Fast Fact
January 30, 2025

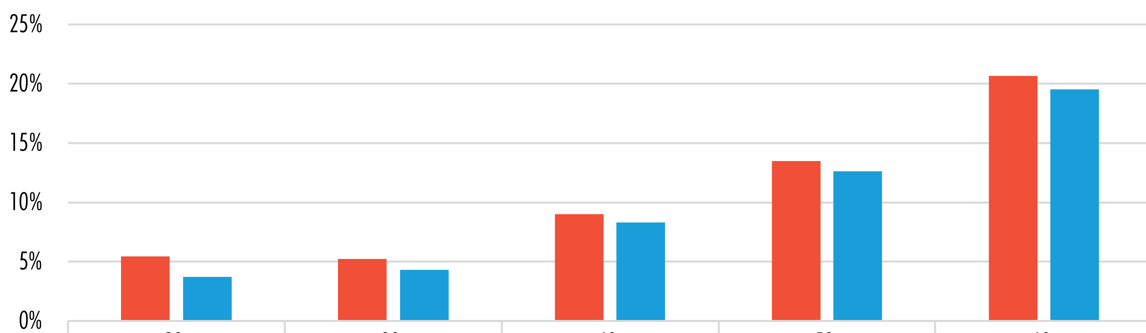
The Utilization of Stable-Value Funds Among Public-Sector Employees

This *Fast Fact* expands upon the asset allocation of public-sector defined contribution (DC) plan participants, which was previously covered in PRRL's 2024 The State of Public-Sector DC Plans report, and examines the findings on stable-value funds more closely.[1] The report revealed that older participants allocated a higher concentration of their assets to stable-value funds. The analysis is conducted on both an asset-weighted and a participant-weighted basis based on the participants' ages and tenures.[2] The sample for this analysis comprises 2.4 million participants with total assets of $166 billion.

Stable-Value Allocation by Age

The allocation to stable-value funds of public-sector DC plan participants increased with age on both an asset-weighted and a participant-weighted basis (Figure 1). Specifically, the asset-weighted percentage rose from 5.5 percent for participants in their 20s to 20.7 percent for those in their 60s. This trend suggests that stable-value funds are more utilized by older participants, which raises the question of whether other factors, such as tenure, also play a role.

Figure 1
Stable-Value Allocations, by Age

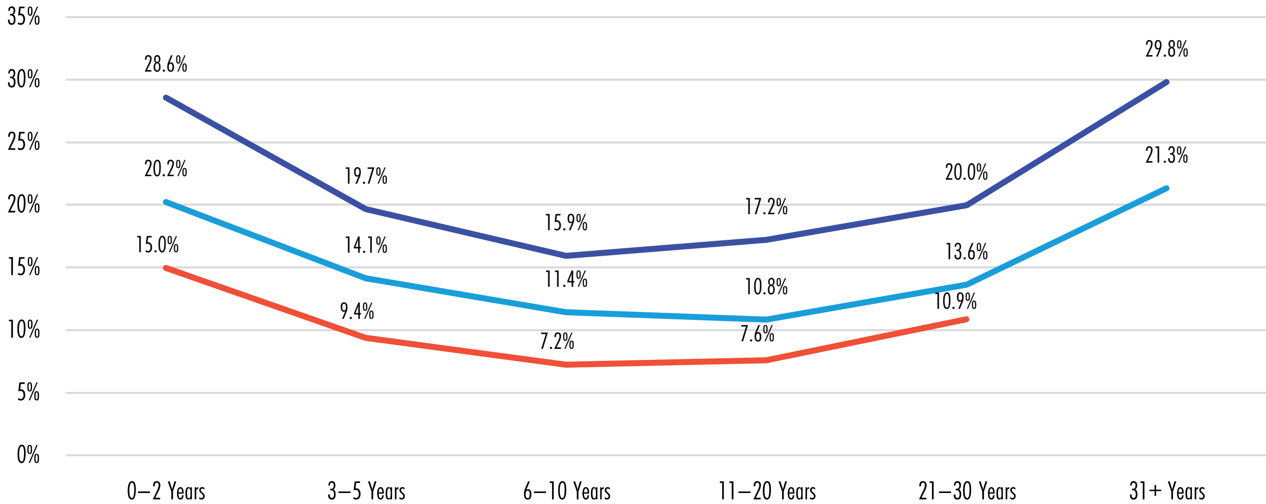


	20s	30s	40s	50s	60s
Asset-Weighted	5.5%	5.2%	9.0%	13.5%	20.7%
Participant-Weighted	3.7%	4.3%	8.3%	12.6%	19.5%

