

Retirement Savings Participant Decumulation Behavior

Report prepared by MissionSquare Research Institute

May 2022





Acknowledgements

This report was prepared by Gerald Young (MissionSquare Research Institute).

The author gratefully acknowledges the insights and expertise of his collaborators on this research: Joshua Franzel, PhD and Rivka Liss-Levinson, PhD (MissionSquare Research Institute), and Marlene Hoskins and Michael Shea (MissionSquare Retirement).



MissionSquare Research Institute has long contributed to research on the accumulation of retirement savings for public service employees, whether through **defined benefit** pension plans, the evolving role of **defined contribution** plans, **supplemental retirement savings** plans, the enactment of auto-enrollment provisions (both **auto-enrollment** in general and related **case studies**), or the use of **default contribution rates to nudge additional savings**.

At the individual level, most retirement calculators are likewise set up to focus on the accumulation of assets – helping active employees track how much they have contributed to their retirement funds, what they have earned on their investments, and what their projected monthly income might be when they reach retirement age.

While such information is of obvious value to retirement plan participants in deciding how much they want to save and when they want to retire, it leaves aside any consideration of what actually happens after their retirement date – the decumulation activity. Specifically: What do they do with those accumulated assets? Do they leave them in their existing plan? Transfer them to another

investment vehicle? Draw them down quickly, or limit themselves to their required minimum distributions?

The Institute set out to answer some of these questions through a review of anonymized data available from MissionSquare Retirement participants. This dataset includes information on the individual participants' birthdates, employed vs. retired status, plan types (457, 401(a), 401(k)), last contribution dates, asset balances, and the various transactions they have initiated to draw down or manage their savings – tracking both the dollar amount and the timing of that decumulation activity. Also included is the participant's job title, the relevance of which is discussed in more detail below.

Executive Summary

This report analyzes the behavior of participants in public service retirement plans in the years after their retirements, including how soon funds might be decumulated, by what methods, in what amounts, how often, and how common it is for those retirees to take no action.

The most significant distinction in decumulation behavior among public service employees is in the age at which they retire, which correlates to whether they serve in a general role or in a public safety role (see Table 1).

While the average age for the financial transactions shown above varies from one to four years after retirement, there is a large percentage of participants who make no such transactions within the first ten years post-retirement.

About 30% of participants transfer funds and 12% exchange funds, but most such transactions are for the full account balance. About 17-18% of participants take

three or more partial disbursements after retiring, with 28% taking a full disbursement. Considering individual disbursements, the majority are in the range of 0-2% of available funds, with only about 5% of those total transactions being for the full account balance.

After the first two years post-retirement, there is very little activity initiated, although some recurring disbursements may continue (e.g., required minimum distributions, periodic payments). More than ten years after retirement, approximately half of all participants have still not taken a full disbursement and/or transfer from their retirement plans.

Based on the very short timeline between the date of their last plan contributions and decisions to withdraw or reallocate funds, there would appear to be limited opportunity to impact plan participants’ decision making with financial educational materials beyond the last few years prior to their retirement.

Table 1 **Average Age (in years) of Retirement and Retirement Plan Transaction Types** (n = 102,793)

	Retirement	Disbursement	Transfer	Exchange
General	62.6	66.6	63.9	64.8
Public Safety	56.4	60.1	58.5	58.3

For definitions of disbursements, transfers, and exchanges, see "Source Data" below.

Source Data

From an August 2021 data extract of retired participants, Institute staff focused on full-time employees, who were then categorized as either public safety or general government staff. Even where a job title may have identified a participant as working in a public safety department, if their role was administrative (e.g., police records clerk), such individuals were coded as general employees; this categorization would tend to be reflective both of the pension plans and collective bargaining units to which they would belong and the likelihood that they would retire later than patrol officers, firefighters, or other sworn public safety staff.

This effort also limited its scope to those who retired by age 75, under the assumption that they would (1) represent the full variety of public service occupations, and (2) be more likely to include both those planning either a short-term or long-term decumulation of funds.¹

Following this initial parsing of the data, more than 80,000 records remained for full-time general government retirees and 22,000 records for full-time public safety retirees, participating in a range of 457, 401(a), and 401(k) plans.

Types of Transactions

For each participant, records were analyzed for:

Disbursements	Where the money leaves the plan, with the participant receiving a direct payment.
Transfers	Where the money leaves the plan and is sent to another financial institution/recordkeeper (with the rollover type also noted).
Exchanges	Where the money remains in the plan and the assets are moved from one or many fund(s)/investment(s) in the participant's account in the plan to other fund(s)/investment(s) in the participant's account in the plan.

Of these, the most common type of transaction is a disbursement, with more than 639,000 taking place among those who were employed full-time. There were also 37,000 transfers and 62,000 exchanges.²

Analysis

The initial questions to be addressed concerned when participants might be moving or drawing down their investments and if they were doing so in incremental or partial amounts or in total. Time is considered both in terms of the participant’s age when processing various transactions and the elapsed time since that individual’s last plan contribution, which generally corresponds to their separation from employment with a plan sponsor.

For the purposes of this report, transactions are labeled as either “partial” or “full.” However, particularly in the case of those who retire and subsequently return to work for an employer with a participating retirement plan, it is possible

that a transaction affecting the full account balance might be followed by further contributions related to that encore employment, and then potentially more partial or full transactions later.

