
Aggressive auto-enrollment practices don't backfire: NY Life

By Editor Test Wed, Jun 13, 2012

Plans with less than 4% default contribution rates saw a 14% opt-out rate, vs. a 10% opt-out rate for plans with greater than 3% default contribution rates during the year ending March 31, 2012, the New York Life study showed.

Employees are not more likely to opt out of an employer-sponsored retirement plan if they are automatically enrolled and automatically set at a high contribution rate, according to a study of participants by New York Life Retirement Plan Services.

Plans implementing auto-enrollment with an automatic contribution rate of more than 3% have consistently experienced lower opt out rates than plans with lower default rates, year-over-year, New York Life said.

Plans with less than 4% default rates experienced 14% opt-out rates, vs. 10% opt-out for plans with greater than 3% default deferrals for the 12-month period ending March 31, 2012, the New York Life study showed.

The study also showed that plans that auto-enroll participants using an initial contribution rate greater than 3% of salary have a 95% overall participation rate, compared with 88% for plans that auto-enrolled participants using an initial contribution rate of less than 3%.

The analysis involved 480 plans and 800,000 participants across New York Life's retirement platform. The number of plans on the New York Life platform that have adopted auto enrollment was 61% as of March 31, 2012, compared with 21% in 2006.

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