

Using Behavioral Science Insights to Better Serve the American People

Financial Literacy Roundtable &
Servicemember Retirement

March 9, 2016

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sbost

Social and Behavioral Sciences Team

- Cross-agency group of applied behavioral scientists
- Mission: *Translate findings and methods from the social and behavioral sciences into improvements in Federal policies and programs for the benefit of the American people.*
- Chaired by the Office of Science and Technology Policy (OSTP); includes representation from over a dozen agencies, as well as offices within the Executive Office of the President.

Social and Behavioral Sciences Team & Executive Order 13707

Social and Behavioral Sciences Team Annual Report

Executive Office of the President
National Science and Technology Council



September 2015



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56365

Presidential Documents

Title 3—
The President

Executive Order 13707 of September 15, 2015
Using Behavioral Science Insights To Better Serve the American People

A growing body of evidence demonstrates that behavioral science insights—research findings from fields such as behavioral economics and psychology about how people make decisions and act on them—can be used to design government policies to better serve the American people.

Where Federal policies have been designed to reflect behavioral science insights, they have substantially improved outcomes for the individuals, families, communities, and businesses those policies serve. For example, automatic enrollment and automatic escalation in retirement savings plans have made it easier to save for the future, and have helped Americans accumulate billions of dollars in additional retirement savings. Similarly, streamlining the application process for Federal financial aid has made college more financially accessible for millions of students.

To more fully realize the benefits of behavioral insights and deliver better results at a lower cost for the American people, the Federal Government should design its policies and programs to reflect our best understanding of how people engage with, participate in, use, and respond to those policies and programs. By improving the effectiveness and efficiency of Government, behavioral science insights can support a range of national priorities, including helping workers to find better jobs; enabling Americans to lead longer, healthier lives; improving access to educational opportunities and support for success in school; and accelerating the transition to a low-carbon economy.

NOW, THEREFORE, by the authority vested in me as President by the Constitution and the laws of the United States, I hereby direct the following:

Section 1. Behavioral Science Insights Policy Directive.

- (a) Executive departments and agencies (agencies) are encouraged to:
- (i) identify policies, programs, and operations where applying behavioral science insights may yield substantial improvements in public welfare, program outcomes, and program cost effectiveness;
 - (ii) develop strategies for applying behavioral science insights to programs and, where possible, rigorously test and evaluate the impact of these insights;
 - (iii) recruit behavioral science experts to join the Federal Government as necessary to achieve the goals of this directive; and
 - (iv) strengthen agency relationships with the research community to better use empirical findings from the behavioral sciences.
- (b) In implementing the policy directives in section (a), agencies shall:
- (i) identify opportunities to help qualifying individuals, families, communities, and businesses access public programs and benefits by, as appropriate, streamlining processes that may otherwise limit or delay participation—for example, removing administrative hurdles, shortening wait times, and simplifying forms;
 - (ii) improve how information is presented to consumers, borrowers, program beneficiaries, and other individuals, whether as directly conveyed by the agency, or in setting standards for the presentation of information, by considering how the content, format, timing, and medium by which

Building on Precedent

2001

Research is published showing that switching from opt-in to an opt-out enrollment in retirement savings plans dramatically increases participation rates

2006

Congress passes, and President Bush signs, the *Pension Protection Act* which codifies the practice of automatically enrolling workers into retirement savings plans

Estimates suggest that ***automatic enrollment and automatic escalation have led to billions of dollars in additional savings*** by Americans



Retirement Security: Streamlining Access to Programs

Retirement Security: 2015 TSP Projects

1. Asking Servicemembers to choose to enroll (or not) at inprocessing led to significant increases in enrollment: 8.7% vs. 2.9% in comparison bases, vs. 4.3% comparison periods.
2. Sending behaviorally informed emails to unenrolled Servicemembers: most effective message nearly doubled rate of new sign-ups, led to 5,000 new enrollees.
3. Sending emails to Servicemembers encouraging re-enrollment in Roth TSP in January 2015 led to 3,770 more re-enrollments – a 22% increase.