The most significant trend apparent in the data is that many participants are not taking any actions with their retirement funds. Looking out ten years from general employees’ last contributions, 48% had not taken any partial disbursements, and 72% had not taken any full disbursements (see Figure 1). By contrast, 27% took their first partial disbursement within the same year they retired and 11% took a full

Figure 1 **Disbursements, General Employees: Years Since Last Contributions** (n = 80,192)

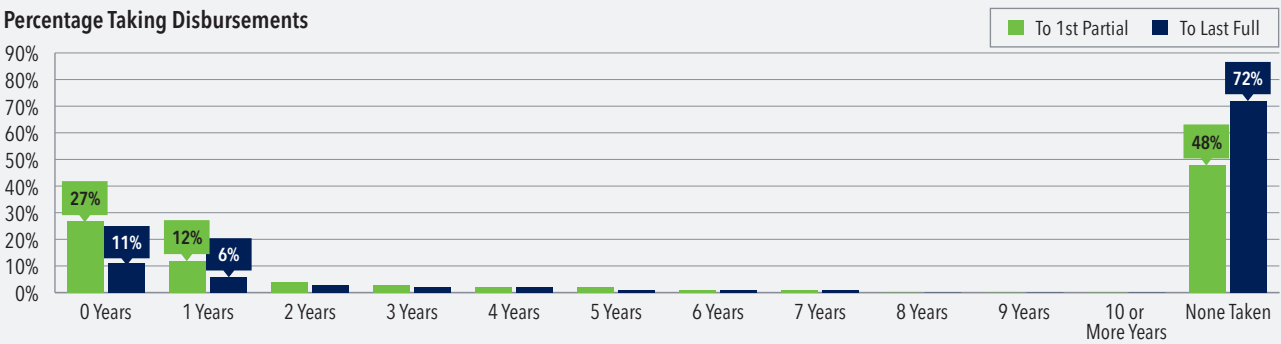
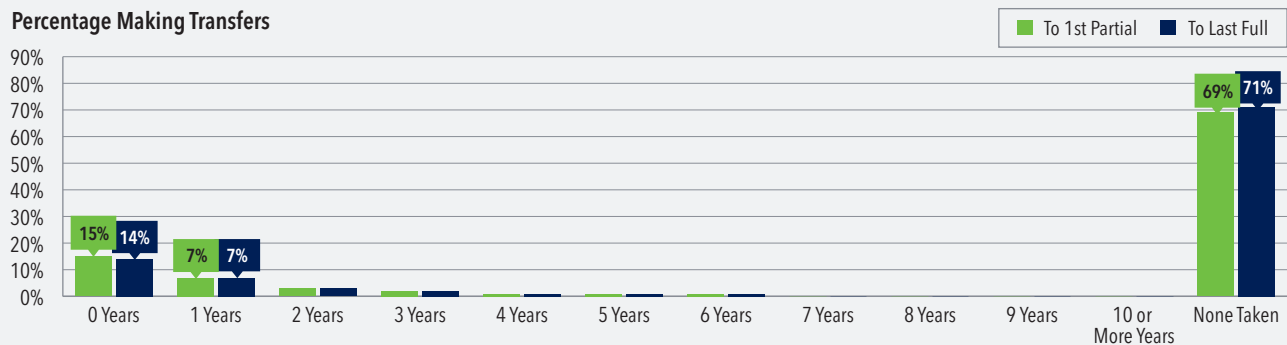
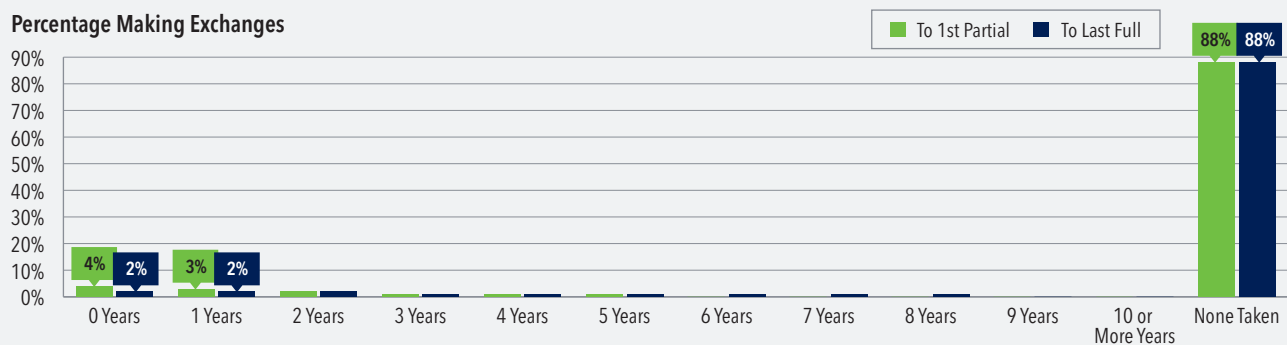


Figure 2 **Transfers, General Employees: Years Since Last Contributions** (n = 80,192)

disbursement that first year. Related data for transfers and exchanges can be seen in Figures 2 and 3.

Regarding partial transactions, these figures show only the timing of the initiation of such activity. If a participant decides to take a partial distribution every year, the timing of their first partial distribution would be reflected only in the first column.

There is a comparative flurry of activity in the period immediately after retirement and in the two years that follow, with almost no activity initiated in years 3-10. This would appear to indicate that participants are acting on transfer or exchange plans or decisions they have made in the period leading up to retirement, or that they have need of disbursements in the immediate term.

