 and 3 present separate estimates for workers hired during the period before versus after the policy change. Under the opt-in regimen, those employees earning between 30,000 and 39,000 were more likely to participate compared to those earning less than $25,000, but the coefficients for the other salary categories were not statistically significant. Surprisingly, employee gender and age are not statistically significantly related to plan participation in either period.[4]

[4] The results in column 1 of Table III.4 indicate that gender is not a significant predictor of participation among the full sample. In a separate specification, not presented here, the researchers considered the interaction of gender and policy, but the results were not significant, indicating there was not a gender difference in participation under either of the enrollment policies. It should be noted that less than 10 percent of new hires were women.

Table III.1: PBV Full Sample Descriptive Statistics as of April 13, 2011

Full Sample Summary Statistics	ALL	2006	2007	2009	2010
Number of New Hires:	794	196	181	186	231
Females Hired	9.8%	8.2%	13.8%	8.6%	9.1%
Males Hired	90.2%	91.8%	86.2%	91.4%	90.9%
Average Age	32.0	32.0	33.1	31.8	31.2
Age: <25	28.6%	30.6%	27.1%	26.4%	29.9%
25-34	38.9%	37.3%	34.2%	40.3%	42.9%
35-44	20.9%	20.4%	23.2%	23.1%	17.7%
45-54	9.6%	9.7%	12.7%	8.6%	7.8%
55-65	2.0%	2.0%	2.8%	1.6%	1.7%
Average Salary	33,273	38,807	33,493	33,386	28,315
Salary: <25,000	36.5%	14.8%	28.2%	38.2%	60.2%
25,000 – 29,999	13.0%	16.3%	17.1%	9.7%	9.5%
30,000 – 39,999	27.8%	29.6%	32.0%	31.2%	20.4%
40,000 – 59,999	18.9%	34.7%	21.6%	14.5%	6.9%
60,000+	3.8%	4.6%	1.1%	6.4%	3.0%
Number Participating as of **April 13, 2011**	624	118	110	178	218
Percent Participating as of **April 13, 2011**	78.6%	60.2%	60.8%	95.7%	94.4%

Table III.2: PBV Participation and Deferral Statistics as of April 13, 2011

	2006-2007 (Opt-In Policy)		**2009-2010 (Opt-Out Policy)**	
New Hires Statistics	Percent Participating	Average Deferral for Participants	Percent Participating	Average Deferral for Participants
New Hires	60.5%	5.0	95.0%	3.6
Female	63.4%	5.2	91.9%	4.2
Male	60.1%	4.9	95.3%	3.6
Salary – Low [a]	59.3%	4.6	95.5%	3.3
Salary – High [a]	62.4%	5.6	94.0%	4.3
Age: <25	55.1%	4.6	95.8%	3.3
25-34	68.9%	4.7	96.6%	3.6
35-44	58.8%	5.3	91.7%	3.8
45-54	54.8%	6.0	91.2%	4.0
55-65	44.4%	7.0	100.0%	5.9

[a] Low/High represents the number of employees who have a salary that is above/below the total sample average salary of $30,577 in the "Before" period and $36,256 in the "After" period.

Table III.3: PBV Workers Choosing Percent Deferral Amounts as of April 13, 2011

Percent Deferral	2006 Active New Hires	2007 Active New Hires	2009 Active New Hires	2010 Active New Hires
0%	78	71	8	13
1%	4	3	2	3
2%	5	2	3	2
3%	37	33	100	178
4%	17	12	31	21
5%	10	12	6	3
6%	32	34	27	7
7%	2	2	1	0
8%	1	2	2	1
9%	1	1	0	0
10%	5	6	4	2
> 10%	4	3	2	1
Total	196	181	186	231

Notes: The 401(k) plan PBV is an "opt-out" plan where employees are automatically enrolled in the saving plan. New employees are automatically enrolled in the 401(k) plan at a 3% contribution rate. Employees are eligible for the company match once they have completed 1,000 hours and one year of service. Employees receive a 100% company match on the first 4% and a 50% match on the next 2% they contribute to the plan. Contribution rates of up to 100% of pay are permitted. The tax free deferral is limited by law to $15,000 for 2006, $15,500 for 2007, and $16,500 for 2009 and 2010.

Table III.4: PBV Regression Analysis of Participation Choice

	Full Sample	2006-2007 (Opt-In Policy)	2009-2010 (Opt-Out Policy)
	(1)	(2)	(3)
Opt-Out Policy	0.342*** [0.028]		
Female	0.002 [0.046]	0.041 [0.086]	-0.030 [0.040]
Age when Hired:			
Age 25-34	0.055 [0.034]	0.106 [0.065]	0.013 [0.027]
Age 35-44	-0.020 [0.039]	0.007 [0.073]	-0.038 [0.033]
Age 45-54	-0.044 [0.051]	-0.026 [0.090]	-0.040 [0.044]
Age 55-65	-0.075 [0.100]	-0.162 [0.178]	0.029 [0.090]
Salary (in thousands):			
25-29	-0.033 [0.044]	-0.002 [0.082]	-0.006 [0.038]
30-39	0.045 [0.035]	0.137* [0.072]	-0.020 [0.027]
40-59	0.021 [0.040]	0.078 [0.073]	-0.014 [0.039]
60+	0.081 [0.074]	0.096 [0.161]	0.061 [0.056]
Observations	794	377	417
Mean Participation Rate	0.786	0.605	0.950

Notes: Coefficients are from a linear probability model with the dependent variable being equal to 1 if the employee is participating in the 401(k) plan and zero otherwise. Standard errors of the coefficients are in brackets. All regressions include a constant. Omitted categories: Age 18-24 and Salary Less than 25,000.

*** Indicates significance at the 1% level, * Indicates significance at the 10% level.

Figure III.1: PBV Percent Participating as of April 13, 2011 by Quarter Hired

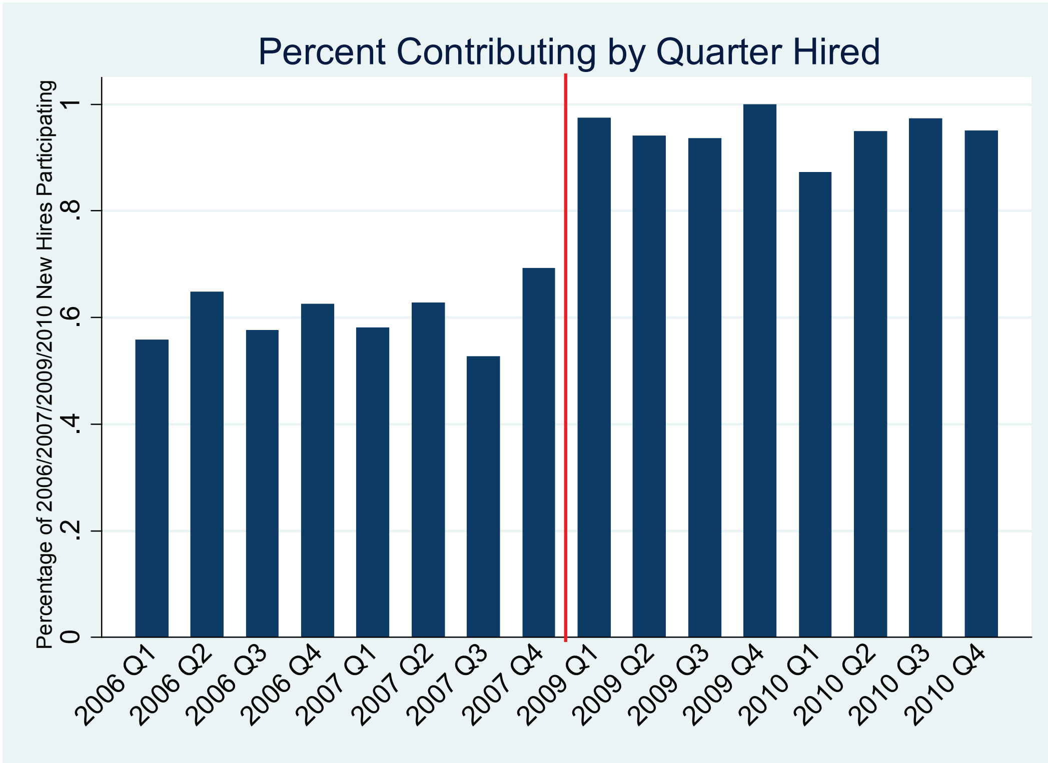


Figure III.2: PBV Deferral Percentage as of April 13, 2011 for Workers Hired in 2006

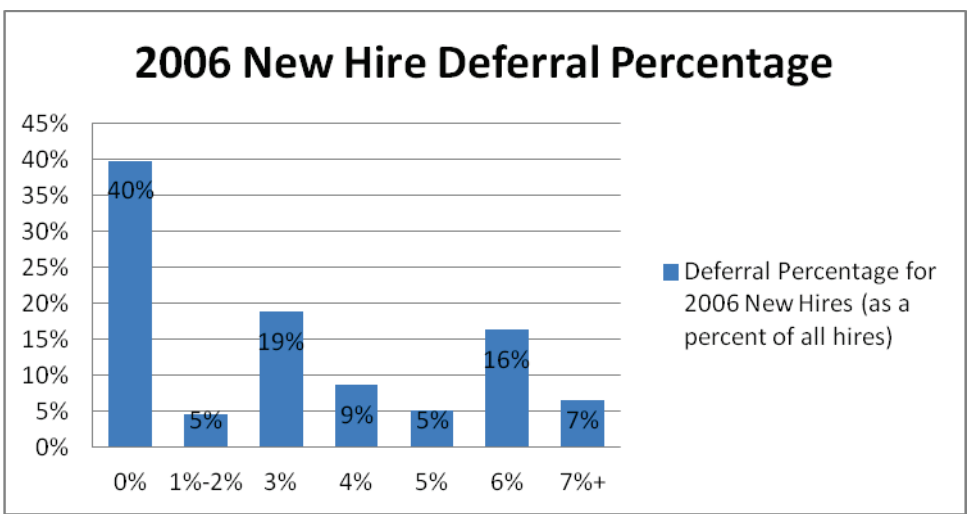


Figure III.3: PBV Deferral Percentage as of April 13, 2011 for Workers Hired in 2007.

