



PLAN CHOICE

What Is the Plan Choice Assumption and How Do We Use It?

A new entrant has three options upon entering the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), or the School Employees' Retirement System (SERS). They could elect to join Plan 2, elect to join Plan 3, or make no decision and join Plan 2 by default¹. The Plan Choice assumption reflects all three possible outcomes. We use this Plan Choice assumption to model the number of future new entrants in either Plan 2 or Plan 3.

High-Level Takeaways

From 2012 to 2019, PERS displayed fairly stable plan choice behavior; meanwhile the percentage of TRS and SERS members joining Plan 3 increased. Following the change in default plan from Plan 3 to Plan 2, we observed a notable shift in members joining Plan 2 across all three retirement systems.

The change in plan default appears to have a material impact on plan choice but the experience is limited as of the publication of this report.

Data, Assumptions, and Methodology

We relied on data from the Department of Retirement Systems (DRS) to inform our Plan Choice assumption. DRS provided us with calendar year data and we summarized the last ten years of experience (2012-2021).

Plan Choice for New Entrants						
Year	PERS 2	PERS 3	SERS 2	SERS 3	TRS 2	TRS 3
2012	63%	37%	53%	47%	49%	51%
2013	63%	37%	51%	49%	48%	52%
2014	65%	35%	50%	50%	47%	53%
2015	67%	33%	49%	51%	49%	51%
2016	67%	33%	47%	53%	46%	54%
2017	65%	35%	43%	57%	43%	57%
2018	63%	37%	42%	58%	44%	56%
2019	64%	36%	42%	58%	43%	57%
2020	66%	34%	45%	55%	57%	43%
2021	79%	21%	68%	32%	55%	45%

Note: Effective July 1, 2020, the default plan changed. See footnote on bottom of page 1.

Following the change in plan default, we observed a higher percentage of new entrants joining Plan 2 than in the past. TRS shows an impact a year earlier because most new hires in TRS are hired all at one time, at the start of the school year.

¹Under [Chapter 313, Laws of 2019](#), the default plan changed from Plan 3 to Plan 2. This change impacted new entrants beginning on July 1, 2020, and applies if no plan selection is made within the first 90 days of employment.



Data prior to 2012 was considered, but we feel the recent period summarized above captures a consistent plan choice trend prior to the referenced bill that changed the plan default.

Results

Based on the recent experience, the change in plan default appears to materially impact plan choice behavior. This change also occurred during a pandemic which likely led to an atypical start to employment for many new plan members, e.g., there may have been less opportunity for new hires to discuss retirement plan options with their colleagues.

In 2019, we modified our Plan Choice assumption to reflect the new plan default and the recent data is similar to that modified assumption. While the last one and a half years of experience could support a higher Plan 2 Choice assumption, we believe more data is needed to determine if the most recent data is the new status quo. Thus, we decided to keep our Plan Choice assumption comparable to our most recent assumption.

Plan Choice Assumption*			
	PERS 2	SERS 2	TRS 2
Old Assumption**	75%	58%	58%
New Assumption	75%	60%	55%

**Plan 3 Choice assumption equals 1 minus Plan 2 Choice assumption.*

***Modified in 2019 to reflect estimated change in plan default under Chapter 189, Laws of 2019.*