Figure 3 **Exchanges, General Employees: Years Since Last Contributions** (n = 80,192)

Public safety employees tend to retire at a younger age, either because of the physical demands of their professions or due to related provisions in their contracts that allow for access to pension benefits at an earlier age. Interestingly,

as seen in Figures 4-6, the trends among public safety participants are very similar to those for general employees, even though many of them may opt to continue working for several years outside of a full-time public safety role.

Figure 4 **Disbursements, Public Safety: Years Since Last Contributions** (n = 22,601)

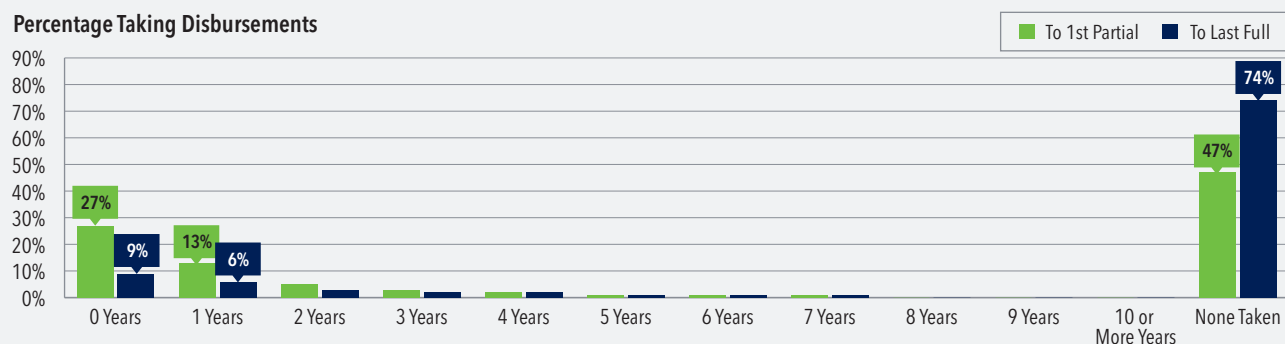


Figure 5 **Transfers, Public Safety: Years Since Last Contributions** (n = 22,601)

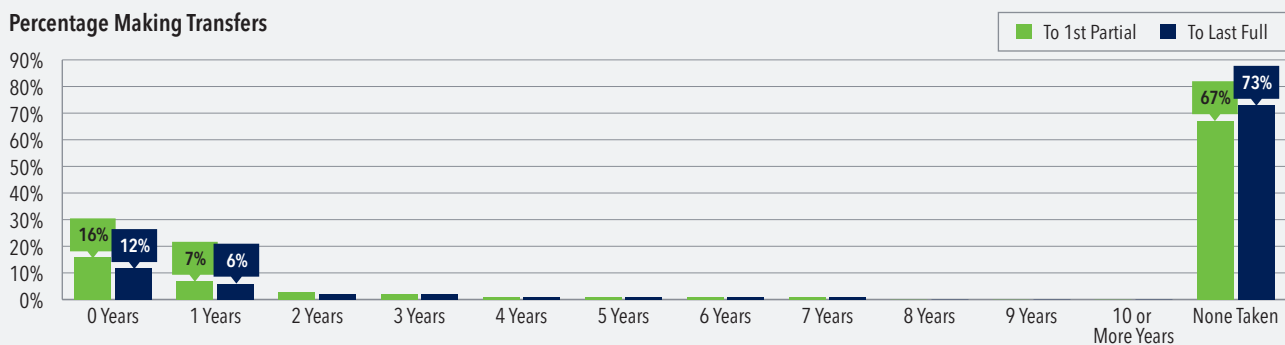


Figure 6 **Exchanges, Public Safety: Years Since Last Contributions** (n = 22,601)

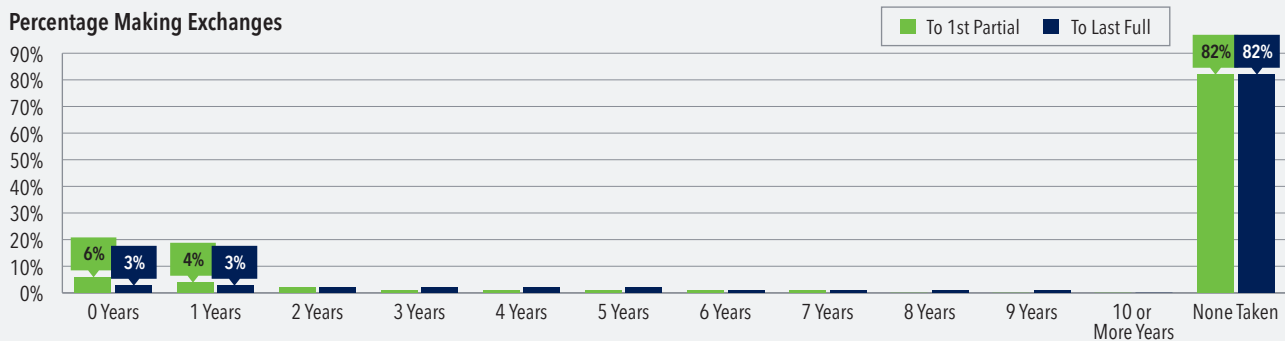
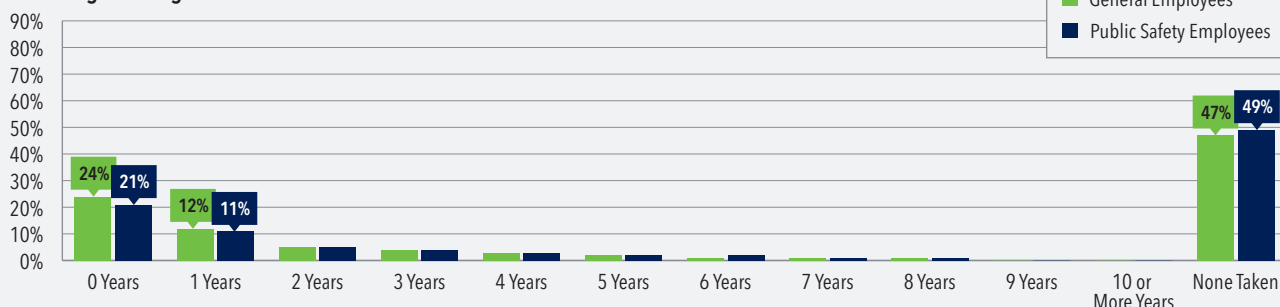


