



Where Is the Money Going?

Understanding and Reducing DC Plan Leakage in the Public Sector

Panelists

- **Sarah Bactor**, Consultant, RVK (Moderator)
- **Joseph Philbin**, Sgt-At-Arms, Board Member, Nassau County Detectives Association, Nassau County Deferred Compensation
- **Kristal Mason**, VP, Communications Consulting, Fidelity Investments

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Before We Show You the Data | What do you think is the single biggest driver of outflows in governmental DC plans?

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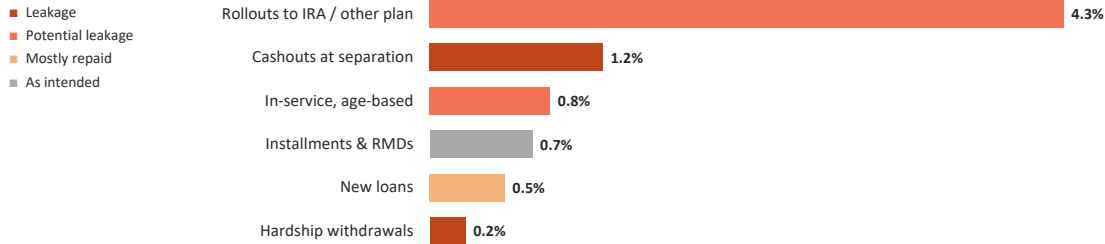
WHICH OUTFLOWS ACTUALLY MOVE THE MONEY?

Some of the Usual Suspects Are the Smallest Drivers of Outflow

Outflow rate by category, 2025 | Simple average | % of Beg. AUM

FEDERAL TSP	\$1.07T	STATE & LOCAL	\$540B
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Assets under administration at YE 2025, four recordkeepers combined — \$1.61T. State and local figure reflects three recordkeepers in aggregate.



THE SURPRISE Rollouts are nearly four times the next largest category. Hardship withdrawals and new loans — the two categories often associated with leakage — come to 0.75% between them, roughly a tenth of participant outflows.

Sample: \$1.61T combined at YE 2025 — the Federal Thrift Savings Plan (\$1.07T) and three state and local recordkeepers (\$540B combined). Every statistic is a simple, unweighted average of recordkeeper-level rates, so each recordkeeper's own percentage-of-its-own-assets rate counts equally — that keeps the TSP from colouring the results. That said, trends were broadly similar across all four sources; coverage varies by metric due to data limitations. Categories above reflect the two providers able to report every split shown above; beneficiary/QDRO is excluded and runs ~0.58% on average. With thanks to Empower, Nationwide, Voya and the Federal Retirement Thrift Investment Board for contributing the underlying data.

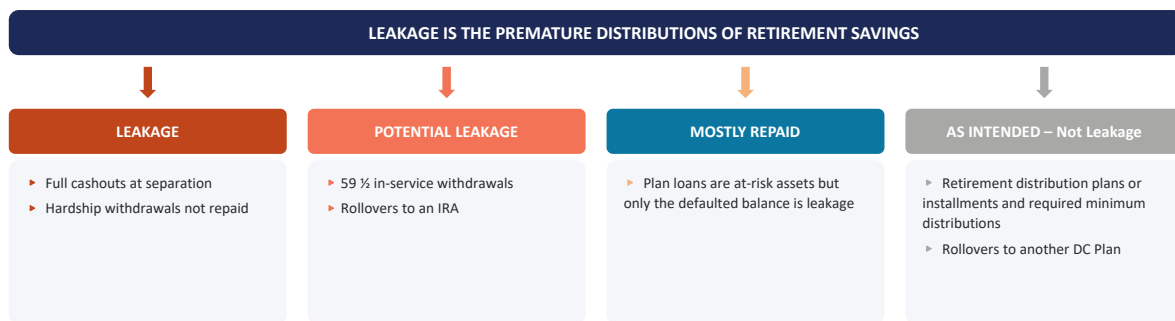
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DEFINING LEAKAGE

Not Everything That Leaves the Plan Is Leakage



IRA Rollovers: not considered leakage, but some researchers argue these flows are not neutral, since they move assets out of an ERISA fiduciary environment into a retail account governed by a lower standard of conduct and subject to higher costs. For governmental 457(b) participants, participants may also lose the 10% early-distribution penalty exemption with a rollover to an IRA.