Retirement Security: 2015 TSP Project Takeaways

1. **Potential for Impact through Applying Behavioral Science:** in email / SmartDocs study, 5,000 additional savers saving \$1.3 mm in new contributions in the first month alone.
2. **Moments of Choice:** On-Base pilot shows military has regular opportunities to “re-set” or prompt action that other employers don’t.
3. **Across Populations:** Roth TSP Re-enrollment project conducted on early adopters, financially literate population – and had largest effects.
4. **Complementary Tools:** In SmartDocs project, Navy baseline was 1.97%; Top performing email across Air Force, Marines, Army was 1.92%

2016 Retirement Security Projects: Preview

- SmartDocs & suggested contribution rates
- “Active choice” in more settings – larger bases, refined pilot tactics
- Civilian TSP Projects: take advantage of the full match, avoid 100% allocation of G-Fund
- Decumulation

Discussion Points for Future of Military Retirement

Discussion Points for Future of Military Retirement

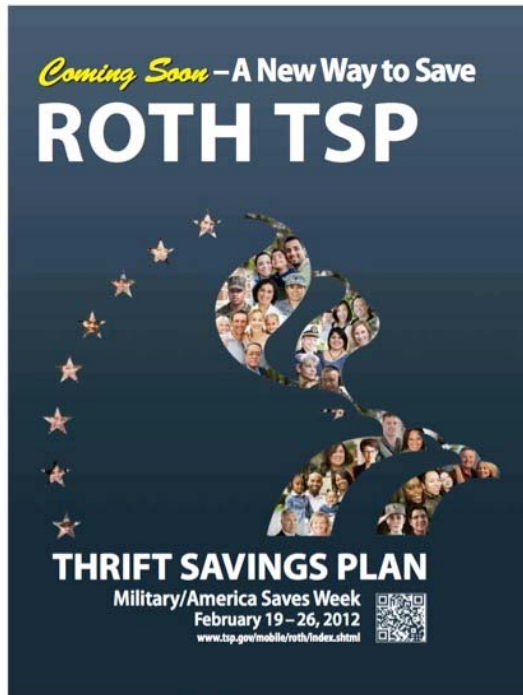
1. New blended retirement system is well-designed – thanks to all who worked on it!
2. In the intermediate term, there will be hundreds of thousands of servicemembers who need support towards financial readiness – not joining new system, not currently investing in TSP.
3. In the long term, we need strategies to help servicemembers increase their contributions later in their career to ensure financial readiness and retirement security: prompted choice, pre-commitments, etc.

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Thank you!

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Retirement Security: Thrift Savings Plan (TSP) Re-Enrollment



myPay - Thrift Savings Plan - Windows Internet Explorer

Internal Revenue Code section 402(g) and section 415(c) may limit your annual contributions. See the *Summary of the Thrift Savings Plan for the Uniformed Services* for more information about these statutory limitations.

Air Force, Army, and Navy Members: The maximum basic pay percentage (Traditional and Roth combined) is 92% to allow for 7.65% Social Security/Medicare tax. Combined Traditional/Roth pay elections of 86% and above will be reduced to 85% and will be reviewed to ensure all mandatory deductions are properly identified and deducted before deriving the maximum percentage available for your Traditional TSP and Roth basic Pay election.

If you have a debt or a garnishment, the sum of your Traditional/Roth basic pay elections cannot exceed 25%. If you have both a debt and a garnishment, elections for Traditional or Roth TSP will not process.

Please do not make a TSP Address Change if you have made one in the last three days.

This information is current as of **November 26, 2014.**

If you want to change both TSP elections during the same pay period, you must enter them at the same time on this screen. Then select the "SAVE" button.

Contribution from Traditional TSP		Current	New	Contribution from Roth TSP		Current	New
Basic Pay:	0%	0	% - Max = 92%**	Roth Basic Pay:	20%	20	% - Max = 92%**
Special Pay:	10%	10	% - Max=100%	Roth Special Pay:	0%	0	% - Max=100%
Incentive Pay:	20%	20	% - Max=100%	Roth Incentive Pay:	0%	0	% - Max=100%
Bonuses:	30%	30	% - Max=100%	Roth Bonuses:	0%	0	% - Max=100%

Stop TSP Stop Roth

Done Local Internet | Protected Mode: Off 125% 11:17 AM 11/26/2014

Retirement Security: Thrift Savings Plan (TSP) Re-Enrollment

Standard Message

GROUP A ROTH TSP: SMARTDOCS for January 2, 2015

Subject: Important! Your Action Needed in January to Continue Your Roth TSP Election

As a Roth TSP participant, your window to submit new contribution elections is here. You may submit your new Roth TSP elections based on percentages of basic pay, special pay, incentive pays and bonuses any time through Jan. 31, 2015, to avoid any interruption in your retirement investment plans.

