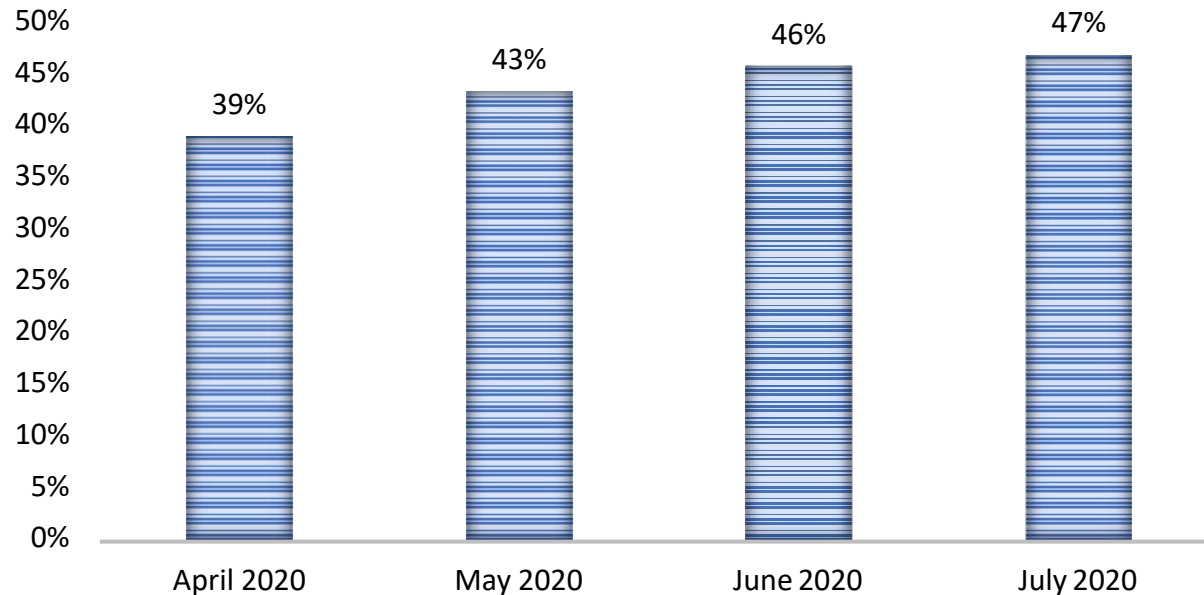


IMPACT OF  
CARES ACT DISTRIBUTION PROVISIONS  
ON PUBLIC SECTOR  
DEFINED CONTRIBUTION PLANS

# BACKGROUND

- In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed, with specific implications for defined contribution participants. Under the CARES Act:
  - Coronavirus-related distributions (CRDs) are allowed through December 2020, with a repayment period of three years.
  - Loan maximums were allowed to be raised to as much as \$100,000 through September 22, 2020.
  - Loan repayments can be delayed for one year.
- The Public Retirement Research Lab surveyed recordkeepers about public sector implementation and use of CARES Act loan and distribution provisions, as well as participant saving and investment behavior during the pandemic.
- Survey respondents represented approximately 75,000 public sector defined contribution plans and more than 10,000,000 participants as of July 2020.

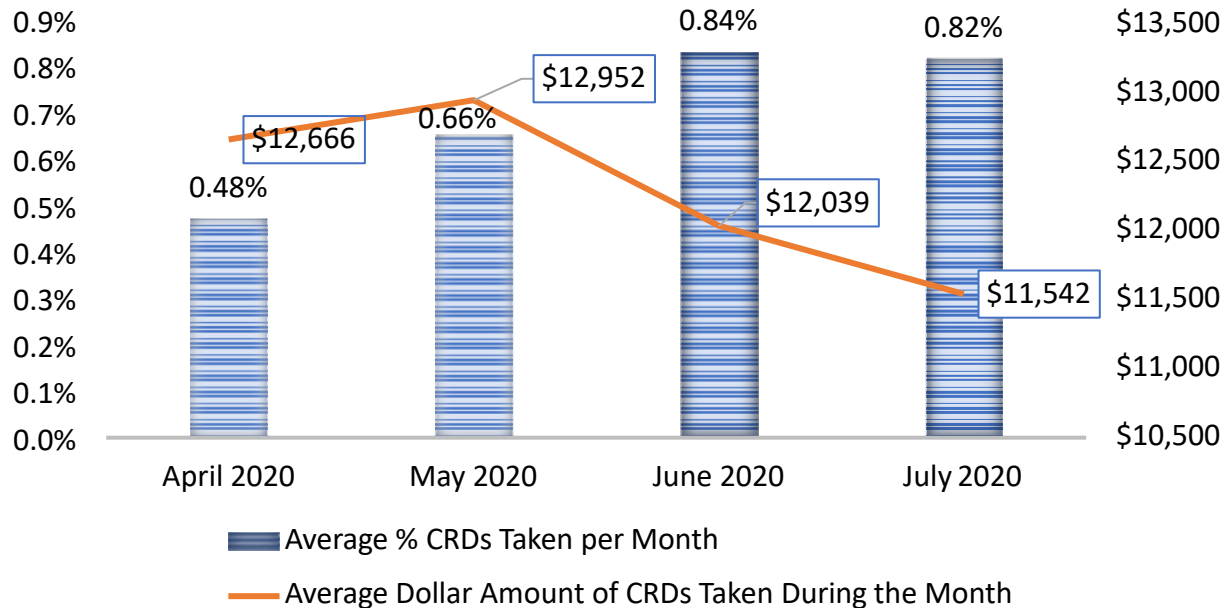
## PUBLIC SECTOR PLANS IMPLEMENTING CRDs