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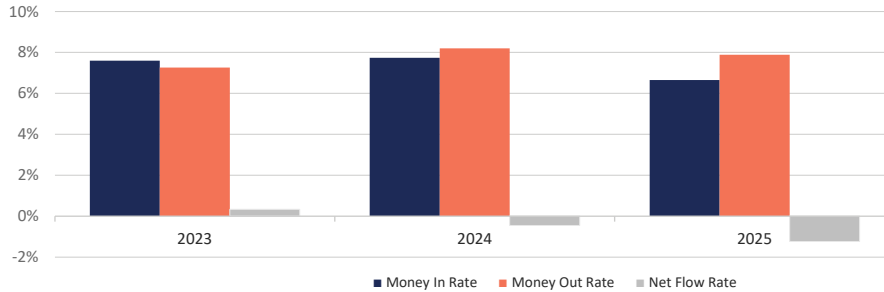


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IS THERE AN EMERGING OUTFLOW TREND?

Plans Have Crossed Over From Net Contributors to Net Distributors

Money In / Money Out Rate (Excluding Sponsor-Directed Flows), simple average | % of Beg. AUM



SCALE \$1.61T combined assets at YE 2025, up 53% in three years · +\$584B investment gains 2023–25 · -\$28B swing in annual net flow

THE CROSSOVER Three strong market years grew the asset base faster than contributions could keep up — but distributions grew faster still. Net flow turned negative in 2024 and widened in 2025.

Data shown is from all 4 providers. Data excludes plan-level events or flows (plan conversions, plan terminations, etc.) RK1 includes plan-level rollovers in money in rate, overestimating participant flows slightly

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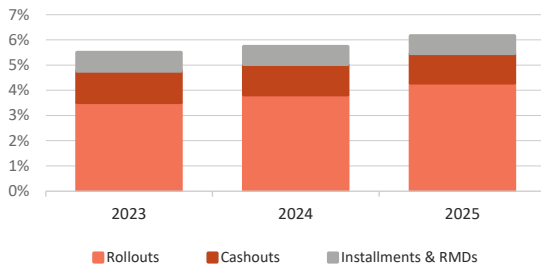
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WHERE DOES THE MONEY ACTUALLY GO?

Out-of-Service Distributions Dwarf In-Service Withdrawals

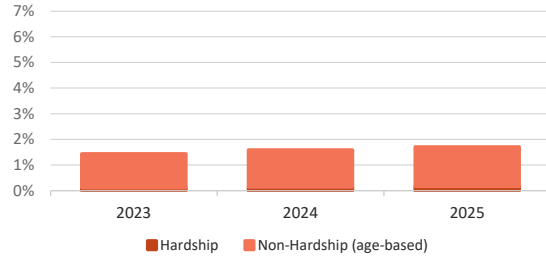
OUT-OF-SERVICE, BY TYPE

Excluding Beneficiary Distributions & QDROs, Simple average | % of Beg. AUM



IN-SERVICE, BY TYPE

Excluding QDROs, Simple average | % of Beg. AUM



SCALE MATTERS. Within out-of-service and in-service withdrawals, the largest components (rollouts and non-hardship withdrawals) are not the usual suspects for leakage.

Rollouts/cashouts split available from RK-1 and RK-4 only. Hardship split available from RK-1, RK-3, RK-4.

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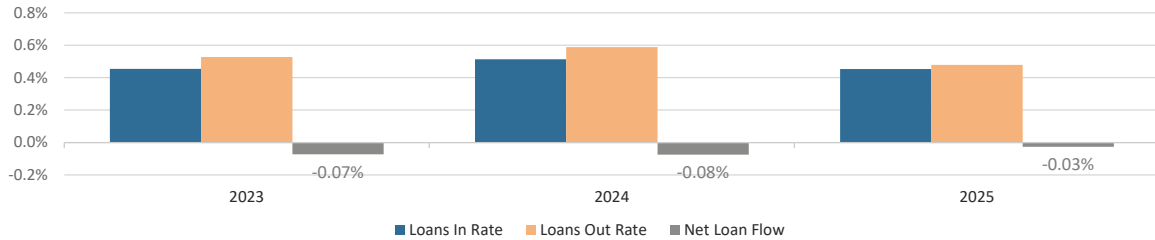
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LOANS: ASSETS AT RISK, NOT YET LEAKAGE

Loans Are *Mostly* Repaid

WHAT ACTUALLY LEAVES IS LOAN DEFAULT. None of the four providers reported defaulted amounts or “deemed distributions”, so we track originations against repayments as a proxy.

Loans In (repayments), Loans Out (new originations) and Net Loan Flow, simple average | % of Beg. AUM



NEARLY A WASH Repayments covered 86–95% of new originations over the 3 years. Research on industry-wide loan defaults is limited but estimates suggest defaults of ~0.16–0.22% of total DC assets annually.¹

Loans In = loan repayments (principal and interest); Loans Out = new loan withdrawals.

1. RVK's loan default estimates based on Lu, Mitchell, Utikus & Young (2017), National Tax Journal 70(1), pp. 77–110. Paper estimates \$6.0–7.1B in annual national 401(k) loan-default leakage from 401(k) plans. Divided against \$2.7–3.8T in total 401(k)/DC assets (GAO-09-715; Lu et al. n.1) implies ~0.16–0.22% of assets — a ratio estimated by RVK, not stated in either source.