Your elections may be submitted quickly and securely using myPay. You may also use the revised TSP-U-1 form available at www.tsp.gov. Forms must be submitted to your finance office to be applied to your military pay account.

We will send you reminders throughout January to make sure you have the information, worksheets and time to get your Roth TSP elections completed within the allotted time.

Election submissions received after Jan. 31, 2015, will result in a lapse in Roth TSP contributions.

For more information on the change to percentage-of-pay selections and how you can make sure your investment plans continue, visit www.dfas.mil/TSP_AC.html.

My POC for this effort is Matthew Seyler at matthew.seyler@dfas.mil

Bruce N. Keith
Director, ESS Military Pay

Redesigned Message

GROUP B ROTH TSP: SMARTDOCS for January 2, 2015

Subject: Roth TSP - You Must Take Action Now to Avoid Interrupting Your 2015 Retirement Investment Contribution

Dear Servicemember,

It's a New Year: Re-enroll in your Roth TSP by submitting your new contribution percentages today! Because of changes to the way contributions are now being calculated, you must re-enroll this January or your contributions will be stopped February 1.

Avoid interrupting contributions by taking these three simple steps:

- 1) Log in at mypay.dfas.mil
- 2) Click on the "Traditional TSP and Roth TSP" link.
- 3) Enter your Roth TSP contribution percentages of basic, special, incentive, and bonus pay.

For more information on the change to percentage-of-pay selections, visit www.dfas.mil/TSP_AC.html. If you prefer to use a paper form, complete the TSP-U-1 form available at tsp.gov and submit it to your finance office.

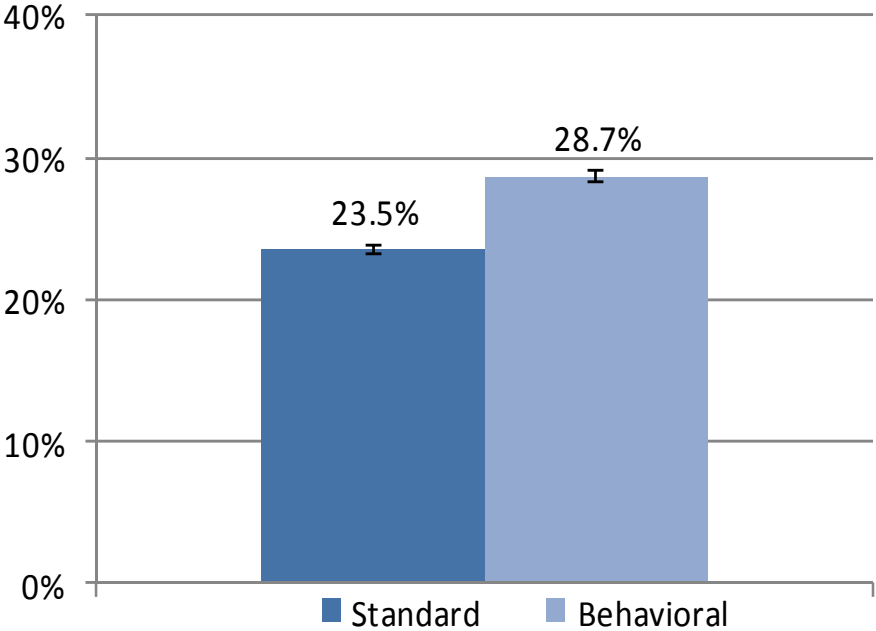
Matthew Seyler (matthew.seyler@dfas.mil) is the POC for this Roth TSP update.