Stable-Value Allocation, by Age and Tenure

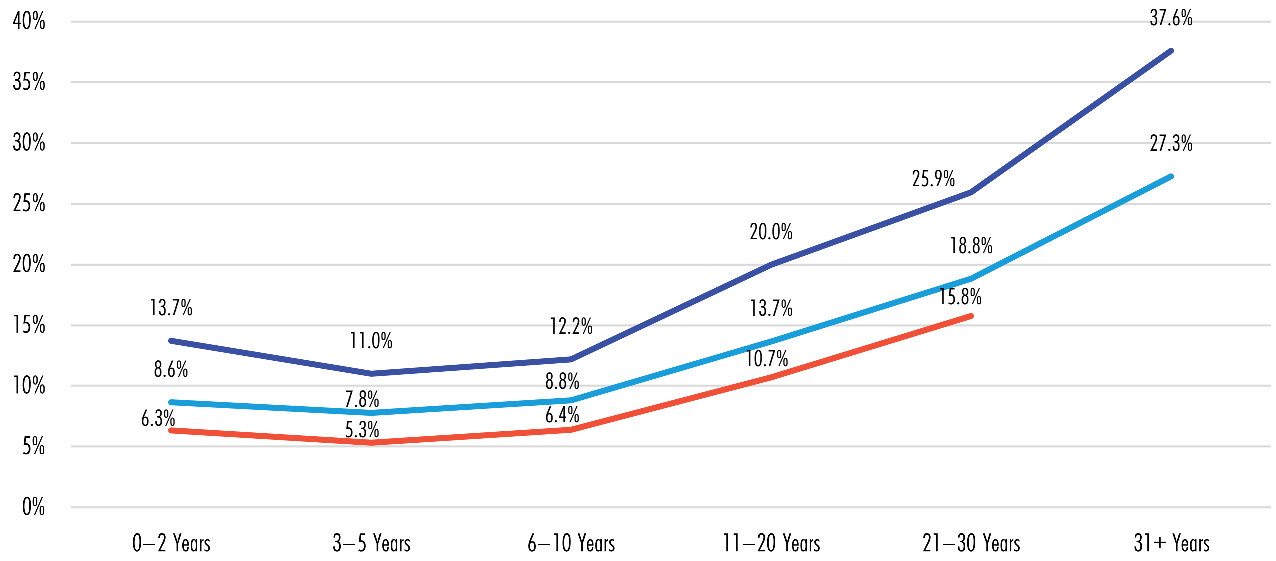
Figure 2 illustrates the asset-weighted percentage allocation to stable-value funds for participants in their 40s, 50s, and 60s by tenure. All three age groups shared a similar U-shaped trend, with a higher percentage allocated to stable-value funds among those with 0–2 years of tenure before decreasing and increasing again among those with over 10 years of tenure (Figure 2).[3] The higher concentration of stable-value allocation among participants with 0–2 years of tenure may be influenced by several factors. For instance, some plans might automatically enroll newly hired participants in a stable-value fund. Additionally, new employees may be less familiar with the other investment options available in their plans.

Figure 2
Asset-Weighted Stable-Value Allocation, by Age and Tenure



When analyzing the stable-value allocation on a participant-weighted basis, a similar pattern emerges. Although participants with 0– 2 years of tenure allocated a higher percentage to stable-value funds compared with those with 3–5 years of tenure, this allocation gradually increased with more years of service. For example, among participants in their 60s, those with 0–2 years of tenure invested an average of 13.7 percent in stable-value funds. This percentage then decreased to 11.0 percent for those with 3–5 years of tenure before gradually rising to 37.6 percent for participants with over 30 years of tenure. These findings indicate that older participants, even when controlling for tenure, tend to invest more heavily in stable-value funds.