Figure 7 **Full Withdrawal (Disbursement or Transfer)** (n=102,793)

Percentage Making Transfers



While there are more than 70% of general or public safety participants taking no full disbursements and more than 70% taking no full transfers, the total taking **neither** a full disbursement nor a full transfer is considerably lower – just 47-49% (see Figure 7). This means that nearly half of participants remain at least partially invested in their plans more than ten years after retirement.

The average time from retirement to subsequent transactions appears to be somewhat shorter for disbursements (approximately 1 year) than for transfers or exchanges (1-4 years). These timeframes do not vary

significantly based on the employee type or the age at which the participant retires (see Table 2).

The section of this table with the widest variation is general employees retiring at age 50 or under, which also happens to have a very small pool of retirees (288 people in this dataset). Only public safety participants retiring from age 70-75 is smaller (154 people). Most other figures in the table represent thousands of retirees.

Likewise, when retirees have opted to take a full disbursement or transfer, these transactions take place within

Table 2 **Average Years from Last Contribution to Initial Disbursement, Transfer, or Exchange** (n = 102,793)

	Retirement Age					
	50 or under	51-55	56-60	61-65	66-70	71-75
General Employees						
Disbursement	.09	1.2	1.1	1.3	1.3	0.7
Transfer	2.7	2.3	1.6	1.2	1.0	0.9
Exchange	3.8	2.9	2.2	1.8	1.7	1.5
Public Safety Employees						
Disbursement	1.1	1.0	1.0	1.3	1.4	0.9
Transfer	1.9	1.7	1.2	1.0	1.0	0.9
Exchange	2.6	1.9	1.6	1.5	1.7	2.0

Table 3 **Summary: Years from Last Contribution to Partial or Full Distributions** (n = 102,793)

	Average Retirement Age	Years Working	Years from last contribution to:					
			1 st Partial Disbursement	Last Full Disbursement	1 st Partial Transfer	Last Full Transfer	1 st Exchange	Last Exchange
General	62.6	19	1.2	1.7	1.3	1.4	1.9	3.2
Public Safety	56.4	24	1.1	1.9	1.4	1.6	1.8	3.4

1.5 to 2 years of retirement, with exchanges taking place at an average of three years after retirement (see Table 3).

It should be noted that Tables 2 and 3 are based on summary data by participant, in which the timing of transactions is logged only by year, not by exact date. Thus, for a participant who retired in 2014, that record may show partial disbursements in 2015, 2016, 2017, and 2018, with a full disbursement in 2019, but for purposes of the calculations shown, each of those transactions would be

deemed to be one year apart. It is only in aggregating the 80,192 general and 22,601 public safety records that the averages are expressed with a decimal place.

Most participants make zero or one transfers (only 0.3% of general participants and 1.7% of public safety participants make two or more), and zero or one exchanges (5% of general and 8% of public safety make two or more). Multiple partial distributions are much more common, as shown in Figure 8, with 5% making six or more such transactions.

Figure 8 **Number of Partial Disbursements** (n = 102,793)

What did participants do if they had multiple plans?

Some retirement plan participants have multiple plans, through their tenure with one or multiple employers. In the full dataset analyzed in this report, there were 77,212 distinct account holders. Of those, 11,950 (15%) had two plans and 533 (0.7%) had from three to seven plans.

Among those that had exactly two plans, **more than six in ten treated both of their plans in the same way** – either withdrawing, transferring, or exchanging

funds on the same schedule or leaving them both in place. This coordination of transactions was the case among 62% of participants with regard to partial disbursements, 78% for full disbursements, and 86% or more for transfers and exchanges.

For example, a general participant with a 457 plan and a 401(a) plan took no full or partial disbursements from either plan, but made a full transfer/rollout from both accounts two years after retirement.³

Individual transactions

While the section above summarizes the behavior of individuals across multiple transactions, a review those individual transactions on their own can show trends in the timing and scale of disbursements, transfers, and exchanges.

Disbursements

The average age at which disbursements were taken is 66.6 years for general employees and 60.1 years for public safety

employees. There are slight variations by plan type, with the highest average age for disbursements being 67.7 for general employees with 401(a) plans, and the lowest average age being 59.8 years for public safety staff with 457 plans.

In Figures 9 and 10, the scale of the average disbursement is shown, by age. For instance, among general employees at age 53, the average disbursement from a 401(a) plan was equal to 54% of the beginning account balance. For those with a 401(k) plan, the highest average disbursement was at age 56 and was just 31%.