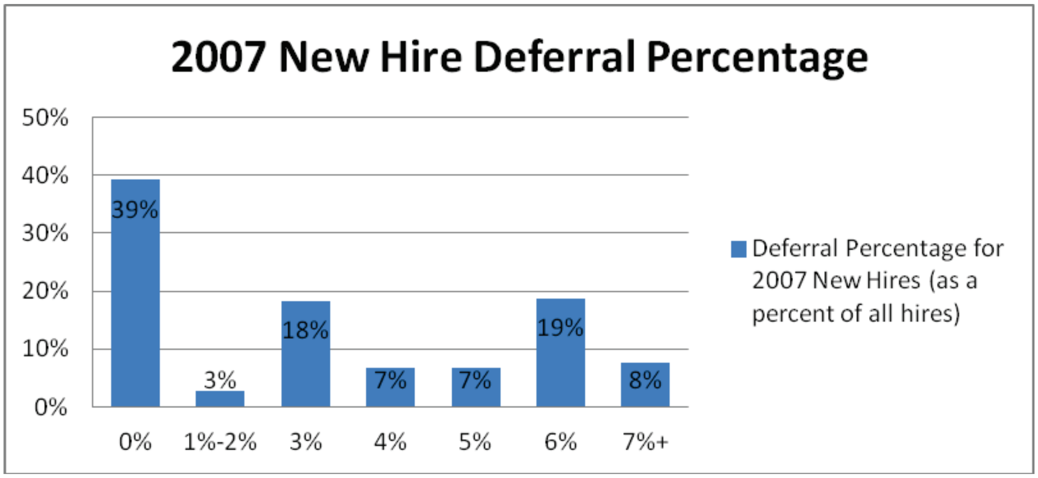


Figure III.4: PBV Deferral Percentage as of April 13, 2011 for Workers Hired in 2009.

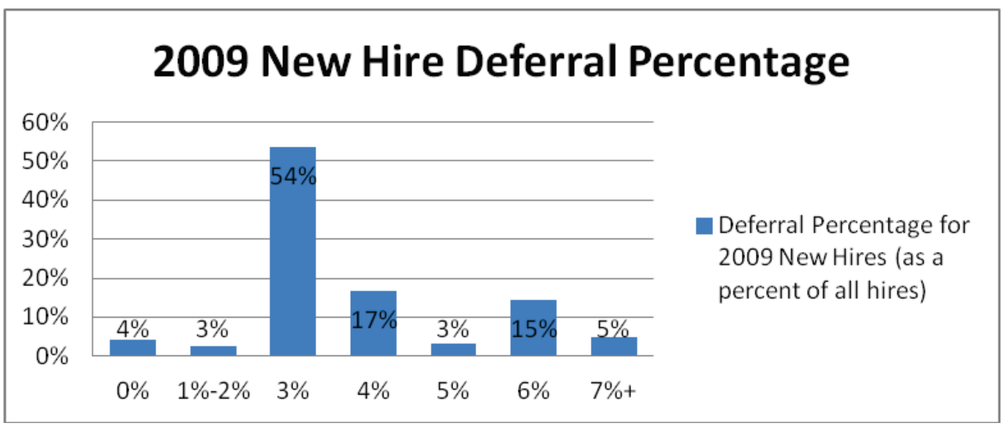
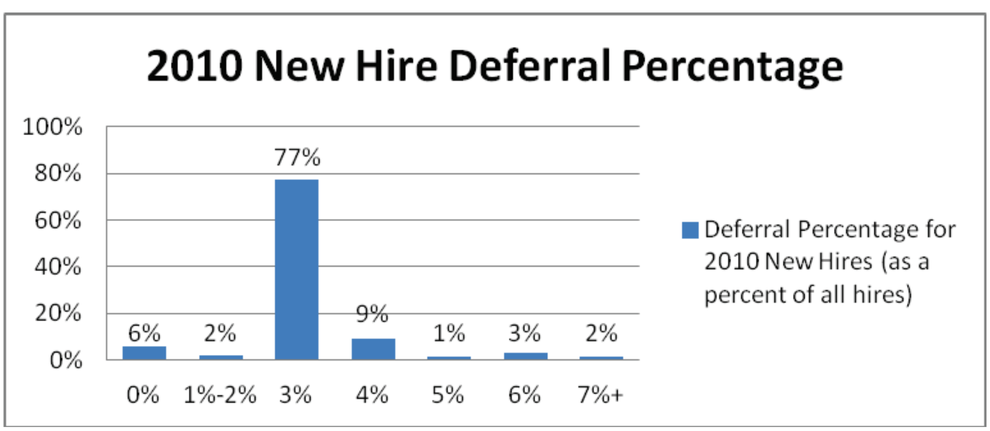


Figure III.5: PBV Deferral Percentage as of April 13, 2011 for Workers Hired in 2010.



Section IV. Survey of Newly Hired Workers

The findings in the Year 1 Final Report along with the data update included in Section II of this report indicate interesting patterns of plan participation choices of newly hired workers. In order to better understand why workers are making the choices that they are, the researchers conducted a survey of all newly hired workers. Survey questions cover a range of topics aimed at assessing the respondents' overall financial literacy, as well as their knowledge of the employers' voluntary retirement savings plans. Employees are asked about the timing and amount of the employer match incentive and reasons for non- or limited participation in the plan. The survey also includes an evaluation component where newly hired workers are asked their opinions about the information the employer provided on their retirement savings plan and the influence of this information on their decision to participate. A copy of the survey is included with this report.

The surveys were conducted between March 2011 and August 2011 at BB&T, Martin Marietta Materials (MMM), North Carolina State University (NCSU), and Progress Energy (PGN). Surveys were sent to all newly hired employees approximately 60 to 90 days after hire, ensuring that all survey recipients would have had sufficient time to enroll in their company's 401(k) plan prior to responding. The surveys were available online to employees at the first of every month and the link to the survey remained open for the duration of that month. New links were sent each month, for a total of six months. Employees at Martin Marietta without a company email address and all employees at Pepsi Bottling Ventures, LLC received the survey via US Mail sent directly from their employer. Due to the low response rate (only five responses were received) and condensed survey period for PBV (survey period lasted only three months), they were excluded from the analysis. Hardcopy surveys received from employees at MMM were combined with those completed online.

The response rate by company is presented in Table IV.1. A total of 497 survey responses were received during the six month survey period, 356 from BB&T, 38 from MMM, 55 from PGN, and 48 from NCSU. The overall response rate was 19.3 percent.

Descriptive statistics of survey respondents are presented in Table IV.2.[5] As described in Section II, MMM is an opt-out plan while the others all have traditional enrollment. A total of 30 surveys were dropped from the sample because they did not include valid age and/or gender responses, resulting in an analysis sample of 467 workers. The average age of the survey respondents was 37 and just less than fifty percent of the sample was female. Sixty-five percent were married and eighty-four percent were Non-Hispanic White. The average planned retirement age was 64 and the median salary range was $25,000 - $49,999. Sixty-seven percent were active participants and the average contribution amount of those participants was 5.7 percent of salary.

At the bottom of Table IV.2, we see that around 30 percent of respondents report that they would benefit from being provided more information and around 37 percent report that the information they did receive influenced their decision to participate in their employer's voluntary retirement savings plan. Figure IV.1 is a bar graph of employee assessment of employer-provided 401(k) plan information. Most respondents indicate that they are satisfied with the employer provided retirement savings plan information they received.

[5] The surveys cover workers hired between March 2011 and August 2011, for which we do not have administrative data. Future work will compare the demographic characteristics of survey respondents to the characteristics of all workers hired at the employers in 2008 through 2010, to the extent possible given the limited information in the administrative datasets.

The survey was conducted in part to better understand the reasons newly hired employees limit or forgo 401(k) plan participation. Responses to select survey questions are presented in Tables IV.3 and IV.4. Of key interest are the reasons for limited and non-participation, presented in Table IV.3. Figures IV.2 and IV.3 present this information disaggregated by gender. The findings reveal that the most common reason for non-participation was due to match eligibility. Employees can begin participating in the company 401(k) plan at the time of hire, but many of the plans offered by companies included in this sample do not provide an employer match immediately. The survey found that 51 percent of respondents not participating indicated that they were waiting to participate until they were match-eligible. This indicates that when employees become match-eligible is an important time for employers to reach out to non-participants.

We find that the most common reason for limited participation among those currently contributing was due to budget constraints (30 percent), while 20 percent limit current participation because they are not currently match-eligible. Twenty-three percent of current participants report that their savings is limited because they are paying off non-credit card debt, while thirteen percent are limiting 401(k) retirement saving because they are paying off credit card debt.

Survey findings illustrate the importance of information provided by the employer benefit office. While family and relatives are the source of investment advice most heavily relied upon when these newly hired workers decide whether to participate in the company 401(k) plan, the benefit office ranks second. Figure IV.4 depicts the investment information source by gender. There are some marked differences, especially in regards to the weight given to information provided by family members. The benefit office has a clear influence on employee retirement plan participation.