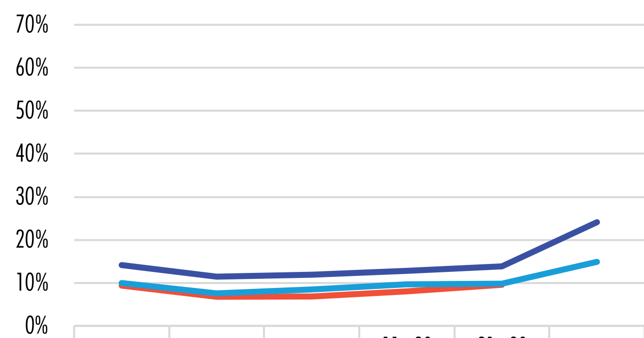
Figure 3
Participant-Weighted Stable-Value Allocation, by Age and Tenure



Stable-Value Allocation by Age, Tenure, and Plan Type

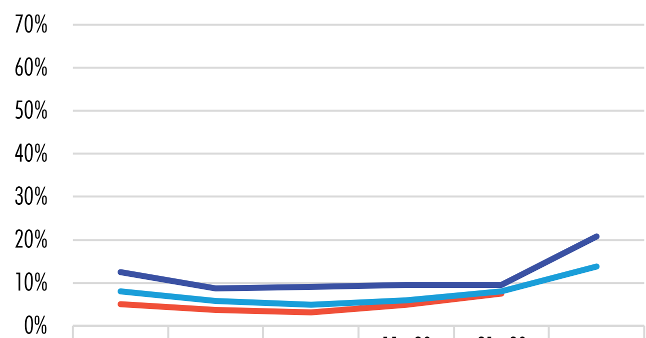
Figures 4A through 4D illustrate the asset-weighted allocations to stable-value funds for participants in their 40s, 50s, and 60s, categorized by age and tenure for each plan type. In the 401(a), 401(k), and 457(b) plans, all three age groups showed a U-shaped trend, indicating a higher allocation to stable-value funds among participants with 0–2 years of tenure. This allocation decreased before rising again among those with over 10 years of tenure.

Figure 4A
Asset-Weighted Stable-Value Allocation, by Age and Tenure — 401(a)



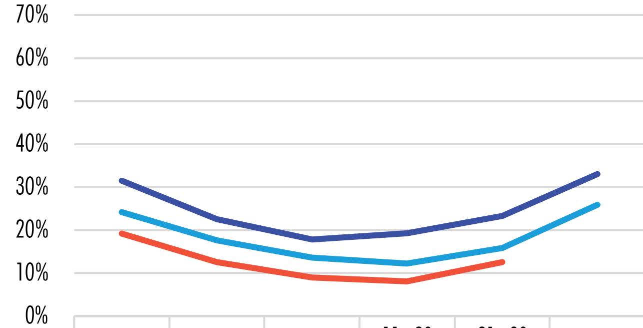
	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	9.3%	6.8%	6.8%	8.0%	9.5%	
50s	10.0%	7.6%	8.5%	9.7%	9.8%	14.9%
60s	14.1%	11.4%	11.9%	12.8%	13.8%	24.1%

Figure 4B
Asset-Weighted Stable-Value Allocation, by Age and Tenure — 401(k)



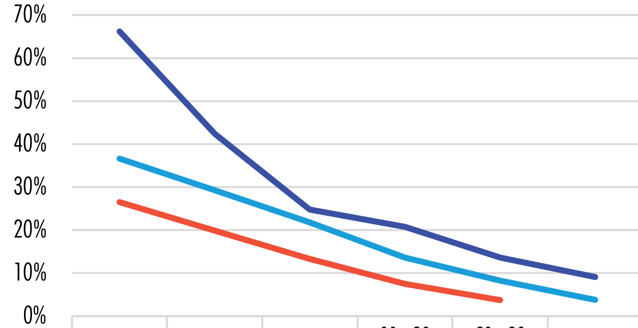
	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	5.1%	3.6%	3.1%	4.9%	7.5%	
50s	7.9%	5.7%	4.9%	5.9%	8.1%	13.8%
60s	12.5%	8.7%	9.0%	9.5%	9.4%	20.8%