Figure 9 **Average Percentage of Beginning Balance Disbursed, by Age: General Employees** (n = 506,270)

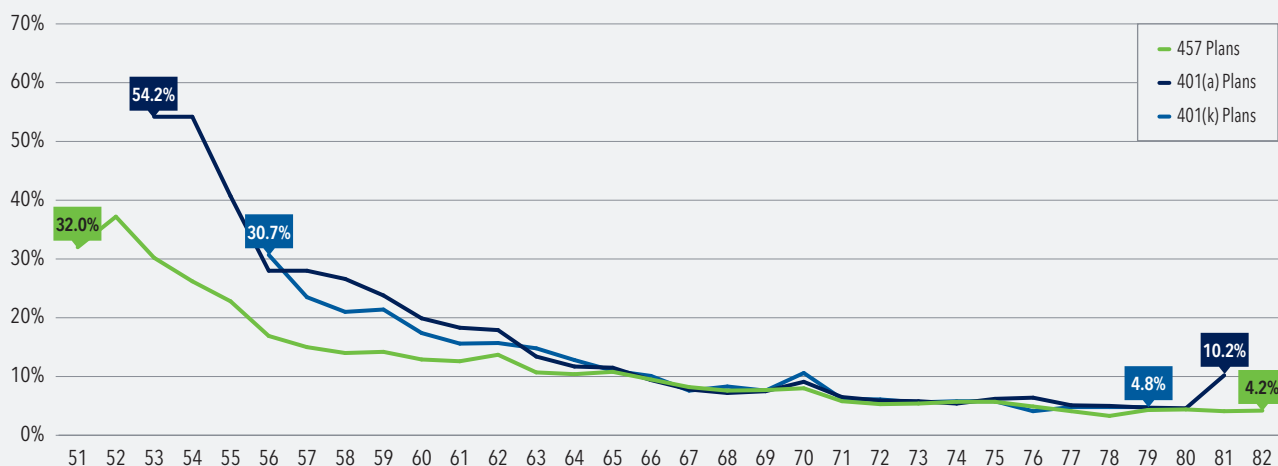


Figure 10 **Average Percentage of Beginning Balance Disbursed, by Age: Public Safety Employees** (n = 133,399)

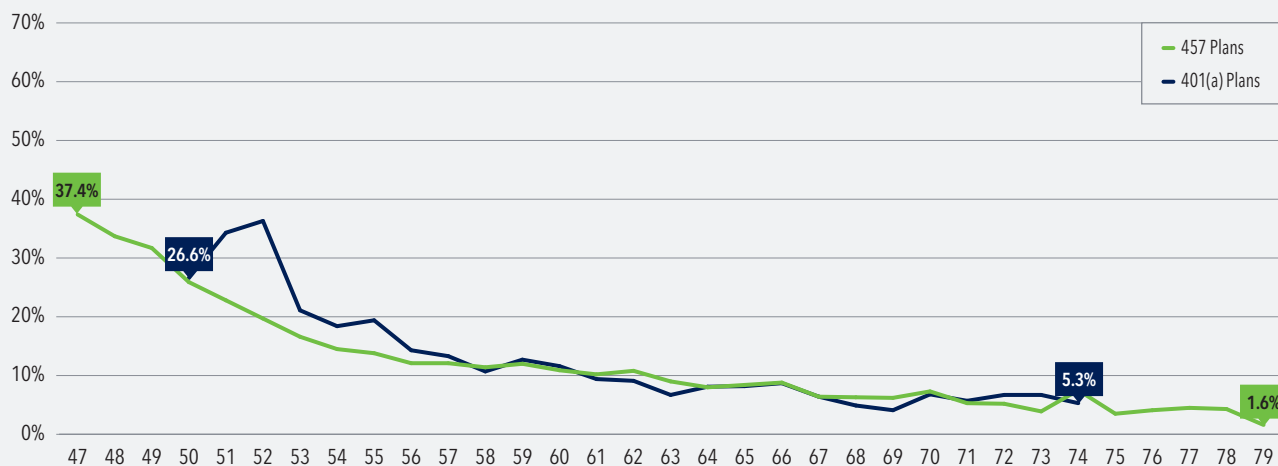
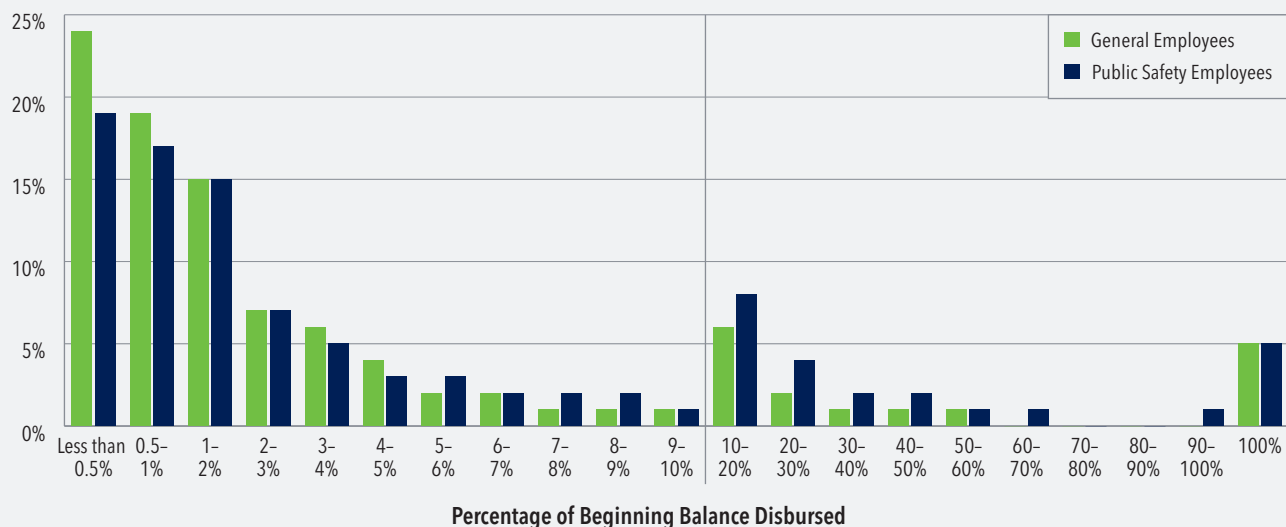