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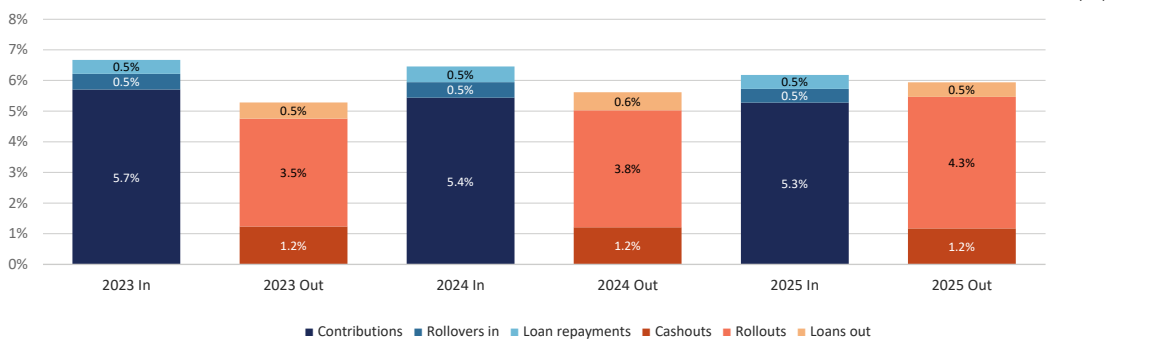


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PUTTING IT ALL TOGETHER

How Much of the Outflow Is Actually Leakage?

Inflows vs. Outflows (excluding RMDs, installments, and beneficiary/QDRO distributions), simple average | % of Beg. AUM



THE TENSION Excluding RMDs, installments, and beneficiary/QDRO distributions, inflows actually outpaced outflows modestly by YE 2025. Strip out rollovers (in or out) and what remains is healthy net inflows into the retirement system.

Installments/RMDs and beneficiary/QDRO are excluded on this slide, so the bars do not sum to the total money out rate on page 5. Coverage also varies by component.

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WHAT IT MEANS FOR PLAN SPONSORS

Measure the Right Number Before You 'Fix' Anything

01

Inflows have grown at a positive pace

New contributions outpaced distributions from the retirement system, but outflows are catching up

Making sure that contributions don't fall behind is important for system health

02

The usual suspects played a small role

Rollouts & age-based withdrawals move far more money than hardship, loans, and cashouts combined.

Rethinking the long-term value proposition of DC plans may be necessary

03

You can't manage what you can't see

What is the distribution profile of your plan? Are the trends cyclical or structural? Data is essential for answering these questions

Managing to the wrong number risks the wrong intervention

THE ASK Monitor the following data points for your plan: installment retirement distributions, required minimum distributions (RMDs), cash outs, rollouts, emergency distributions and repayments, age-based in-service distributions, and loan defaults (not uptake or origination).

With thanks to Empower, Nationwide, Voya and the Federal Retirement Thrift Investment Board for contributing the underlying data.

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Retention as a Journey

Nassau County's experience with participant support over their lifecycle



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CASE STUDY — NASSAU COUNTY 457 PLAN

How Nassau County Is Designing Retention Into the 457 Plan

Nassau 457 Plan: By the Numbers

- Over \$2.1 billion in assets
- Over 10,000 participants
- Average balance of \$191,000
- 91% participation rate

Plan Design

- Supplemental 457(b) Plan
- 29 core options & self-directed brokerage

Participant Needs

- Mature, high balance, near-retirement population
- Higher demand for hands-on one-on-one support

Services Offered

- Point-in-time advice (call center or onsite one-on-one meetings)
- Managed Accounts
- Certified Financial Planners

THE CORE IDEA If you build it thoughtfully, participants might stay.

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Does Your Own Plan Look Like Peers? | Thinking about your plan's outflows over the last few years — which is closest to the truth?

The Slido app must be installed on every computer you're presenting from

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PLAN DESIGN, RFPS, AND GOVERNANCE DECISIONS

Where Leakage Begins

Leakage Is Designed In Early

- The decision to stay in the plan is made long before a distribution request.
- Enrollment and service experience, resources & support provided, defaults, and service expectations can shape member behavior for decades.

The Tension Point

- **The members of your plan will remember the time they needed THEIR money, and you blocked it, BUT unnecessary leakage can permanently reduce retirement security.**
- **The goal is not restricting access—it is making withdrawals an informed decision rather than the easiest decision.** Turn this into an opportunity to educate and become their “GUY or GIRL”

THE CORE IDEA Leakage is not just a distribution issue — it is a design and governance issue.

