

# Retirement Savings Laboratory



## Informational strategies to promote retirement savings in a financial organization: the case of SURA Asset Management Chile



### WHAT IS IT?

The authors measure the impact of inviting workers to make an active decision about their participation in the company's Voluntary Pension Savings Plan (APVG, for its Spanish acronym).

The first intervention consisted of sending a letter inviting all employees with more than six months on the job to enroll in APVG. This letter was included in the company's salary adjustment process and was sent between June and August 2017.

The second intervention consisted of providing new employees with counselling and advice on the benefits of the company, encouraging enrollment in the savings plan. This intervention was executed over the course of 2019.

### IMPACT

1. 25.6% of the workers in the counseling intervention enrolled in the savings plan compared to 5.8% of those who received the letter.
2. Willingness to save was higher than the effective enrollment rate in both interventions. 46% compared to 25.6% in the case of those who received counseling, and 12.3% compared to 5.8% of those who received letters.
3. The impact of the letters was greater among workers who previously did not participate in the savings plan (8.6%) than among those who already did and had the option of increasing their savings amount (4.2%).
4. The enrollment rate for those who received counseling was 24 percentage points higher compared to the previous year, in which no targeted counseling was given and no active decision to enroll was promoted. No difference was observed between the cohorts in the first intervention.

### TITLE

Informational strategies to promote voluntary retirement savings in a financial organization: The case of SURA Asset Management Chile.

### MESSAGE

The degree of success of an active decision instrument to participate in the existing Group Voluntary Pension Savings (APVG) plan of SURA Chile depends on the target population (new and old workers), the moment in which the instrument is incorporated (first contract signing or salary adjustment) and the mechanism through which an active decision is presented (letter or counseling).

### TOPIC OF STUDY

Matching, active choice, automatic contribution.

### SUB-TOPIC

Social security, matching, active choice.

### YEAR

2020.

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### AUTHOR OF THE SUMMARY

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### OBJECTIVE

To study the effectiveness of two active decision strategies on workers' participation in a company's voluntary group pension savings plan.

### TOOL

1<sup>st</sup> intervention: Sending a letter.  
2<sup>nd</sup> intervention: Counseling (in person or telephone).

### EXECUTING AGENCY

Inter-American Development Bank (IDB) and SURA Asset Management Chile.

### TARGET POPULATION

Formal salaried workers.

### MECHANISM

1<sup>st</sup> intervention: Sending a letter.  
2<sup>nd</sup> intervention: In-person or telephone counseling.

### SAMPLE SIZE

1<sup>st</sup> intervention: 2,303 employees.  
2<sup>nd</sup> intervention: 457 new employees.

### EVALUATION DESIGN

1<sup>st</sup> intervention: Randomized Controlled Trial (RCT).  
2<sup>nd</sup> intervention: New employees' cohort comparison (before and after).

### FINANCING

IDB Lab and MetLife Foundation.

### COST

Total cost of the 1<sup>st</sup> intervention: USD 1,123 (average cost USD 0.5). Estimate includes creating and printing the letter, in addition to the matching subsidy.

Total cost of the 2<sup>nd</sup> intervention: USD 873 (average cost USD 1.9). Estimate includes printed materials and the matching subsidy.





The second intervention was aimed at 457 new employees, who received face-to-face counseling (if they were in the Santiago metropolitan region) or a telephone call (if they were in another region of Chile) about the savings plan and the benefits provided by the company. In this intervention, the main learnings and findings from the first interven-

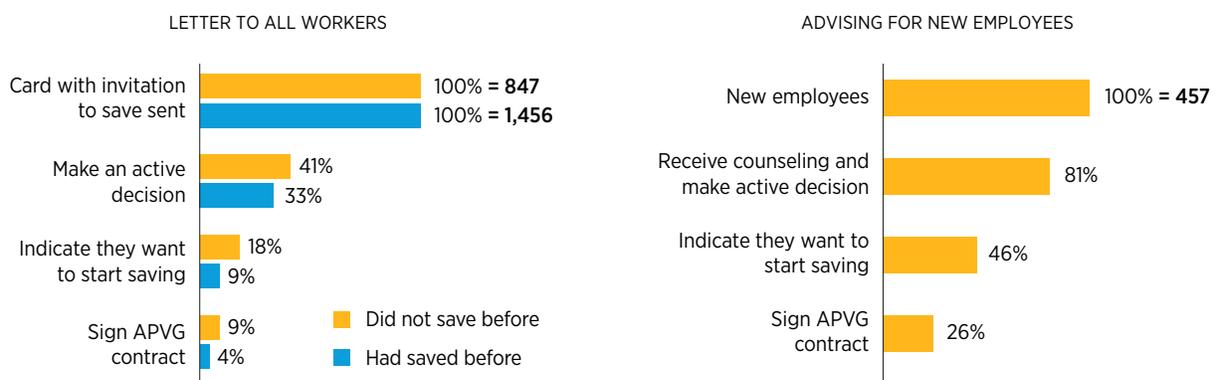
tion were incorporated, reducing the number of forms that workers had to complete to facilitate the transition from intention to action. The advisor processed these forms immediately to go into effect the following month and, once the requirements were met, the company's subsidy was automatically activated.