Figure 11 **Percentage of Disbursements by Size** (n = 639,669)

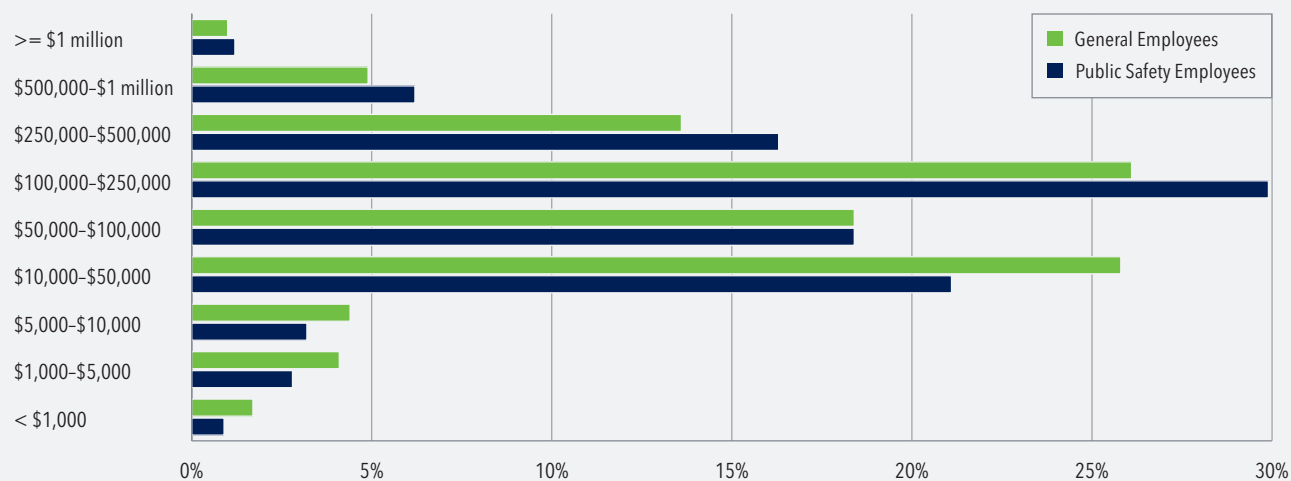
Averages are shown only for those ages and plan types for which 100 or more transactions took place. Public safety 401(k) disbursements are widely distributed among various ages, and within the subject dataset, no age had more than 100 disbursements. As a result, public safety 401(k) plans are omitted from Figure 10.

Reflecting the younger average age at which disbursements are being made, public safety plans also show larger percentages of the beginning balance being disbursed at a younger age. For 457 plans at age 47, the average disbursement was 37% of the balance. For 401(a) plans at age 50, the average disbursement was 27%.

By age 60 to 65, the average disbursement for most plan types and employee types has decreased to around 10% of the beginning balance, indicating that fewer wholesale withdrawals are taking place.

Overall, the percentage of transactions that represent a full disbursement is about 5%, with the majority being in the range of 0-2% (see Figure 11). The share of distributions larger than 10% is very small, so from that point onward in the graph, values are shown as a ten-percentage-point range (e.g., 10-20%).

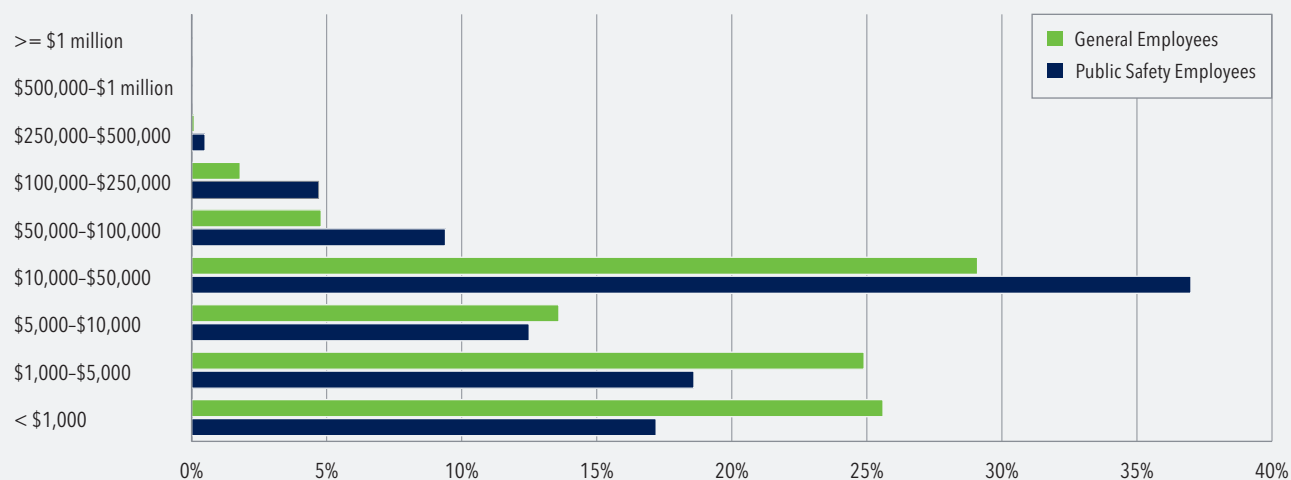
Figure 12 **Beginning Balances in All Accounts with a Disbursement** (n = 639,669)