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DESIGN AROUND THE ACTUAL LIFECYCLE AND NEEDS OF YOUR MEMBERSHIP

Governance Levers That Influence Leakage

Lifecycle & Partnership

- Map the full member lifecycle: onboarding → accumulation → separation → retirement.
- Make personalized decumulation a core plan responsibility, not an afterthought.
- Meet members where they already are: worksites, unions, academies, social events, and retirement seminars.

Build the Service Model

- Set expectations for proactive service: Know Your participant base, then personalize outreach by career and life stage.
- Own the participant relationship before outside voices do.

Access & Retention

- Do not become a barrier to members' money; build education and guardrails before the crisis.
- Make staying in the plan as simple and visible as rolling money out.
- Design hardship and loan policies around your population—not a generic participant profile.

THE CORE IDEA Governance is where access, trust, and long-term outcomes get balanced.

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THE REAL MEASURE IS WHETHER MEMBERS MAKE BETTER FINANCIAL DECISIONS

From Retirement Plan to Retirement Partner



Earn retention over time

You have years to **earn** member retention — use that time intentionally.



Design around your participants

Design plan benefits around what your members actually need — not a generic template.

THE CORE IDEA Do your members see you as a vault — or as a partner on their retirement journey?

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Education and engagement

How recordkeeping platforms can be leveraged to mitigate leakage



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Strategies to reduce retirement plan leakage



Plan design features that promote "staying in plan"



Strategic communications to address overall financial wellness



Offer 1:1 counseling to employees as a plan benefit

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Fidelity Financial Wellness Resources for your Organization



Workplace Benefits for any life event



Family & Home

- Marriage & partnering
- Losing a loved one
- Getting divorced
- Navigating the college journey
- Having or adopting a child
- Buying or selling a home
- When mom or dad move in with you
- Moving forward by moving back—for now
- Managing estate planning
- Becoming an empty nester



Money & Budgeting

- Preparing or living in retirement
- Getting, changing, or losing a job
- Tax preparation
- Managing debt
- Charitable giving



Health & Safety

- Aging well
- Illness and injury
- Caring for aged loved ones
- Financial recovery from a national disaster
- Special needs
- Experiencing identity theft or fraud
- Legal support

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A Financial Wellness Checkup to meet the needs of your employees

Streamlined question flow

Based on what we know about them and the benefits you have enabled

Tailored action plan

Clear next steps form an action plan that is based on their situation.

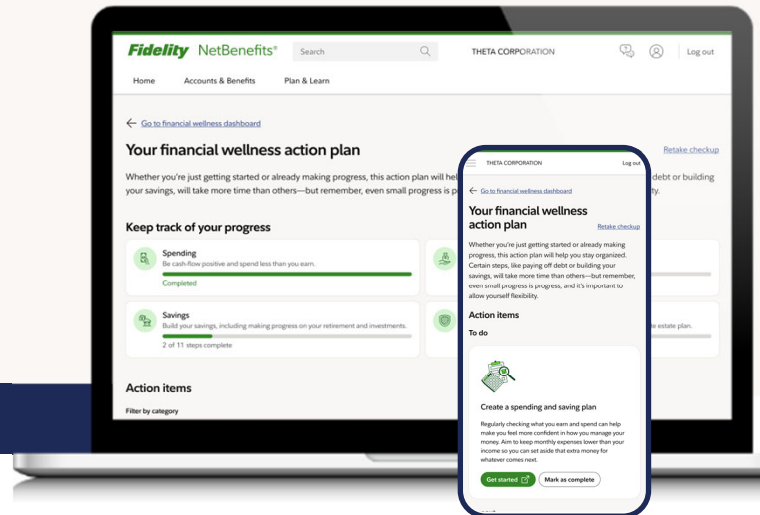
Supportive resources

Action plan steps path to relevant education, tools, and benefits

Enhanced reporting

Robust insights provide a snapshot of areas of need

An experience that meets them where they are and helps them take actions along their journey



19 Images are for illustrative purposes only

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Strategies to reduce retirement plan leakage



Plan design features that promote "staying in plan"



Strategic communications to address overall financial wellness



Offer 1:1 counseling to employees as a plan benefit



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KEY TAKEAWAYS

Where Is the Money Going? Five Things to Remember

- 1 Outflows have grown at a faster pace than inflows. Making sure that contributions don't fall behind is important for retirement system health
- 2 On aggregate, the usual suspects (hardships, loans) played a small role. Understanding their role in your plan is what matters.
- 3 Leakage is designed in long before a distribution request - plan design, distribution options, and governance decisions shape behavior for decades.
- 4 Retention is a relationship, not a restriction: the goal is to make staying an informed decision, not the hardest one.
- 5 Better data, proactive plan design, and leveraging the recordkeeper platform are important - no single lever solves leakage alone.

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Questions?

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