Table IV.5 presents the results for a series of questions included in the survey to gauge the respondent's level of financial literacy. There were five questions included and the knowledge score represents the number of these questions that were answered correctly.[6] Findings show that the majority of the sample had correct answers for the interest rate, inflation, investment, and match questions. However, only just over one third were able to correctly answer the question regarding the tax advantage of participating in a 401(k) plan. By comparing the average response rate to the financial literacy questions for plan participants versus non-participants, the results show that participants, on average, answer more literacy questions correctly, providing some evidence that the more financially literate are more likely to participate in employer sponsored 401(k) plans. The difference is particularly large for the inflation and investment questions.

Table IV.1: Survey Response Rate by Employer

	Invitations Sent	Responses Received	Response Rate
BB&T	1,947	356	18.3%
Martin Marietta Materials (Online Only)	30	24	80.0%
Martin Marietta Materials (Hardcopy Only)	155	14	9.0%
North Carolina State University	200	48	24.0%
Progress Energy	244	55	22.5%
Total	**2,576**	**497**	**19.3%**

[6] Knowledge score was calculated for those respondents that answered a minimum of three of the five knowledge questions.

Table IV.2: Descriptive Statistics of Survey Respondents

	Full Sample	BB&T	MMM[1]	NCSU	PGN
Demographics					
Number of Responses	467	336	37	44	50
Percent Participating	66.8%	64.9%	97.3%	31.8%	88.0%
Average Contribution Rate (If Participating)	5.7%	5.6%	4.5%	6.0%	7.1%
Average Age	36.5	36.5	39.2	36.6	34.3
Percent Married	64.5%	63.6%	80.6%	77.3%	48.0%
Percent Male	48.2%	41.7%	81.1%	47.7%	68.0%
Percent Non-Hispanic White	84.3%	84.2%	78.4%	90.7%	84.0%
Percent Non-Hispanic Black	7.8%	8.4%	10.8%	4.7%	4.0%
Percent Annual Earnings of Less Than $25,000	17.0%	20.9%	10.8%	2.3%	8.0%
Percent Annual Earnings of $25,000 to $49,999	39.1%	38.9%	51.4%	47.7%	24.0%
Percent Annual Earnings of $50,000 to $74,999	17.9%	14.7%	13.5%	29.5%	32.0%
Percent Annual Earnings of $75,000 to $99,999	15.5%	12.6%	18.9%	18.2%	30.0%
Percent Annual Earnings of $100,000 and over	10.5%	12.9%	5.4%	2.3%	6.0%
Employer Specific Responses					
Percent Reporting Would Have Benefited from More Information on Employer's 401(k) Plan	30.8%	26.8%	43.2%	49.7%	40.0%
Percent Reporting Participation Influenced by Information Received from Benefit Office	33.6%	35.7%	27.0%	29.6%	28.0%

[1]MMM has an automatic enrollment policy.

Table IV.3: Respondents' Evaluation of Employer-Provided Financial Education

All Respondent, N = 467	
Q: How would you rate the info you received?	
The information I received was very comprehensive.	59.3%
I would have benefited from more information.	30.8%
I received information regarding my employer's 401(k) plan but did not read it.	6.9%
I did not receive any information regarding my employer's 401(k) plan.	2.6%
Blank: N = 2	
Q: Did the information you received influence your participation decision?	
Yes, the information I received influenced my decision to participate.	37.1%
Yes, the information I received influenced my decision to NOT participate.	1.9%
No, the information did not influence my participation decision.	60.8%
Blank N = 1	
Q: What sources of information influenced your participation decision? [1]	
Family and relatives	54.8%
Colleagues and friends	23.6%
Benefit office, website, other employer resources	33.6%
Internet	10.3%
Newspapers, books, magazines	15.9%
Financial advisor	19.1%

[1]Respondents could select more than one response.

Table IV.4: Reasons for Non- or Limited Participation in 401(k) Plans

Q: If you are <u>not</u> currently contributing to the 401(k) plan, why are you not currently contributing to the plan? [1] (N = 155)	
I was not aware my employer provided this saving option.	0.7%
I plan to start once I am eligible for the employer 401(k) match.	51.2%
I am concerned about the volatility of the stock market.	6.5%
Taking into account social security, employer pensions and spouse's retirement benefits, I expect that I will have sufficient retirement income.	2.6%
Instead of saving for retirement, I am paying off credit card debt.	15.5%
Instead of saving more for retirement, I am paying of student loans, mortgages, or other debt.	17.4%
I am primarily concerned with saving for a large purchase such as a car or a home.	9.7%
I plan to start saving more in the future when I am closer to retirement.	5.8%
My salary covers my monthly living expenses with no extra room for retirement savings.	27.7%
I am unsure of whom to contact with questions or how to learn more about the 401(k).	5.2%
The enrollment procedures were unclear or cumbersome.	5.8%
Other (write-in)	17.4%
Q: If you are contributing to the 401(k) retirement plan, what factors limit the amount you contribute to the 401(k) plan?[1] (N = 312)	
I plan to increase my contribution amount once I am eligible for the employer 401(k) match.	19.8%
I am concerned about the volatility of the stock market.	8.7%
Taking into account SS, pensions, and spouse's retirement, I expect that I will have sufficient retirement income with the amount I am currently contributing.	9.6%
Instead of saving more for retirement, I am paying off credit card debt.	12.5%
Instead of saving more for retirement, I am paying of student loans, mortgages, or other debt.	23.1%
I am primarily concerned with saving for a large purchase such as a car or a home.	11.9%
I plan to start saving more in the future when I am closer to retirement.	7.7%
My salary covers my monthly living expenses with little extra room for retirement savings.	29.8%
Other (write-in)	16.4%
Q: How important was the match in your decision to participate? (N = 467)	
Very important	59.1%
Important	15.9%
Somewhat important	7.7%
Somewhat unimportant	1.5%
Not at all important	6.2%
Blank/Missing	9.6%

[1]Respondents could select more than one response.

Table IV.5: Financial Knowledge by Participation Status

Financial Literacy Questions[1]	Full Sample	Participants	Non-Participants	Difference
Interest Rates	86.3%	87.2%	84.5%	2.7
Inflation	77.3%	85.1%	67.7%	17.4***
Investment	82.2%	85.3%	76.1%	9.2**
401(k) Tax Advantage	39.6%	40.4%	38.1%	2.3
401(k) Employer Match	63.6%	63.5%	63.9%	-0.4
Knowledge Score out of 5 (N = 446)	3.6	3.7	3.5	0.2*

Notes: Sample size is 467 respondents. Survey respondents were asked five knowledge questions in order to obtain baseline information concerning their general financial knowledge. The instructions state that if the respondent does not know the correct answer, he should provide his best guess. The percentages in each column show the percent correctly answering each type of question, with missing or blank responses classified as "incorrect". Please see the copy of the survey instrument for specific wording for each of the knowledge questions. The Knowledge Score was only calculated for those who left no more than two responses blank, so that row has N = 446. The mean value for participants versus non-participants was tested to determine if they are statistically significantly different. ***Indicates statistically significant at the 1% level, **Indicates statistically significant at the 5% level, *Indicates Statistically significant at the 10% level.