Beginning balances follow a generally normal distribution (Figure 12), but where the transaction involves a 100% disbursement, the dollar amount involved tends to be small

(\$10,000 or less for 64% of general employees and for 48% of public safety employees; see Figure 13).

Figure 13 **Dollar Amounts for 100% Disbursements** (n = 639,669)



Transfers

The majority of the transfers (83%) are for 100% of the beginning balance, with the participant moving all of their funds from one financial institution to another. The breakdown of transfers by age and employee type is shown in Figure 14, with public safety participants more likely to

transfer funds earlier, in line with their tendency to have an earlier retirement age.

As with disbursements, the beginning balances are somewhat normally distributed (see Figure 15), but since there is a high

Figure 14 **Age for Full Transfers, by Employee Type** (n = 37,309)

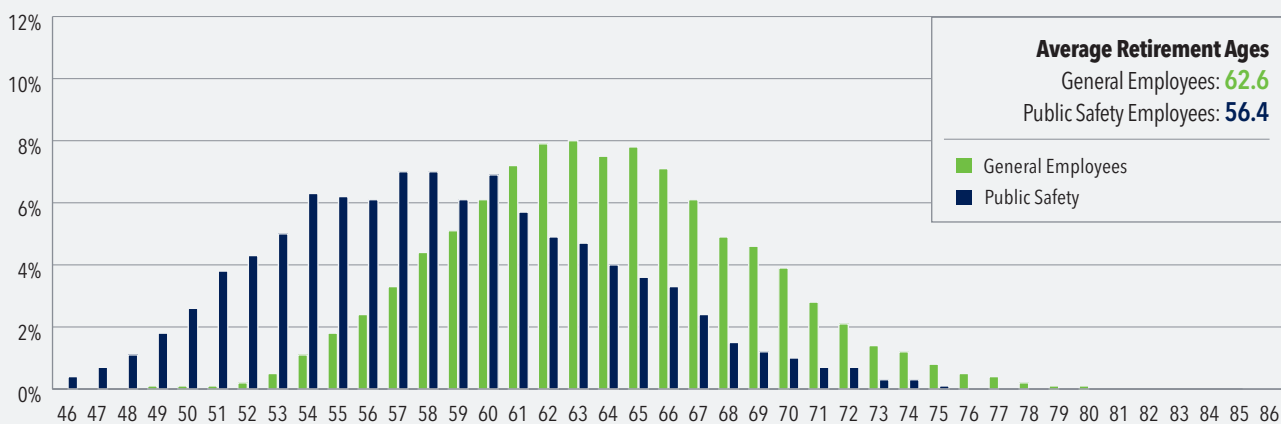


Figure 15 **All Beginning Balances among Full-Time Participants Making Transfers** (n = 37,309)