Figure 4C
Asset-Weighted Stable-Value Allocation, by Age and Tenure — 457(b)



	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	19.2%	12.5%	8.9%	8.1%	12.6%	
50s	24.2%	17.6%	13.5%	12.2%	15.8%	25.9%
60s	31.5%	22.6%	17.8%	19.2%	23.3%	33.0%

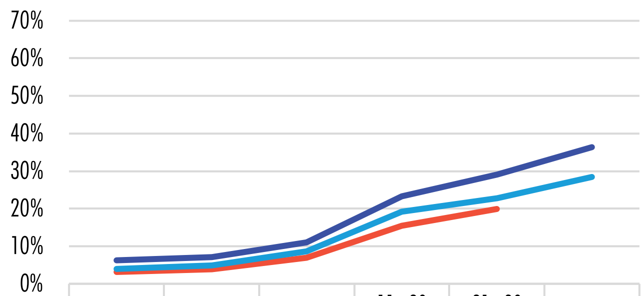
Figure 4D
Asset-Weighted Stable-Value Allocation, by Age and Tenure — 403(b)



	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	26.5%	19.9%	13.3%	7.5%	3.7%	
50s	36.6%	29.2%	21.8%	13.6%	8.3%	3.8%
60s	66.2%	42.4%	24.8%	20.8%	13.5%	9.1%

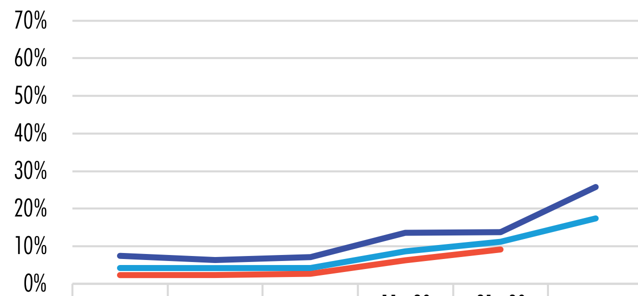
When analyzing the stable-value allocations on a participant-weighted basis, all three age groups in 401(k) and 457(b) plans were observed to share a similar trend. Participants with 0–2 years of tenure allocated a higher percentage to stable-value funds compared with those with 3–5 years of tenure. This allocation gradually increased with more years of service. In 401(a) plans, all three age groups also showed a gradual increase in stable-value allocation, rising from 6.2 percent among participants in their 60s with 0– 2 years of tenure to 36.4 percent for those with over 30 years of service in the same age group. In contrast, the three age groups of 403(b) plan holders showed a downward trend, with the percentage allocated to stable-value funds decreasing as tenure increased (Figures 5A through 5D).

Figure 5A
Participant-Weighted Stable-Value Allocation, by Age and Tenure — 401(a)



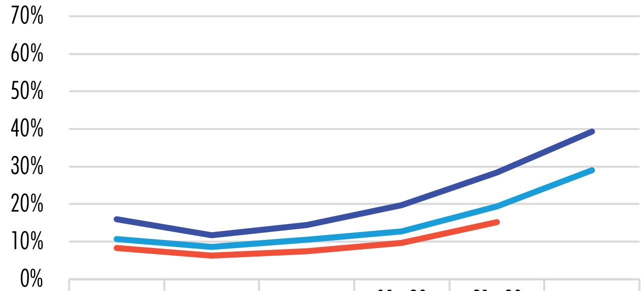
	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	3.1%	3.9%	6.9%	15.4%	19.9%	
50s	4.0%	4.9%	8.6%	19.2%	22.9%	28.4%
60s	6.2%	7.2%	11.0%	23.3%	29.0%	36.4%

Figure 5B
Participant-Weighted Stable-Value Allocation, by Age and Tenure — 401(k)