Figure IV.1: Employee Assessment of Employer Provided 401(k) Plan Information

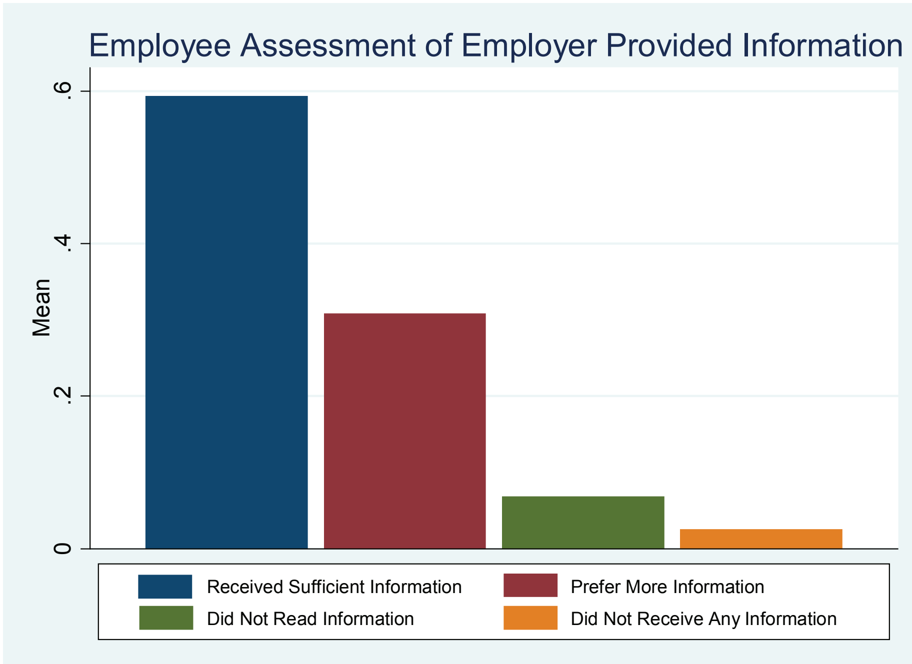
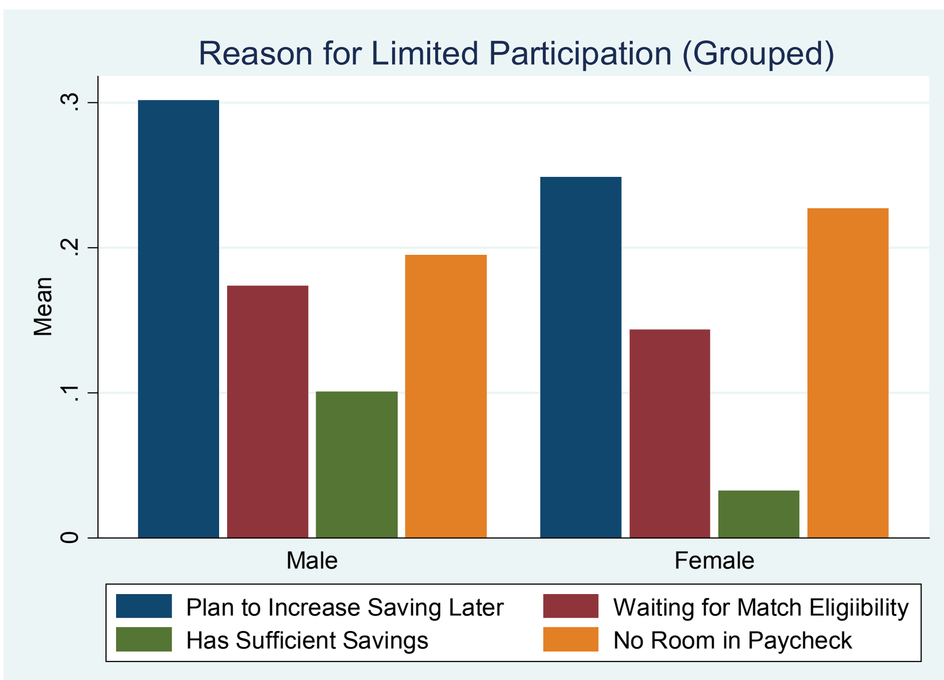
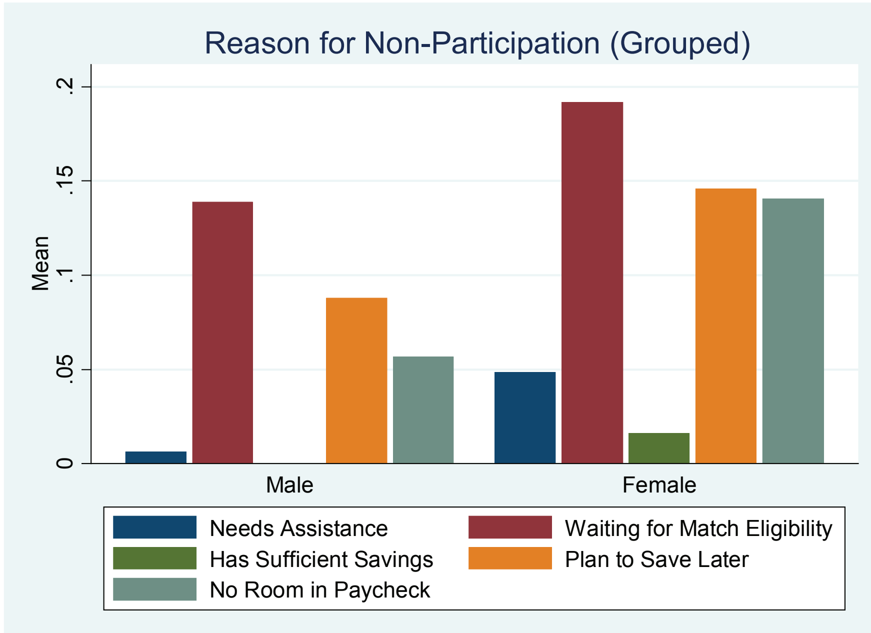


Figure IV.2: Reasons for Limited Participation among Participants, by Gender



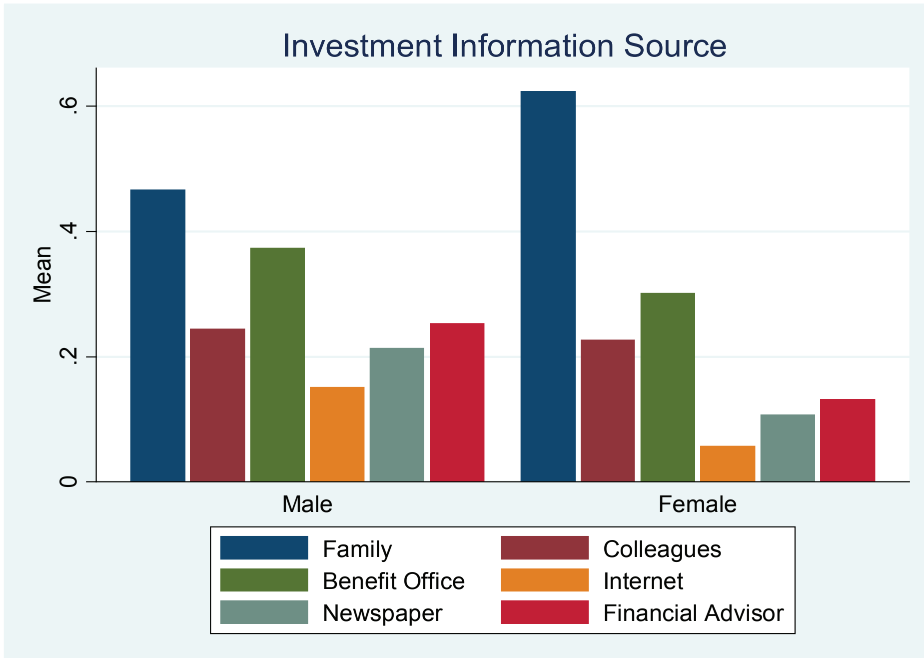
Notes: The Responses were grouped for brevity. Plan to Increase Saving Later includes those that are paying off debt (including credit card debt), saving for a big purchase, believe the stock market is volatile at the moment, or responded that they plan to start in the future.

Figure IV.3: Reasons for Non-Participation, by Gender



Notes: The category "Needs Assistance" includes those that were not aware this saving option was available, were unsure of whom to contact, or stated that the enrollment procedures were unclear. The category "Plan to Save Later" includes those that are paying off debt (including credit card debt), saving for a big purchase, believe the stock market is volatile at the moment, or responded that they plan to start in the future.

Figure IV.4: 401(k) Participation Information Source



Section V. Field Experiment at BB&T

The importance of saving for retirement is widely acknowledged, but many employees fail to participate in their employer's retirement saving plan. In Section IV, we observed that employees gave a variety of reasons for non- and limited participation in the 401(k) plan including paying off credit card debt and not having enough room in one's budget to save money for retirement. Moreover, many non-participants failed to understand the full range of benefits associated with saving. These include the employer match, investment growth, and the tax advantages of retirement saving. If employees fail to save because they face budget constraints or for other reasons determine that is in their own best interest to forgo this saving opportunity at the present time, it may be difficult to increase participation. However, if the relatively low rate of participation for these employees in non-automatic enrollment plans can be attributed to inertia or lack of knowledge, a low cost intervention may be an effective tool to increase participation without subjecting all new hires to a low initial deferral.

The researchers designed a field experiment to test whether additional employer-provided financial education could be effective in increasing 401(k) plan participation among employees at a large national employer, BB&T. All employees hired during 2008 through 2010 who were not participating as of February 2011 were randomly assigned to three groups. The first two groups received a flyer that included a brief example of investment growth over time and instructions on how to sign up for the company's 401(k) retirement savings plan. For Group 1, a statement about the company-wide participation rate was added to test for peer effects. The third group was the control group and did not receive any additional information. The interventions were designed to highlight the benefits of saving, in particular, the potential for investment growth over time. Although tax advantages are also important, they were not addressed in the intervention in the interest of simplicity. A copy of the flyer sent to group one is included in the appendix. In results not shown, the group means for age, gender, year of hire, and salary were evaluated to confirm that the randomization was done appropriately and each group is representative of the entire sample.

The intervention was designed to isolate the effect of information on retirement saving behavior. Nearly 4,000 workers participated in the experiment, allowing for the exploration of heterogeneity in responses by demographic characteristics. The recipients were unaware that their behavior was being observed, and, because the researchers observe the outcome of interest in administrative data, there is no reporting bias.

The flyers were distributed to employees at BB&T in mid-April 2011. BB&T provided an administrative dataset which contained information on plan participation as of February 28, 2011 (see Section II for more details on the data provided). The researchers extracted the sample of workers that were not participating in the 401(k) plan as of this date, a total sample size of

4,111. The sample was divided into three separate groups (roughly 1,370 workers each), one control group that received no information intervention and two others that received different versions of the flyer. The flyer was distributed by email for the majority of the sample; those employees who did not have an email address received the material via inter-office mail.[7] The researchers received an updated data file mid-June, allowing those employees receiving the intervention approximately two months to respond to the information they received. Employees terminated during the study period were excluded from the analysis.[8]

Table V.1 presents statistics on the percent participating in June of 2011. For the newly hired workers that were not participating as of February 2011, we see the percent participating in June 2011 for those that received the flyer versus those in the control group. Although the average participation rate of employees in the treatment group is 0.9 percentage points (15.3 percent) higher than the control group, the difference is not statistically significant.

Interestingly, the largest effect of the intervention can be seen when comparing employees in different age groups. Results indicate that the young, those 18 – 24 years old, were 4.4 percentage points more likely to join the 401(k) plan if receiving an intervention relative to the control. For this group, those receiving the intervention were over twice as likely to initiate participation in the plan relative to the control group. A similarly large and statistically significant difference was observed for workers ages 40-44. On the other hand, for the age group 55 years and older, those receiving the intervention were a statistically significant 8 percentage points less likely to initiate participation relative to the control group. And, although not statistically significant, workers ages 50-54 were also less likely to initiate participation if they

[7] Delivery method was not randomly assigned and the differences in the means of those that received the flyer by email and those that received it by hardcopy were significant. Employees receiving the hardcopy version were, on average, lower paid, younger, and more likely to be female.
[8] In results not shown, termination was not correlated with receipt of intervention material.

received the intervention. This difference is driven by the very high initiation rate for older workers in the control group, over 10 percent of whom initiated participation. This intriguing pattern by age requires further exploration both within these data and by using the survey responses. As the intervention highlighted the importance of saving early by demonstrating investment growth over time, it is possible that this older group of workers were actually discouraged from participating in their employer 401(k) plan.