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The average percentage of state and local defined contribution (DC) plans that implemented coronavirus-related distributions (CRDs) under the CARES Act rose to 47% in July, from 39% in April. The range was wide, with some recordkeepers reporting that virtually all of the public sector plans on their system had CRDs and others reporting a nominal amount.

## STATE AND LOCAL PLAN PARTICIPANTS TAKING CRDs PER MONTH AND DOLLAR AMOUNT OF MONTHLY CRDs



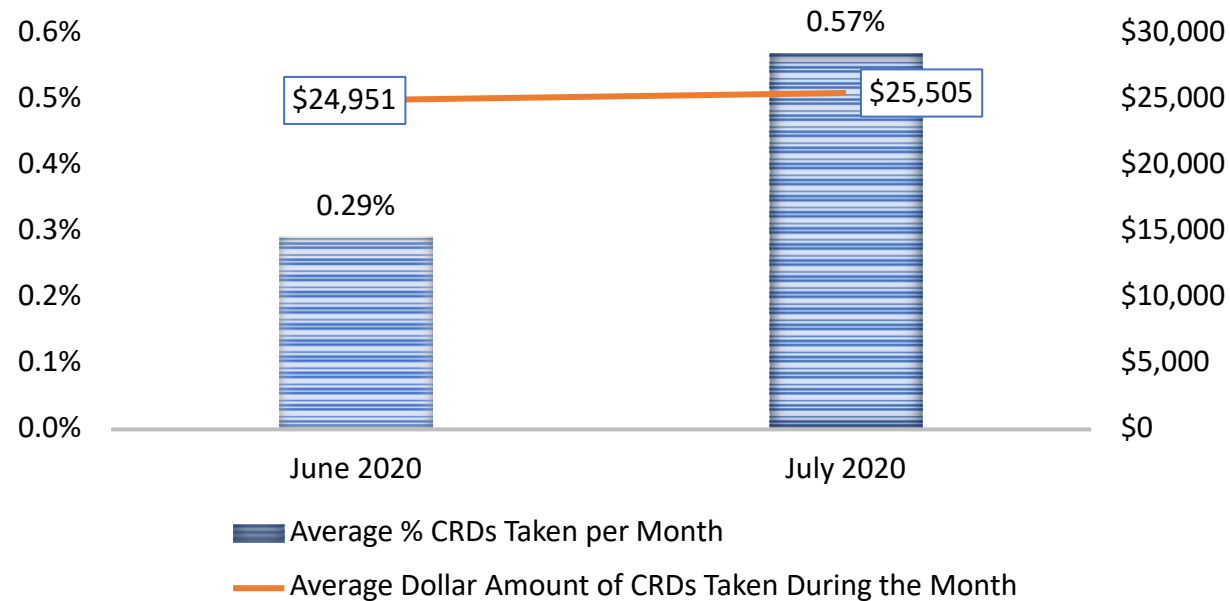
**Note:** Participants may take multiple distributions each month, which would be counted separately in this analysis.

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On average, 0.82% of state and local plan participants took CRDs in July, up from just under 0.50% in April. The average CRD dollar amount dropped, however, to \$11,542 in July, from \$12,666 in April.

According to the 2019 NAGDCA Perspectives in Practice Survey, the median of average account balances reported by public sector plans as of December 31, 2018, was \$45,505. This implies the typical CRD taken was a quarter of balances.