## IMPACT

Counseling was more effective in encouraging enrollment in the voluntary group savings program, compared to sending letters. Six months after sending the letters, 5.8% of the workers who received a letter enrolled in the savings program or increased the amount they were saving. The enrollment rate was higher among workers who were not previously saving (8.6%) compared to those who were already enrolled in the APVG program (4.2%). However, this rate is below that reported in the literature. In contrast, after five months of starting the advisory process for employees entering the company, the enrollment rate for the savings program rose to almost 26%.

Although the interventions are not strictly comparable, as they differ in the target population, contact mechanism, and procedure, a clear lesson that emerges is that the enrollment process should be as simple as possible. As seen in Figure 1, each additional step reduces the effectiveness of the active decision mechanism in an automatic contribution program. In the first intervention, if the letter had been binding, 18% of workers who were not registered would have enrolled, while 9% of workers who already saved would have increased the amount saved. Instead, due to the additional steps, only 9% and 4% did so, respectively.

FIGURE 1. STEP BY STEP: FROM NOTIFICATION TO ACTION.



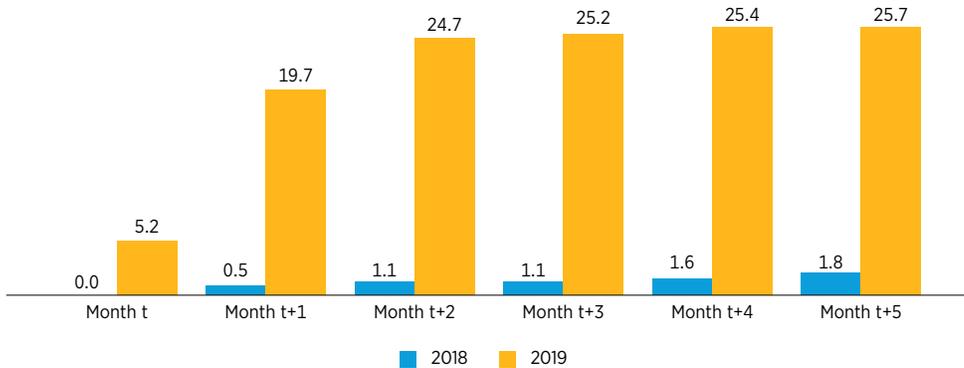
Source: Authors' elaboration.

A second lesson is that enrollment can be promoted efficiently through existing processes. Although an onboarding process was already in place, during 2019 greater emphasis was placed on the savings plan that the company offered, including personalized counseling on benefits that encour-

aged workers to make an active decision in the moment. Figure 2 shows that this small change in the counseling process helped the enrollment rate increase from 1.8% in 2018 to almost 26% in 2019, that is, a 24 percentage point difference, approximately.



FIGURE 2. NEW HIRES THAT ENROLLED IN A VOLUNTARY RETIREMENT SAVINGS PROGRAM (ACCUMULATED PERCENTAGE).



Source: Authors' elaboration. Data through January 2020.

Note: Total number of new workers is calculated between January and August, where t is the month when workers began. In 2018 there were 380 new workers, and in 2019 there were 401 new workers.

## LESSONS FOR PUBLIC POLICY

The results of the two interventions carried out in the same company shed light on the fact that the design and implementation of active decision mechanisms affect their effectiveness. Selecting the moment in which the information is delivered to employees, and they are invited to save, matters. In this case, during onboarding as opposed to when salaries are adjusted. The same is true for the mechanism chosen to communicate information: A letter or counseling employees. However, minimizing the number of processes or steps that a person must carry out to finalize

their decision is equally relevant, since even the smallest administrative requirements can become a definitive barrier, reducing the initiative's effectiveness. Finally, it is possible to incentivize worker participation at low cost, incorporating incentives into existing administrative procedures. Both interventions are cost-effective. One year after the intervention, assuming that workers continue to participate in the savings plan, sending letters generates 14 dollars for every dollar invested, and counseling generates 10.6 dollars for every dollar invested.