Next, in Table V.1 we see that the intervention was effective at increasing participation rates for those earning between \$30,000 and \$39,000 and for those earning between \$40,000 and \$59,000. Although not statistically significant, we see that for the highest earning group the intervention lead to a lower initiation rate. Again this pattern is intriguing and requires further exploration.

Table V.2 presents the results from regression analysis on participation. Note that all workers included in these regressions were not participating as of February 2011, so the sample is not representative of all workers. Across all specifications, the coefficient for match-eligible is positive, large, and statistically significant, while the coefficient for tenure is negative and statistically significant. In results not shown, the effect of the intervention did not vary by gender, match eligibility, or tenure. In the second column of Table V.2, we see that those in the two highest salary categories were statistically significantly more likely to initiate participation relative to the lowest earning group. No statistically significant differences in initiation by age groups were observed. Relative to the other salary groups, the highest salary category may receive the most advantage of participation as they are likely able to benefit from the tax advantages due to deferral of current compensation.

Columns 3 and 4 explore whether the effect of the intervention varied by age and salary once other factors are controlled for. In column 3 of Table V.2 the coefficient on "intervention" shows the impact of receiving the flyer for employees aged 18-24, and it indicates that for this group the intervention resulted in a significant increase of 4.6 percentage points in the proportion of employees who began contributing to the 401(k) plan. By combining the coefficient on intervention and the interaction between intervention and the oldest age group, we see that the effect of the intervention for workers age 55 years and older was an 8.3 percentage point smaller increase in the proportion of employees who begin contributing to the 401(k) plan over this time period. Column 4 of Table V.2 again shows that for those earning $40,000 to $59,000 the intervention was significantly more effective relative to those earning less than $25,000 per year.

Table V.3 presents a regression analysis which includes treatment type (standard versus peer effects) and delivery method (email versus memo). For comparison purposes, column 1 repeats the specification presented in Table V.2, column 2. Column 2 of Table V.3 allows for a comparison of the effectiveness of the two versions of the flyer. No difference in effects is found and both flyers did not statistically significantly increase initiation on average. In column 3, the difference in effectiveness attributed to delivery method is explored. One should be cautious in interpreting these results since the delivery method was not exogenously assigned. Again, neither coefficient is statistically significant nor are the coefficients themselves statistically significantly different from each other.

Initial results from this study indicate that a low cost intervention can be effective in increasing 401(k) participation among some groups. The effectiveness varied by employee age and salary level. These results warrant further exploration. Note that the design of the study allowed only two months between the intervention date and the outcome evaluation. It is possible that some groups respond more slowly and a follow-up study allowing for more time to enroll would find larger effects.

Table V.1: Percent Initiating Participation during the Study Period

Category	Observations	Intervention	Control	Difference
All New Hires	3731	6.8%	5.9%	0.9
Females	2733	6.2%	5.5%	0.7
Males	998	8.4%	7.1%	1.3
Match-eligible	2270	7.5%	6.9%	0.6
Not Match-eligible	1461	5.8%	4.4%	1.4
Age:				
Age 18-24	861	7.7%	3.3%	4.4***
Age 25-29	788	8.1%	7.8%	0.3
Age 30-34	527	7.1%	6.7%	0.4
Age 35-39	426	5.9%	4.3%	1.6
Age 40-44	376	6.8%	2.4%	4.4**
Age 45-49	271	5.9%	6.8%	-0.9
Age 50-54	233	5.2%	10.0%	-4.8
Age 55+	249	3.5	11.5	-8.0**
Salary (in thousands):				
Less than $25	1447	5.5%	4.8%	0.7
$25-29	659	5.5%	6.6%	-1.1
$30-39	682	7.9%	5.0%	2.9*
$40-59	445	10.0%	3.5%	6.5***
$60+	443	8.2%	12.3%	-4.1

[1]Excludes employees terminated during intervention period.

Table V.2: Participation Initiation Regression Analysis

Dependent Variable: Initiated Participation

	(1)	(2)	(3)	(4)
Treatment	0.010 [0.009]	0.010 [0.009]	0.046*** [0.018]	0.006 [0.013]
Treatment interacted with:				
Age 25-29			-0.045* [0.026]	
Age 30-34			-0.033 [0.029]	
Age 35-39			-0.024 [0.031]	
Age 40-44			-0.010 [0.032]	
Age 45-49			-0.054 [0.037]	
Age 50-54			-0.097** [0.038]	
Age 55+			-0.130*** [0.038]	
Salary $25-$29k				-0.015 [0.024]
Salary $30-$39K				0.029 [0.024]
Salary $40-$59K				0.059** [0.028]
Salary $60K+				-0.046 [0.029]
Male	0.018** [0.009]	0.006 [0.010]	0.006 [0.010]	0.006 [0.010]
Match-eligible	0.063*** [0.012]	0.061*** [0.012]	0.062*** [0.012]	0.062*** [0.012]
Tenure	-0.033*** [0.006]	-0.032*** [0.006]	-0.033*** [0.006]	-0.032*** [0.006]
Age 25-29		0.012 [0.012]	0.041* [0.021]	0.012 [0.012]
Age 30-34		-0.004 [0.014]	0.017 [0.024]	-0.004 [0.014]
Age 35-39		-0.021 [0.015]	-0.006 [0.026]	-0.021 [0.015]
Age 40-44		-0.023 [0.016]	-0.017 [0.026]	-0.023 [0.016]
Age 45-49		-0.015 [0.018]	0.020 [0.030]	-0.014 [0.018]
Age 50-54		-0.007 [0.019]	0.056* [0.031]	-0.007 [0.019]
Age 55+		-0.014 [0.018]	0.074** [0.032]	-0.013 [0.018]
Salary $25-$29k		0.005 [0.012]	0.006 [0.012]	0.014 [0.020]
Salary $30-$39K		0.015 [0.012]	0.015 [0.012]	-0.005 [0.020]
Salary $40-$59K		0.027* [0.014]	0.027* [0.014]	-0.012 [0.024]
Salary $60K+		0.043*** [0.015]	0.043*** [0.015]	0.074*** [0.025]

Notes: Coefficients are from a linear probability model, standard errors are in brackets. N= 3,731. All regressions include a constant, omitted categories are age 18-24 and salary less than $25k. *** Indicates significance at the 1% level, **Indicates significance at the 5% level, *Indicates significance at the 10% level. Age refers to worker's age as of April 2011.

Table V.3: Participation Initiation Regression by Treatment Type and Delivery Method

Dependent Variable: Initiated Participation

	(1)	(2)	(3)
Treatment (Groups 1&2)	0.010		
	[0.009]		
Treatment with Peer Effects		0.011	
		[0.010]	
Standard Treatment		0.010	
		[0.010]	
Treatment via Email			0.010
			[0.009]
Treatment via Memo			0.016
			[0.012]
Male	0.006	0.006	0.006
	[0.010]	[0.010]	[0.010]
Match-eligible	0.061***	0.061***	0.061***
	[0.012]	[0.012]	[0.012]
Tenure	-0.032***	-0.032***	-0.032***
	[0.006]	[0.006]	[0.006]
Age 25-29	0.012	0.012	0.012
	[0.012]	[0.012]	[0.012]
Age 30-34	-0.004	-0.004	-0.004
	[0.014]	[0.014]	[0.014]
Age 35-39	-0.021	-0.021	-0.021
	[0.015]	[0.015]	[0.015]
Age 40-44	-0.023	-0.023	-0.023
	[0.016]	[0.016]	[0.016]
Age 45-49	-0.015	-0.015	-0.015
	[0.018]	[0.018]	[0.018]
Age 50-54	-0.007	-0.007	-0.007
	[0.019]	[0.019]	[0.019]
Age 55+	-0.014	-0.014	-0.014
	[0.018]	[0.018]	[0.018]
Salary $25-$29k	0.005	0.005	0.006
	[0.012]	[0.012]	[0.012]
Salary $30-$39K	0.015	0.015	0.016
	[0.012]	[0.012]	[0.012]
Salary $40-$59K	0.027*	0.027*	0.029**
	[0.014]	[0.014]	[0.015]
Salary $60K+	0.043***	0.043***	0.044***
	[0.015]	[0.015]	[0.016]

Notes: Coefficients are from a linear probability model, standard errors are in brackets. N= 3,731. All regressions include a constant, omitted categories are age 18-24 and salary less than $25k. *** Indicates significance at the 1% level, ** Indicates significance at the 5% level, *Indicates significance at the 10% level. Age refers to worker's age as of April 2011.

Section VI. Summary of Main Research Findings

This unique research provides important insights into the impact of financial education and plan characteristics on employee contributions to supplemental retirement plans. The employers operate in different sectors of the economy, all but one has defined benefit plans, and all offer their employees the opportunity to contribute to supplemental retirement plans. Two of the employers have opt-out provisions that immediately enroll new hires in the 401(k) plan at a default contribution rate. Of the employers that use automatic enrollment, one has an automatic increase feature as a default while the other implemented this as an option that 2009 new hires could select and only became automatic for 2010 new hires.

By studying the effects of the implementation of automatic enrollment at Pepsi Bottling Ventures (PBV), we see that the change did significantly increase 401(k) plan participation. Although the average deferral amount declined, this was due to the inclusion of employees that would not have participated otherwise. The percent of workers taking advantage of the full match remained similar across the policy change for those that were eligible for the match.

Survey responses highlight the importance and influence that employer-provided communication has on employees and their participation decision. The company benefit office is viewed as an important source of information when deciding on whether to participate in the company's 401(k) plan. Employer-provided financial education can effectively provide the relevant information to interested parties at relatively low costs. Communication can be related to employees in a timely manner and can be tailored for effectiveness.