Sincerely,

Bruce N. Keith
Director, ESS Military Pay

PS. Start 2015 off on the right foot - go to mypay.dfas.mil and take care of your future today. Make continuing your retirement investment plans an easy to do New Year's resolution.

Retirement Security: Thrift Savings Plan (TSP) Re-Enrollment



Retirement Security: On-Base Servicemember TSP Enrollment



Retirement Security: On-Base Servicemember TSP Enrollment

COMPLETE AND SUBMIT: YES, I choose to enroll and save through TSP or make changes to my contribution. (Complete sections I, II, IV)
 NO, I choose NOT to enroll and save through TSP.
 I am already saving through TSP and do not want to make any changes.

Grade: _____
 Marital Status: Single Married

Choose to Enroll: Three Easy Steps

ONE
Find the TSP-U-1 in your in-processing package and enter your information.

TWO
If you chose to contribute:
 - Must contribute at least 1% of Basic Pay to Roth or Traditional
 - Must contribute 3-5% of Basic Pay
 See back of form for more info on:
 - Roth (after-tax) vs. Traditional (pre-tax)
 - Tax-Deferred Income Contributions

THREE
Sign, date, and submit to your in-processing representative.

THRIFT SAVINGS PLAN ELECTION FORM TSP-U-1

Use this form to start, stop, or change the amount of your contributions to the Thrift Savings Plan (TSP). Before completing this form, please read the Summary of the Thrift Savings Plan and the instructions on the back of this form. Type or print all information. Submit the completed form to the office of your service that is responsible for enrolling members in the TSP. That office should return a copy to you after completing Section II below. To change your investment funds, see the instructions on the Service Information section on the back of this form.

I. INFORMATION ABOUT YOU

1. Joe George I
First Name Last Name Initial

2. 201 Custer Bldg Bldg 201 Fort Myer VA 22211
Mailing Address (Use APO or FPO) City State ZIP Code

3. 123 - 45 - 6789 4. 708 | 646 - 8199
SSN (Do not include hyphen) Contract Number (Do not include hyphen)

5. 07/04/1985 6. Army and U.S. Infantry Regiment
Date of Birth (MM/DD/YYYY) Duty Station (Do not include ZIP code)

CHOOSE THE AMOUNT OF YOUR CONTRIBUTIONS

Your choice will affect all previous elections.

Traditional (Pre-Tax) Contributions	Roth (After-Tax) Contributions
All Services	All Services
Basic Pay 7. _____ %	11. <u>3</u> %
Incentive Pay 8. _____ %	12. _____ %
Special Pay 9. _____ %	13. _____ %
Bonus Pay 10. _____ %	14. _____ %

II. STOP YOUR CONTRIBUTIONS

To stop all contributions to the TSP (check item 15 or 19 (if form, as applicable). If you want to stop only your contributions from automatic pay, special pay or bonus pay (check the appropriate box(es)), your contributions will stop no later than the first full pay period after your service receives this form.

Stop My Traditional Contributions	Stop My Roth Contributions
When you stop your contributions from: basic pay, contrib- utions from incentive, special, and bonus pay will also stop.	15. <input type="checkbox"/> From basic pay 16. <input type="checkbox"/> From incentive pay 17. <input type="checkbox"/> From special pay 18. <input type="checkbox"/> From bonus pay
	19. <input type="checkbox"/> From basic pay 20. <input type="checkbox"/> From incentive pay 21. <input type="checkbox"/> From special pay 22. <input type="checkbox"/> From bonus pay

IV. SIGNATURE 23. G. George 24. 07/04/2015
Signature Date (MM/DD/YYYY)

FOR SERVICE USE ONLY

25. _____ 26. _____ 27. _____
Signature of Service Officer

IMPORTANT NOTICE: This document contains the most current version of the form under U.S.C. Chapter 46, Federal Employees' Retirement System. Your service will use this information to operate your TSP account and to report your contributions and earnings to the Internal Revenue Service. If you are a member of the TSP, you will receive a copy of your TSP account information, including your account balance, contributions, and earnings. If you are not a member of the TSP, you will receive a copy of your TSP account information, including your account balance, contributions, and earnings. If you are a member of the TSP, you will receive a copy of your TSP account information, including your account balance, contributions, and earnings. If you are not a member of the TSP, you will receive a copy of your TSP account information, including your account balance, contributions, and earnings.