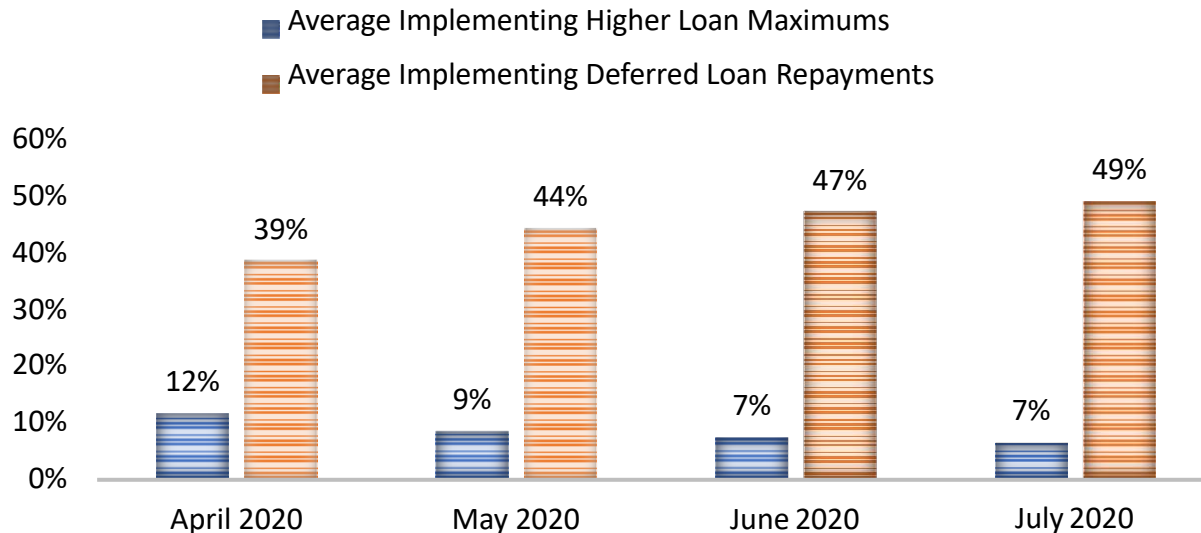
## FEDERAL PLAN PARTICIPANTS TAKING CRDs PER MONTH AND DOLLAR AMOUNT OF MONTHLY CRDs



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Slightly fewer federal plan participants took a CRD, but the average distribution amount was much larger than the distribution amount taken by state and local plan participants. The typical plan balance of federal employees is larger than that of state and local employees, however, at \$150,000.