Finally, the researchers conducted a field experiment with non-participating employees at BB&T, the largest employer-partner. On average the intervention did not raise participation rates statistically significantly more than the control group. However, for younger workers and those earning between $40,000 and $59,000 per year the intervention did significantly raise participation rates over that observed for the control group. Surprisingly, the percent initiating participation in the 401(k) plan for workers over age 50 and those earning more than $60,000 per year were actually lower relative to the relevant control groups. These findings warrant further exploration.

Appendix

Table I.1. Plan Characteristics

	BB&T	Progress Energy	Pepsi Bottling Ventures, LLC	Martin Marietta Materials	NCSU
Plan Type	401(k)	401(k)	401(k)	401(k)	401(k), 403(b), 457
Participation Eligibility Date	1st day of employment	1st day of employment	60 days of employment	1st day of employment	1st day of employment
Employer Match Eligibility	After completion of 1,000 hours & 1 year of service	1st day of employment	After completion of 1,000 hours & 1 year of service	6 months of employment	No match
Employer Match Amount	100% on first 6%	100% on first 6%	100% on first 4%, 50% on next 2%	50% on first 7%	No match
Is This a Supplemental Savings plan?	Yes	Yes	No	Yes	Yes
Automatic Enroll	No	No	Yes, 60 days after hire	First pay cycle following the 45 days after hire [2]	No
Automatic-Enroll default Contribution	No	No	3%	2%	No
Automatic contribution increase	No	No	Optional "Managed Savings" feature[1]	1% each year to 7% total	No
Plan Administrator	**BB&T**	**Fidelity**	**New York Life Retirement**	**Wells Fargo**	**Fidelity, TIAA-CREF, Prudential**

[1]During 2009 employees could elect the Managed Savings feature through Benefits Complete. Under this program, the rate of deferral would automatically increase each year by a preselected amount (1%, 2%, or 3%) up to 10%. 2010 new hires are automatically enrolled in this plan.

[2]New hires and rehires are immediately eligible to participate in the 401(k) plan. Automatic enrollment occurs approximately 45 days after the employee's administrative paperwork is processed.

Employer Partners and their Supplemental Retirement Plans: Description and Plan Overview

1. Branch, Banking, and Trust (BB&T)

BB&T Background Information

Company Description

BB&T is a publically traded company and is the 10th largest financial service corporation in the United States. BB&T is a full service financial institution with business segments including banking, insurance and investments. The company was founded in 1872 and is headquartered in Winston-Salem, North Carolina. They have operations in 12 states and in Washington D.C. BB&T has 31,000 employees, total assets of 157 billion and reported net income of 816 million for the year ending December 31, 2010.

BB&T saving's plan was ranked in the top 4% of the industry for its 100% match.

401(k) Plan

BB&T offers employees the option of participating in their 401(k) plan. Employees are eligible to participate on the first day of employment, deferral contributions to the plan can be made the first day of the calendar month following employment. To be eligible for the matching contribution portion of the plan, the employee must be at least 21 years of age and must complete 1,000 hours of service within the 12 months following his hire date.

BB&T offers a 100% match on the first 6% of compensation contributed to the plan. The match on the first 4% is referred to as the basic match contribution while the remaining 2% is called the supplemental match. The supplemental match is subject to vesting requirements which state that it may be forfeited if the employee engages in misconduct including embezzlement, theft, or larceny or engages in direct competition with the firm, unless the employee has three years of continuous employment with the firm or has reached age 65.

Employees may enroll in the plan by using BB&T's PlanTrac website or may enroll over the phone. Changes can be made on a daily basis and contribution rates can be changed at any time. Participants may invest in the Plan's core funds or in a self-directed brokerage account (available through TD Ameritrade). The plan allows for both loans and hardship withdraws.

Defined Benefit Pension Plan

BB&T offers a traditional final average pay defined benefit plan.

Investment Education

BB&T provides employees with access to Pro Nvest, a company that has partnered with BB&T to provide retirement planning services. Services include access to retirement counselors, planning tools and education. The 401(k) participant guide, reviewed during orientation, provides the employee with a wide array of investing education and specific examples. Information covered in the guide includes formulas for calculating how much is needed for retirement, explanations of the importance of considering inflation when planning for retirement, and illustrations of compounding power. Importantly, there is an extensive discussion of the tax advantages of the company sponsored retirement plan and examples demonstrating the advantage of pre-tax retirement savings.

New Hire Orientation

Orientation occurs in the first two weeks following hire. It includes flexible benefit, 401(k) and pension plan information.

Retiree Health Care

A health savings account (HSA) is available to early retirees. It is not marketed to them as a retirement savings tool. Current employees are eligible for retiree health care if they retire at age 55 or later with 10 years of service.

Automatic-enroll

BB&T does not have an automatic enroll feature in their 401(k) plan.

401(k) Plan Management and Data Availability

BB&T's plan 401(k) plan is self-administered, so they have extensive data which is easily accessible.

Employer Sponsored Financial Literacy Program(s)

BB&T does not directly offer financial literacy programs, however such information is available from the plan administrator. Managers are instructed to discuss retirement savings and plan participation with workers during annual reviews.

Summary of BB&T's 401(k) Plan:

Joining the plan:

- Employees are eligible to participate on the first day of employment.
- Employees may enroll in the plan by using BB&T's PlanTrac website or may enroll over the phone.

Deferral Contributions:

- Timing: Deferral contributions to the plan can be made the first day of the calendar month following employment. There is approximately a 30 day delay for employees paid semi-monthly and a 45 day delay for employees paid monthly.
- Amount: BB&T allows employees to defer from 0-50% of pay.

Match:

- Eligibility: To be eligible for the matching contribution portion of the plan, the employee must be at least 21 years of age and must complete 1,000 hours of service within the 12 months following his hire date.
- Match Amount: BB&T offers a 100% match on the first 6% of compensation contributed to the plan.

Timing of Information Received:

- Orientation occurs in the first two weeks following hire. It includes flexible benefit, 401(k) and pension plan information.
- Managers discuss employee participation in the 401(k) during the employee's yearly review.
    - Annual reviews for officers occur in February, for non-officers, at their one year anniversary.

2. Martin Marietta Materials (MMM)

Martin Marietta Materials Background Information

Company Description

Martin Marietta Materials is a publically traded company. They are a producer of construction aggregates used for infrastructure projects as well as both residential and commercial construction. They have two business segments: Aggregates which mines and processes sand, gravel, limestone and granite, and Specialty Products which manufactures chemical products for industrial and agricultural applications. The company was founded in 1993 and is based in Raleigh, North Carolina. Martin Marietta Materials operates in 27 states as well as in Canada, the Bahamas and the Caribbean Islands. They have approximately 4,500 employees, over 3 billion in total assets and reported a net income of 97 million for the year ending December 31, 2010.

401(k) Plan

The 401(k) plan at Martin Marietta is an "opt-out" plan where employees are automatically enrolled in the saving plan and can opt not to participate at any point subsequent to hire. The default contribution is 2% of pay and will increase by 1% each year until a contribution amount of 7% is reached. After six months of employment, the company will match fifty cents of each dollar invested up to 7% of pay. Unless a different fund is selected, the 401(k) savings account will invest in the LifePath Portfolio, a fund that becomes more conservative as the employee approaches retirement. Contributions can be managed online or over the phone. Contribution rates of up to 25% of pay are permitted.

The plan is administered by Wells Fargo. The plan allows both hardship withdraws and loans. Employees are immediately 100% vested in their contributions as well as the company match.

Defined Benefit Pension Plan

Employees with at least five years of vested service are eligible for pension benefits. For salaried employees, the benefit amount is based on years of service and compensation. For most hourly employees, the benefit amount is based on years of service and a multiplier.

Investment Education

Investment education materials provided to the employee includes a Wells Fargo retirement savings guide. The guide provides recommendations on how much to save and information about available investment options, in addition to an explanation of how the automatic enrollment program works. The guide directs readers to online resources including a 401(k) contribution calculator, an asset allocation calculation, a time value calculator, a 401(k) planner and a risk tolerance quiz.

New Hires

New hires and rehires are immediately eligible to participate in the 401(k) plan. Automatic enrollment occurs approximately 30 days after the employee's administrative paperwork is processed (generally, the first contribution occurs during the first pay cycle following 45 days of employment). Wells Fargo, the plan administrator sends out a 401(k) information package at approximately three weeks of employment. The plan administrator sends out a second letter notifying the employee once he has been automatically enrolled in the 401(k) plan.

New Hire Orientation

All new employees participate in a new hire orientation within the first three days of employment. During the orientation, benefits are discussed and required paperwork is completed. All new hires must sign a letter saying that they are aware of the company's 401(k) automatic enrollment policy.

Retiree Health Care

MMM does not offer a Health Savings Account. Employees hired before December 31, 2001 are eligible for retiree medical provided they retire from the company. Retiree medical is available as early as age 55.

Automatic-enroll

During 2007, MMM implemented an automatic enrollment program for all employees (automatic enrollment applied to both new and existing workers). Prior to the program roll out, approximately 60% of hourly employees and 80% of salaried employees participated in the 401(k) plan. Subsequent to the implementation of the automatic enroll program, participation has increased to 80% for all hourly employees and 90% of all salaried employees. Currently, only 2-5% of newly hired employees chose to opt-out. As described above, employees are defaulted into a plan with a deferral percentage of 2 percent which is increased every year by 1 percent of salary until a maximum of 7 percent of salary is reached. Once an employee selects a contribution rate, she is no longer subject to any automatic increases.

MMM has received no negative feedback related to automatic enrollment or the automatic increase part of the plan. According to the HR representative, this may be due in part to the fact that many of their workers are hourly and have varying paychecks, so the employee may not realize that the contribution level has changed.

