News From The Public Retirement Research Lab

New Research Report Offering a Longitudinal Analysis of 1.1 Million Public-Sector Defined Contribution Plan Participants Finds Account Balances and Contributions Growing

- Participants also tend to have high concentrations in equities, either directly or through target date funds -

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For more information: Ron Dresner
dresner@ebri.org

(Washington, D.C.) -- The Public Retirement Research Lab (PRRL), a collaborative effort of the Employee Benefit Research Institute (EBRI) and the National Association of Government Defined Contribution Administrators (NAGDCA), published a new research report today detailing a longitudinal analysis of 1.1 million public-sector defined contribution (DC) retirement plan participants which found steady growth in account balances and dollar contributions.

Key findings in the new report, "A Longitudinal Analysis of Consistent Participants in the Public Retirement Research Lab Database, 2019 – 2021," include:

• **Account balances grew steadily from 2019 through 2021**. Defined Contribution plan balances for consistent participants rose each year from year-end 2019 through year-end 2021. Overall, the average plan balance rose from $43,839 in 2019 to $61,886 at year-end 2021 while the median balance rose from $10,365 to $16,864. This growth was widespread throughout all participants. The median year-over-year change in balances from 2019 to 2020 was $3,045 and the median change in balances from 2020 to 2021 was $1,941. Similarly, the average year-over-year change in balances from 2019 to 2020 was $11,323 and the average change in balance from 2020 to 2021 was $6,724.

• **Dollar contributions increased among those participants who continued saving**. Among the participants who contributed each year, the average employee contribution increased from $2,405 in 2019 to $2,778 in 2020 and $3,012 in 2021. Median employee contributions increased from $1,222 in 2019 to $1,392 and $1,520 in 2020 and 2021, respectively.

• **Participants tend to concentrate their accounts in equities**. At year-end 2019, the average allocation to equity funds was approximately 67% of consistent participants' assets. This includes allocations directly to equity funds and the equity portion of target-date funds or of non-target-date balanced funds. Younger participants tended to have higher concentrations in equities than older participants. Participants' exposure to equities and the other asset classes remained relatively constant over the 2019–2021 timeframe.

• **Younger participants tend to allocate a higher percentage of their funds to target-date funds compared to older participants**. In 2021, participants in their 20s allocated an average of 67% to target-date funds, while participants in their 60s had an average allocation of 29%. Additionally, the utilization rate of target-date funds remained steady, with 36.6% of the consistent sample participants allocating their entire portfolio to target-date funds every year from 2019 to 2021.

"This is the first longitudinal analysis of participants in the PRRL Database. The time period under study, 2019–2021, represents an interesting period of study of participants' retirement saving behaviors given the COVID-19 pandemic and subsequent economic uncertainty. Despite the pandemic, DC account balances and contributions were found to have steadily increased from 2019 to 2021," explained Samita Thephasit, research associate, EBRI. "Moreover, account balances and contributions were also found to be higher among participants in older age groups with more tenure."

The 1.1 million DC plan participants analyzed in this report are a subset of all DC plan participants in the PRRL Database. These consistent participants were those who had accounts in each year from 2019 through 2021.

“More than 86% of consistent plan participants had at least some exposure to equities in their retirement plans from 2019 to 2021, with younger participants having higher average total equity exposure than older participants. Younger participants also had a higher concentration of target-date fund allocations, while older participants had higher allocations to equity funds, bond funds and stable-value funds. In 2019, 38.8% of the consistent sample participants allocated their entire portfolio to target date funds. In 2021, 94.3% of these participants were still fully allocated to TDFs,” said Matt Petersen, executive director, NAGDCA. “Furthermore, as account balances continue to grow, as shown in this study, plan sponsors should consider how DC plans and defined benefit plans can better work together to improve workers’ retirement security.”

To view the complete research report, A Longitudinal Analysis of Consistent Participants in the Public Retirement Research Lab Database, 2019 – 2021,” visit https://www.ebri.org/docs/default-source/prrl/research-studies/rs_prrllong_aug2024.pdf?sfvrsn=f6e9072f_1.

The Public Retirement Research Lab is a retirement industry collaborative effort of the EBRI and NAGDCA. The PRRL analyzes data from its Public Retirement Research Lab Database, the first-ever database specific to public-sector defined contribution data, to produce unbiased, actionable research aimed at enhancing understanding of the design and utilization of public-sector defined contribution retirement plans to better inform public plan design, management, innovation and legislation. For more information, visit www.prrl.org.

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(Media note: To receive the complete research report, email Ron Dresner at dresner@ebri.org)