## STATE AND LOCAL DC PLANS IMPLEMENTING HIGHER LOAN MAXIMUMS OR DEFERRED LOAN REPAYMENTS

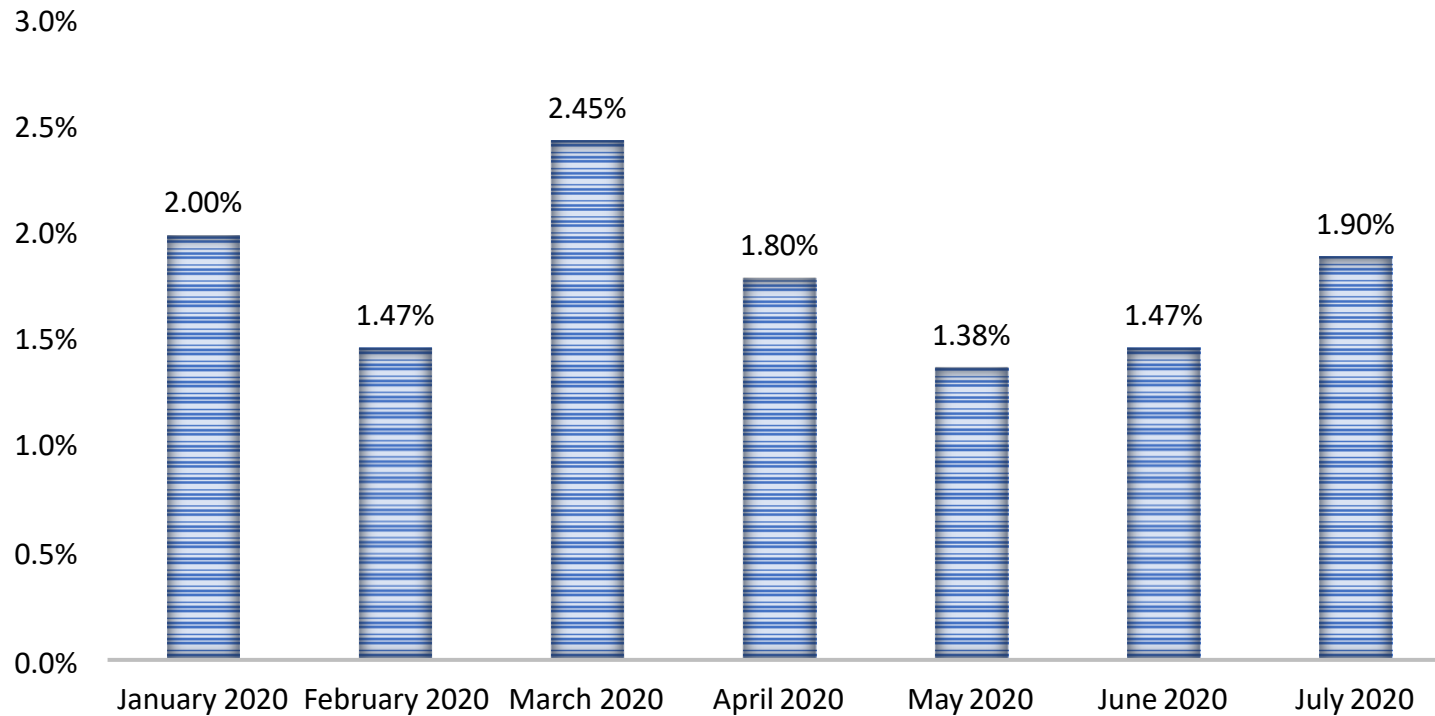


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State and local DC plans implemented a higher number of deferred loan repayments versus higher loan maximums. This may reflect plan sponsors' concerns about plan leakage from greater loan access.

Initially, public DC plan sponsors may have interpreted the \$100,000 CARES Act loan maximum to be mandatory. Subsequent clarification that the higher loan maximum isn't mandatory might explain the declining proportion offering these higher loan maximums.

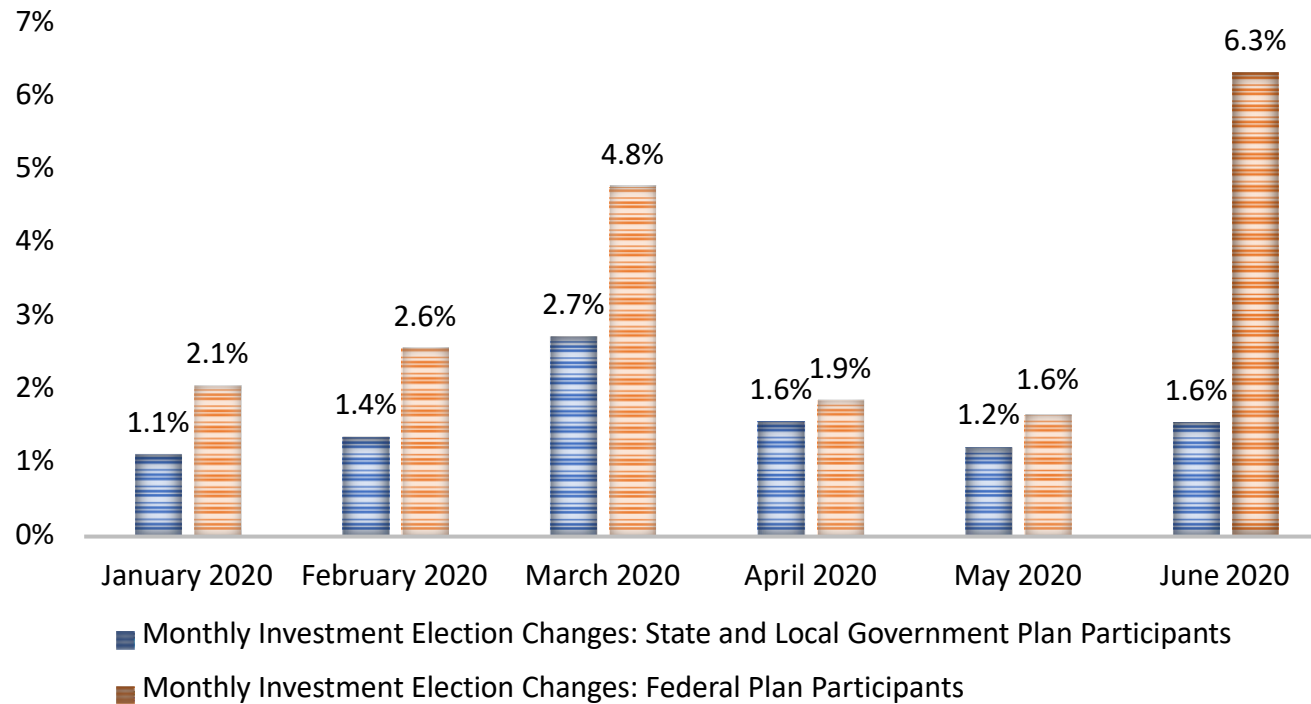
## DEFERRAL RATE CHANGES OF STATE AND LOCAL DC PLAN PARTICIPANTS



The average percentage of state and local DC plan participants changing their deferral rate was significantly higher in March than in subsequent or prior months.

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## INVESTMENT ELECTION CHANGES OF PUBLIC PLAN PARTICIPANTS



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State and local DC plans experienced an uptick in monthly investment election changes in March. The average number of investment election changes nearly doubled from the prior month, rising to 2.7% from 1.4% in February. Similarly, investment election changes by federal plan participants increased to 4.8% in March, from 2.6% in February. Investment election changes by federal plan participants spiked again in June.