401(k) Plan Management and Data Availability

Wells Fargo is the plan administrator. MMM has been able to provide all information requested.

Employer Sponsored Financial Literacy Program(s)

None

Goals

2010 retirement related goal: Educating the employees about the importance of asset allocation and a balanced portfolio. 2011 retirement goal: Increase contribution rates among employees.

Summary of MMM's 401(k) Plan:

Joining the plan:

- Employees are eligible to participate on the first day of employment.
- The 401(k) plan at Martin Marietta is an "opt-out" plan. Automatic enrollment occurs approximately 30 days after the employee's administrative paperwork is processed.

Deferral Contributions:

- Timing: The first automatic contribution occurs during the first pay cycle following 45 days after hire.
- Amount: The default contribution is 2% of pay and unless changed, and will increase by 1% each year (at the employee's anniversary date) until a contribution amount of 7% is reached. Contribution rates of up to 25% of pay are permitted.

Match:

- Eligibility: MMM will provide a company match once the employee obtains six months of service.
- Match Amount: The company will match fifty cents of each dollar invested, up to 7% of pay.

Timing of Information Received:

- Wells Fargo, the plan administrator, sends out a 401(k) information package at approximately three weeks of employment. The plan administrator sends out a second letter notifying the employee once he has been automatically enrolled in the 401(k) plan.
- All new employees participate in a new hire orientation within the first three days of employment. During the orientation, benefits are discussed and required paperwork is completed. All new hires must sign a letter saying that they are aware of the company's 401(k) auto enrollment policy.

- MMM sends out plan oriented communications periodically, approximately once a year.

3. North Carolina State University (NCSU)

NCSU Background Information

Institution Description

North Carolina State University was founded in 1887 and is located in Raleigh, North Carolina. The university is the largest in the state with an enrollment of nearly 34,000 students and nearly 8,000 faculty and staff. North Carolina State is a major research university with research expenditures in the amount of 380 million.

Mandatory Retirement Savings Plan

Permanent NCSU employees who work at least 30 hours a week are required by law to participate in a mandatory retirement program. State statute requires that all qualified employees contribute 6% of gross pay each period, regardless of which plan they select.

The default plan is The Teachers' and State Employees' Retirement System (TSERS), a defined benefit plan. Retirement benefits are based on age, salary, and years of service. Vesting occurs after five years. The employee may request a refund of contributions if he leaves prior to the completion of five years of service.

An alternative plan available only to faculty, research non-faculty, and senior academic and administrative officer positions is the Optional Retirement Program (ORP), a defined contribution plan. The employees eligible to participate in this plan must indicate their desire to do so within 60 days of the date of hire. The university contributes funds to the ORP; currently the contribution rate is 6.82% (the rate is set in an amount to make the two plans competitive). The employee is able to choose one of four available plan vendors (current options are VALIC, Fidelity, Lincoln, or TIAA-CREF). The actual benefit received during retirement is dependent upon investment performance. Employees are immediately vested in their own contributions and the company contributions become vested after five years.

Supplemental Retirement Plans

NCSU offers employees the option of participating in voluntary supplemental retirement programs. Employees may participate in the NC Deferred Compensation Plan (457), the UNC system 403(b) program, or the NC 401(k) plan. There is no employer match. Currently, 20-22% of eligible employees participate in any of the three supplemental retirement plans.

NC 401(k) plan is administered by Prudential. Both pre-tax and after-tax contributions are permitted. The plan requires no minimum contribution and allows a maximum contribution of

80% of taxable pay, not to exceed $16,500. Participants over age 50 may contribute an additional $5,500 per year.

The UNC System 403(b) plan is administered by Fidelity or TIAA-CREF (the employee may choose the plan administrator). Both pre-tax and after-tax contributions are permitted. The plan requires a minimum contribution of $200 per year and allows a maximum contribution of $16,500. Participants over age 50 may contribute an additional $5,500 per year.

The NC Deferred Compensation Plan (457) is administered by Prudential. Only pre-tax contributions are permitted. The plan requires no minimum contribution and a maximum contribution of 100% of taxable pay, not to exceed $16,500. Participants over age 50 may contribute an additional $5,500 per year. Alternatively, employees over 50 may defer up to twice the standard allowable amount for the three years prior to normal retirement.

Investments can be managed online or over the phone. All plans allow both hardship withdraws and loans. Employees are 100% vested from the date of their first contribution.

Investment Education

The NCSU voluntary supplemental retirement guide provides a comparison of the different programs available. The guide directs the reader to the online plan website where the he can find information to help with determining and meeting savings goals.

New Hires

Employees are eligible to participate in the on the first day of employment. Employees may enroll in the plan via website.

Employees not enrolled in 403(b) plan within 60 days of hire receive an email encouraging them to sign up.

New Hire Orientation

New hires complete an orientation within thirty days of hire. A three hour retirement session is a standard part of the orientation program. Employees receive booklets and handouts to assist in retirement planning and inform them about the retirement savings plans offered by NCSU. Employees are also directed to an online benefits guide as an additional resource.

Retiree Health Care

NCSU offers retiree health benefits. Prior to 2006, an employee with five years of service was eligible to participate in the retiree health care program. Currently, employees must have 20 years of service in order to be eligible for retiree health benefits.

Automatic enroll

NCSU does not have an automatic enroll feature for their supplemental retirement plans.

Employer Sponsored Financial Literacy Program(s)

Investment representatives provide information sessions and visit the campus for one-on-one meetings periodically. HR representatives provide investment educations seminars to interested employees. However, the participation rate is low. Employees are able to take two free courses a year and may sign up for classes which will increase their financial literacy.

Goals

NCSU would like to increase participation in the voluntary supplemental plans. They are also interested in exploring new media and are currently using both Facebook and Twitter to reach and stay in touch with employees.

Summary of NCSU's Supplemental Retirement Savings Plans (403b, 401k, and 457)

Joining the plan:

- Employees are eligible to participate on the first day of employment.
- Employees may enroll in the plan via website.

Deferral Contributions:

- Timing: Deferral contributions to the plan can be made the first day of the calendar month following employment.
- Amount:
    - NC 401(k): No minimum contribution and allows a maximum contribution of 80% of taxable pay, not to exceed $16,500. Participants over age 50 may contribute an additional $5,500 per year.
    - The UNC System 403(b) plan requires a minimum contribution of $200 per year and allows a maximum contribution of $16,500. Participants over age 50 may contribute an additional $5,500 per year.
    - The NC Deferred Compensation Plan (457) requires no minimum contribution and a maximum contribution of 100% of taxable pay, not to exceed $16,500. Participants over age 50 may contribute an additional $5,500 per year.

Alternatively, employees over 50 may defer up to twice the standard allowable amount for the three years prior to normal retirement.

Match:

- Eligibility: N/A
- Match Amount: NCSU does not offer an employer match for these supplemental plans.

Timing of Information Received:

- New hires complete an orientation within thirty days of hire. A three hour retirement session is a standard part of the orientation program.
- Employees not enrolled in 403(b) plan within 60 days receive a personalized email.

4. Pepsi Bottling Ventures (PBV)

Pepsi Bottling Ventures Background Information

Company Description

Pepsi Bottling Ventures, LLC is the largest privately held PepsiCo bottler in North America. The company is headquartered in Raleigh, North Carolina and operates in seven states. They manufacture more than 500 beverages and have more than 2,500 employees. The company was founded in 1943 as a small family bottler, but through a series of mergers and acquisitions has grown over the years to its present state. As it is a privately held corporation, assets and earnings information is kept confidential.

401(k) Plan

PBV offers their employees the option of participating in the Pepsi Bottling Ventures 401(k) plan. As of 2009, new employees are automatically enrolled in the 401(k) plan at a 3% contribution rate. Employees are eligible for the company match once they have completed 1,000 hours and one year of service. Non-hourly employees are credited with 45 hours of service for each week worked. If an employee works less than 1,000 hours in a year, he is credited with a year of service as of the last day of the following plan year (12 consecutive month periods beginning January 1 and ending December 31st).

Once eligible, employees receive a 100% company match on the first 4% and a 50% match on the next 2% they contribute to the plan. Employees are immediately vested in their own contributions. Employer match contributions are 100% vested after three or more years of service (0 vesting with less than three years).

The plan administrator is New York Life Retirement Services Planning. Employees can make administrative changes to the plan by phone or through the Benefits Complete web site (operated by New York Life).

Employees hired prior to January 1, 2010 could sign up for the Managed Savings feature through Benefits Complete. Under this program, the rate of deferral will automatically increase each year by a preselected amount (1%, 2%, or 3%) up to 10%. All employees hired as of January 1, 2010 are automatically enrolled in the managed savings plan feature.

Defined Benefit Pension Plan

Pepsi Bottling Ventures does not offer a defined benefit pension plan.

Investment Education

The Pepsi Bottling Ventures 401(k) enrollment guide provides the employee with a wide array of investment education and specific examples. Information covered in the guide includes: examples to show the importance of investing early by comparing investment growth at different start dates, information on determining an investment approach and a brief discussion on different types of investments. The guide includes a retirement benefit calculator as well as a questionnaire to help the employee determine which investment strategy is right for him. In addition, the guide directs the reader to the online plan website, a comprehensive plan information resource.

New Hires

All employees (with the exception of leased employees) are eligible to participate in the company's 401(k) plan. They are eligible to contribute the first of the month after sixty days of employment. New employees are automatically enrolled in the 401(k) plan at a 3% contribution rate. If an employee wants to opt-out of the 401(k) plan, he must access Benefits Complete prior to the eligibility date to avoid the automatic deduction. He may elect to opt-out any other time but does not have the option of having a processed deduction refunded. All new hires receive a plan enrollment kit from New York life.