ORIGINAL TO PERSONNEL SOLICITS
 Provide a copy to the member and to the Payroll/Finance Office.

After you turn in your form, TSP will send you info on your account and how to access it.
 More info can be found on back of TSP-U-1 form.

Retirement Security: On-Base Servicemember TSP Enrollment

COMPLETE AND SUBMIT:

YES, I choose to enroll and save through TSP or make changes to my contribution
(Complete sections I, II, IV)

NO, I choose NOT to enroll and save through TSP

I am already saving through TSP and do not want to make any changes

Grade: _____

Marital Status: Single Married



Choose to Enroll: Three Easy Steps

THIRTY-SIX MONTH PLAN

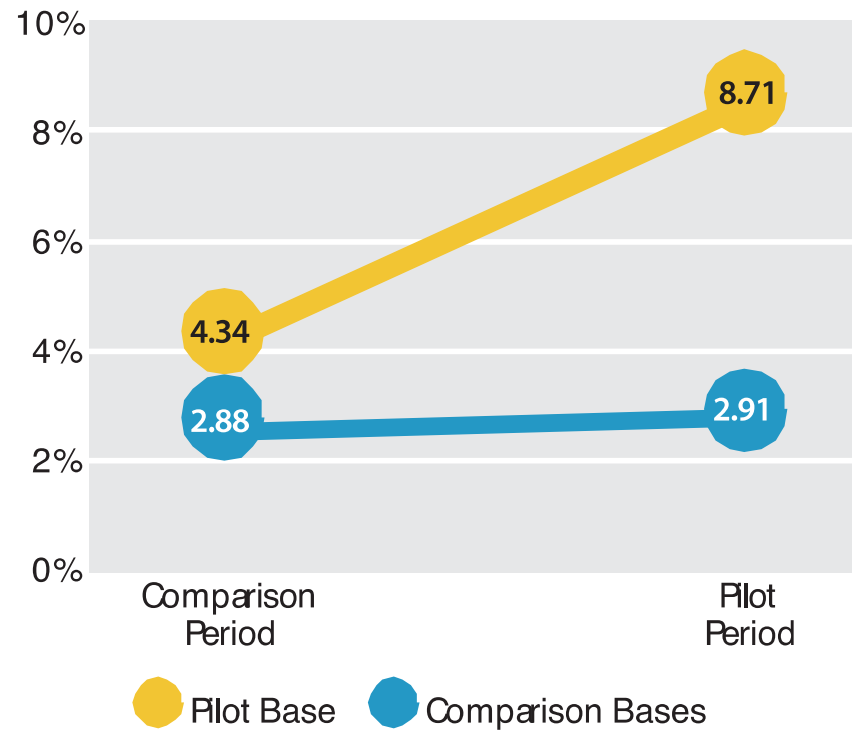
SECTION I: Personal Information

SECTION II: Contribution Information

SECTION IV: Investment Choices

Gabriel D. Carroll, James J. Choi, David Laibson, Brigitte C. Madrian, and Andrew Metrick, "Optimal Defaults and Active Decisions," *Quarterly Journal of Economics* 124 (2009): 1639–1674.

Retirement Security: On-Base Servicemember TSP Enrollment



Retirement Security: Thrift Savings Plan (TSP) New Enrollments

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Incentive Pay:	20%	20 <input type="text"/> % - Max=100%
Bonuses:	30%	30 <input type="text"/> % - Max=100%

Contribution from Roth TSP		
	Current	New
Roth Basic Pay:	20%	20 <input type="text"/> % - Max = 92%**
Roth Special Pay:	0%	0 <input type="text"/> % - Max=100%
Roth Incentive Pay:	0%	0 <input type="text"/> % - Max=100%
Roth Bonuses:	0%	0 <input type="text"/> % - Max=100%

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Encouraging New Enrollments through Email Communications

TSP Smart Docs

- 5,000 new enrollments
- \$1.3 million in savings in the first month

TSP Sign-Up Rates in May 2015