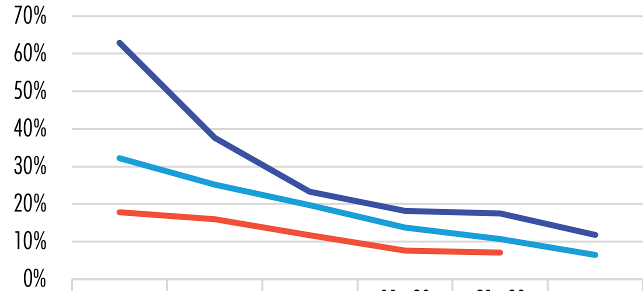
	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	2.3%	2.3%	2.6%	6.2%	9.1%	
50s	4.3%	4.2%	4.2%	8.6%	11.1%	17.4%
60s	7.4%	6.3%	7.1%	13.6%	13.7%	25.8%

Figure 5C
Participant-Weighted Stable-Value Allocation, by Age and Tenure — 457(b)



	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	8.4%	6.3%	7.5%	9.6%	15.2%	
50s	10.7%	8.6%	10.5%	12.8%	19.4%	29.0%
60s	15.9%	11.7%	14.4%	19.8%	28.3%	39.3%

Figure 5D
Participant-Weighted Stable-Value Allocation, by Age and Tenure — 403(b)



	0–2 Years	3–5 Years	6–10 Years	11–20 Years	21–30 Years	31+ Years
40s	17.8%	16.0%	11.8%	7.7%	7.1%	
50s	32.2%	25.2%	19.7%	13.8%	10.7%	6.5%
60s	62.9%	37.7%	23.3%	18.1%	17.4%	11.8%

Conclusion

This *Fast Fact* builds upon a finding from the 2024 report, "The State of Public Sector DC Plans: 2022," which showed that stable-value funds are increasingly used by participants as they age. This raises the question of whether other factors, such as tenure, also play a role.

The asset-weighted analysis revealed that all examined age groups shared a similar U-shaped trend, with a higher percentage allocated to stable-value funds among those with 0–2 years of tenure before decreasing and increasing again among those with over 10 years of tenure. In contrast, the participant-weighted analysis indicates that allocation to stable-value funds gradually increased with additional years of service. This suggests that as participants age and gain more experience, they tend to adopt a more conservative investment approach. This pattern was consistent across all plan types examined.

However, participants with defined benefit plans may benefit from a more aggressive investment strategy in their DC plans as they age and gain tenure. This is because defined benefit plans generally become more lucrative with additional years of service and provide a guaranteed level of benefits, allowing participants to take on higher risk in their DC plans.

The 2024 EBRI/Greenwald Research Workplace Wellness Survey found that 42 percent of workers would like their employers to provide guidance on retirement planning.[4] Given this interest, employers and plan administrators should consider enhancing their efforts to educate participants about selecting suitable investment options and planning for retirement. This could include regularly hosting presentations and facilitating discussions about retirement planning, offering online tools, and assisting employees in connecting with financial advisors. Not only could this help employees better understand the available investment options and their appropriate risk levels, but it could also enhance retirement confidence and improve employee retention.

About PRRL

The Public Retirement Research Lab is a retirement-industry-sponsored collaborative effort of the Employee Benefit Research Institute (EBRI) and the National Association of Government Defined Contribution Administrators (NAGDCA). The PRRL analyzes data from its Public Retirement Research 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. To learn more, visit www.prrl.org.

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[1] Thephasit, Samita, "The State of Public-Sector DC Plans: 2022." *PRRL Research Study*, no. 7 (Public Retirement Research Lab, December 2024).
[2] Asset-weighted analysis is conducted by combining the total dollar value of the stable-value funds and dividing by the combined total dollar value of the account balances for each age and tenure group. Meanwhile, participant-weighted analysis is conducted by dividing the total dollar value of the stable-value funds by the total dollar value of the account balance for each participant before averaging them by age and tenure groups.
[3] Consistent with the cross-sectional analysis, 31.8 percent of participants in the sample do not have tenure year information. Therefore, they are excluded from the analysis.
[4] The 2024 EBRI/Greenwald Research Workplace Wellness Survey can be found at https://www.ebri.org/health/Workplace-Wellness-Survey.