At the end of 2009, PBV switched from an extensive retirement guidebook to a tri-fold brochure. The home HR office has not noticed an increase in employee questions regarding the plan since the switch to the less detailed handout. However, it is possible employees may be contacting the plan administrator directly with questions.

New Hire Orientation

PBV does not have HR personnel at every location. The lead administrative person on site will meet with the new employee on the first day on the job and provide him with a benefit handbook. The regional HR director (who manages multiple sites) performs new hire orientations periodically with most new hires completing orientation within the first 2-3 months of employment.

Retiree Health Care

PBV does not offer retiree health insurance. The company does offer employees the option of participating in a long term care program. The program is not subsidized by the company and has a very low participation rate.

Employees enrolled in the high deductible health care plan have a health savings account (HSA) which can be used as a retirement savings vehicle. If an employee selects the high deductible plan, the company contributes $500 to the employee's account ($1,000 if it is a family plan). Approximately 15% of company employees are enrolled in this health care plan. It does not appear that it utilized for its retirement savings feature.

Automatic enroll

2009 and 2010 new hires are subject to an automatic enrollment program. While the automatic enrollment increased employee contributions, passing the 401(k) plan non-discrimination testing remains a concern. As such, PBV converted to a Safe Harbor Plan in 2011.

401(k) Plan Management and Data Availability

New York Life is the plan administrator. Cross-sectional data were easily obtained, but they were not able to produce an accurate measure of the date of opting out for those no longer participating or the history of deferral percentages. Employer Sponsored Financial Literacy Program(s)

PBV offers a financial literacy course conducted by Financial Peace University. Course cost (approximately $125) is paid by the employee, but PBV provides a meeting location and offers payroll deductions. There is a high demand among employees for this course.

Goals

PBV retirement related goals include: elimination of the Pepsi stock option and increase the average deferral percentage.

Summary of PBV's 401(k) Plan:

Joining the plan:

- Employees are eligible to contribute the first of the month after sixty days of employment.
- The 401(k) plan at PBV is an "opt-out" plan. New employees are automatically enrolled in the 401(k) plan.

Deferral Contributions:

- Timing: The first automatic contribution occurs approximately 90 days after hire.
- Amount: The default contribution is at a 3%. Contribution rates of up to 100% of pay are permitted.
    - Employees hired prior to January 1, 2010 could sign up for the Managed Savings feature through Benefits Complete. Under this program, the rate of deferral will automatically increase each year by a preselected amount (1%, 2%, or 3%) up to 10%. All employees hired as of January 1, 2010 will be automatically enrolled in the managed savings plan feature.

Match:

- Eligibility: Employees are eligible for the company match once they have completed 1,000 hours and one year of service. Non-hourly employees are credited with 45 hours of service for each week worked
- Match Amount: Employees receive a 100% company match on the first 4% and a 50% match on the next 2% they contribute to the plan.

Timing of Information Received:

- The employee receives a benefit handbook on the first day of employment. The regional HR director (performs new hire orientations periodically with most new hires completing orientation within the first 2-3 months of employment. Benefits are discussed during the orientation. During 2010, PBV has begun discussing the 401(k) plan during their annual benefits meetings.

5. Progress Energy (PGN)

Progress Energy Background Information

Company Description

Progress Energy is a publically traded Fortune 500 company. It is an electric utilities company that has 21,000 megawatts of electric generation capacity and supplies electric utilities to approximately 3.1 million customers in North and South Carolina and Florida. Progress Energy was founded in 1925 and is headquartered in Raleigh, North Carolina. The company has approximately 13,000 employees, holds over 33 billion in total assets and reported net earnings of 856 million for the year ending December 31, 2010.

401(k) Plan

Progress Energy offers employees the option of participating in the Progress Energy 401(k) Savings & Stock Ownership Plan (a safe harbor plan). Employees are eligible to participate in the plan on the first day of employment. Approximately 80% of all employees participate in the savings plan.

Employees may contribute up to 25% of their pay to the 401(k) plan. Progress Energy offers a 100% match on the first 6% of employee compensation contributed to the plan. Match allocations are invested in the Progress Energy Stock Fund. However, the employee may immediately reallocate this investment into an alternate fund once the shares are credited to his account.

Fidelity is the administrator for the 401(k) plan. Plan participation can be managed by the employee through the web. Participants may invest in a wide array of funds offered through Fidelity or in a self-directed brokerage account. The plan allows for both loans and hardship withdraws.

Defined Benefit Pension Plan

In addition to the 401(k) plan, Progress Energy also offers a pension plan. Full time employees are eligible to participate after one year of service, part time employees are eligible if they complete 1,000 hours of service in a 12 month period. Once eligible, employees are automatically enrolled in the pension plan. The pension plan is a cash balance account entirely funded by Progress Energy. Vesting occurs after three years of service. The annual company contribution is based on age and is a percentage of the employee's total eligible pay (rates range from 3% to 7%). An interest credit (not to decrease below 4%) is added to each account on December 31 of each year. Employees are eligible to receive pension benefits following termination or retirement. The balance in the account and the employee's age determine payment options. Employees may take a lump sum distribution of their pension benefits at any age and are eligible to receive their benefits as an annuity once they reach age 55.

Investment Education

Employees receive the Progress Energy Easy Guide to NetBenefits at orientation. This guide provides the employee with an overview of the wide array of investing education available through the Fidelity website. The online NetBenefits website has tools designed to help with determining and meeting savings goals, access to financial calculators and complete e-learning workshops to learn more about investing.

New Hires

Employees are eligible to fully participate in the plan on the first day of employment. However, the employee cannot sign up for the program until the payroll feed is sent to the plan administrator (Fidelity), so there may be a few days delay between when the employee is eligible and when the system is able to process the enrollment. Employees may enroll in the plan via website (401k.com through Fidelity) or over the phone. In addition, Fidelity mails out a Progress Energy 40(k) Enrollment kit to the employee within a week of the employee's start date.

New Hire Orientation

Progress energy rolled out a new on-boarding process April 19, 2010. The plan substantially changed the way new hire related processes and procedures are completed. The new system relies on electronic copies and is no longer paper based. A third party provider (KMS) acts as an intermediary, gathering information from new hires and uploading the information directly to Progress Energy's system. The system is interactive in that employee actions (accepting the job offer online, completing new hire paper work) prompts the system to move onto the next stage of the on-boarding process.

Progress Energy will continue to offer orientation for new hires, either in person for employees located near the Raleigh office or via teleconferencing for those located elsewhere. At orientation, employees will receive a small print package which includes a flyer for the 401(k) plan. The orientation program includes an hour plus discussion of benefits where the employee is reminded that there is a website for enrollment that also contains web modules for investment education.

Retiree Health Care

Progress energy offers retiree health benefits. Prior to 2001, the premiums were subsidized by the company, but are now the full responsibility of the retiree. The cost of the premium is based on the pool of retirees. The components of the plan change at age 65 and acts as a supplement to social security. Monthly premiums payable by the retiree range between $40 and $175.

The company also offers five different health care plans to current workers, one of which is the high deductible plan. Employees enrolled in the high deductible health care plan have a health savings account (HSA) which can be used as a retirement savings vehicle. If an employee selects the high deductible plan, the company contributes $500 to the employee's account. It is marketed as a way to save for retirement.

Automatic enroll

Progress energy does not have an automatic enroll feature in their 401(k) plan.

401(k) Plan Management and Data Availability

Fidelity is the plan administrator. Progress Energy was not able to provide information on the date at which an individual enrolled in the supplemental retirement savings plan. The data available are a cross-section of plan participation as of a February 28, 2011. Employer Sponsored Financial Literacy Program(s)

None

Summary of Progress Energy's 401(k) Plan:

Joining the plan:

- Employees are eligible to participate on the first day of employment.
    - The employee cannot sign up for the program until the payroll feed is sent to the plan administrator (Fidelity), so there may be a few days delay between when the employee is eligible and when the system is able to process the enrollment.
- Employees may enroll in the plan via website or over the phone.

Deferral Contributions:

- Amount: Employees may contribute up to 25% of their pay to the 401(k) plan.

Match:

- Eligibility: Employees are eligible to receive the match on the first day of employment.
- Match Amount: Progress Energy offers a 100% match on the first 6% of employee compensation contributed to the plan.

Timing of Information Received:

- Employees receive a benefits guide at orientation.
- Fidelity mails out a Progress Energy 40(k) Enrollment kit to the employee within a week of the employee's start date.

Are you leaving money on the table?

Join the 68% of BB&T employees who are already contributing to their 401(k) plan

A LITTLE MONEY SAVED TODAY GOES A LONG WAY IN RETIREMENT

BB&T offers a 100% match on the first 6% of income saved in your 401(k) account, plus you get all the tax savings![9] Even a simple change – such as bringing a bagged lunch to work a few times a month – can make a big difference.

The following examples show how small sacrifices today can have a big impact on your retirement income.

	Unit Price	Per Year	Amount per year plus 100% Employer Match[10]	Total If Invested in Plan for 40 Years[11]
1 specialty coffee per day	$2.50	$912.50	$1,825.00	$863,158
1 movie per week	$8.50	$443.25	$886.50	$419,248
1 candy bar per day	$0.55	$200.75	$401.50	$189,895

To Enroll: The Learning Center at **eBenefitsNow.com** contains the BB&T Corporation 401(k) Savings Plan Participant Guide. The BB&T Corporation 401(k) Savings Plan Participant Guide provides Plan Highlights, Investment Information, and Enrollment Instructions. You can also enroll by accessing the Plan's website directly at: http://www.bbt.com/plantrac.

[9] Employees are eligible for the employer match after 1 year of service. Contributions to 401(k) plans come from pre-tax income and the interest on 401(k) balances is exempt from taxes.
[10] Assumes 100% employer match.
[11] Assumes 4% annual price inflation, deposits to plan at the end of each month and 8% average annual returns, no taxes apply.