PRRL

Public Retirement Research Lab
A collaborative effort of EBRI and NAGDCA

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PRRL Survey Reveals Impact of CARES Act Distribution Provisions on Public Sector Defined Contribution Plans
Includes participant saving and investment behavior during the pandemic

WASHINGTON, DC, October 21, 2020—A recent survey of recordkeepers of public sector defined contribution plans conducted by the Public Retirement Research Lab (PRRL) reveals the impact of CARES Act distribution provisions on public sector defined contribution plans, and participant saving and investment behavior during the pandemic. The PRRL collects and analyses public sector defined contribution data to provide unbiased, actionable findings to better inform public plan design, management, innovation, and legislation.

Among key findings from the survey:

- As of July, 47% of state and local public sector DC plans had implemented Coronavirus-Related Distributions (CRDs). However, some recordkeepers reported that virtually all of the plans on their system had CRDs and others reported a nominal amount.
- On a monthly basis, less than 1% of state and local DC plan participants took CRDs, with an average distribution of between $11,542 and $12,952.
- Federal plan participants took fewer CRDs than state and local DC participants, although the average distribution amount was significantly larger—consistent with higher average federal plan balances.
- The prevalence of deferred loan repayments implemented under the CARES Act was considerably greater than the implementation of higher loan maximums for state and local plans throughout the period observed.
- The average percentage of state and local DC plan participants changing their deferral rate was significantly higher in March than in prior or subsequent months.
- Federal, state, and local DC plans experienced an uptick in monthly investment election changes in March; investment election changes by federal plan participants spiked again in June.

“The results show that there is a lot of variation in the extent to which CARES Act provisions are being implemented,” said Lori Lucas, President and CEO of EBRI. “It depends on the recordkeeper and on the plan sponsor, but clearly there is a lot more appetite for making available CRDs and deferred loan provisions than higher loan maximums.”

These findings are based on a survey of recordkeepers representing 75,000 public sector defined contribution plans with more than 10,000,000 participants as of July 2020.

Graphic depiction of key survey takeaways may be accessed here.

“The important takeaway from these data is that public sector defined contribution participants have largely stayed the course; not a lot have used these provisions. Although, when distributions have been taken, they are relatively large, which is concerning. The question remaining is will we see a rise in distributions as we near the end of the year,” stated Matt Petersen, NAGDCA Executive Director.

Enacted in March 2020, the CARES Act provides for special distribution options and rollover rules retirement plans. Specifically, the Act allows for CRDs through the end of December 2020, with a repayment period of three years. Loan amounts were allowed to be raised to a maximum of $100,000 through September 22, 2020. Loan repayments can be delayed for one year.

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 mines data from its Public Retirement Research Database, the first-ever database specific to public sector defined contribution data, to produce research aimed at enhancing understanding of the design and utilization of public sector defined contribution retirement plans. To learn more, visit www.prrl.org.

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