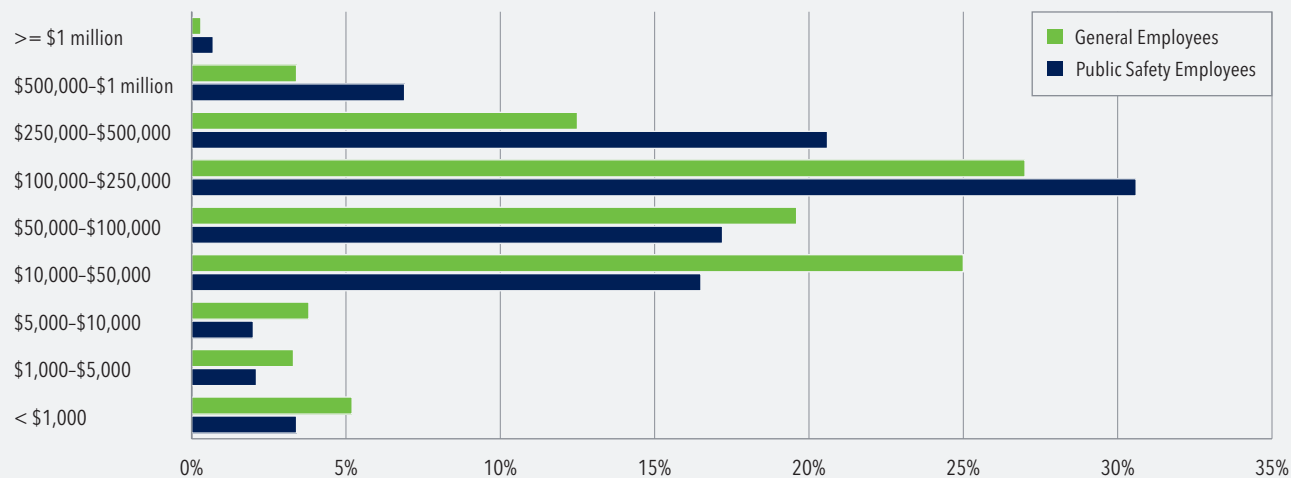
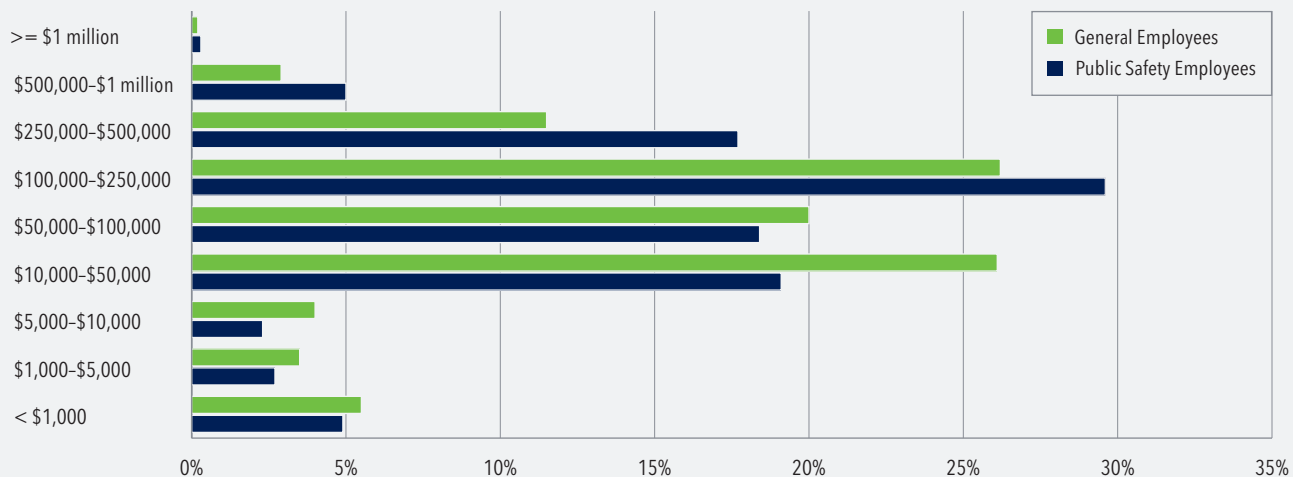


Figure 16 **For Full Transfers (100% of balance), Percentage by Dollar Amount** (n = 37,309)

percentage of transfers that are for the full balance, the dollar amount of the transfers (Figure 16) more closely matches the beginning balances rather than skewing toward the smaller dollar figures seen with disbursements in Figure 13.

Not included in these graphs are the small number of transfers (0.3% of the total) that were for negative dollar amounts, such as for account adjustments.



Are full rollouts more common among older participants with higher balances?

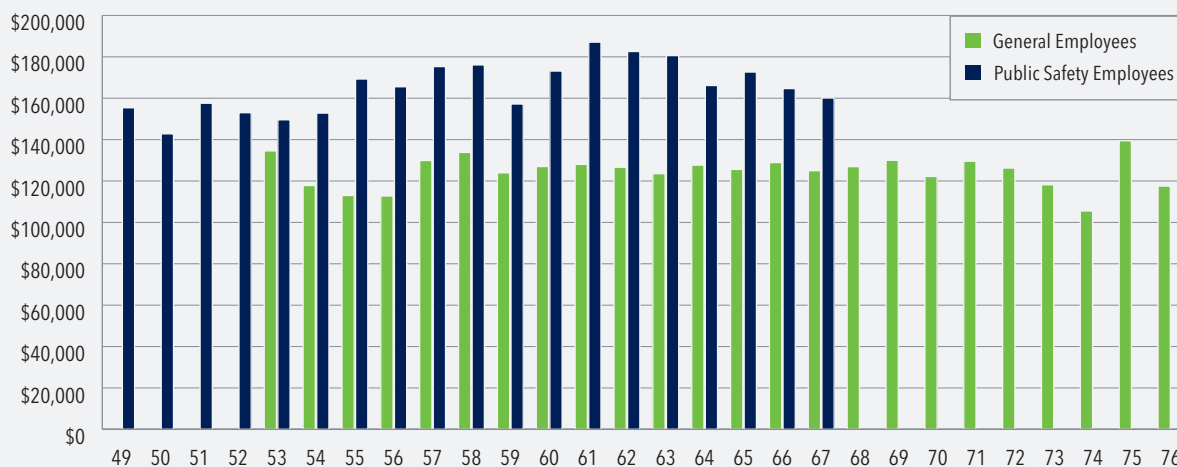
In general, the older a participant, the more likely they are to have a higher balance due to a combination of their years of active contributions and their years of investment earnings. That aside, this question concerns the characteristics of those who are taking 100% rollouts.

Among general employees, there does not appear to be a strong correlation between participants' ages and the dollar amount of 100% rollouts. Among public safety participants, the balances transferred were slightly higher among those who processed their rollouts later, with an average \$162,400 rollout from age 48-58 and an average \$172,700 rollout from ages 59-68 (see Figure 17).⁴

Looking at all 100% rollouts over \$10,000, the median age at which the transfer is processed is the same for all general participants: 64 years old. For public safety participants, the median age is 58, except for those with a \$50,000-\$100,000 rollout, for which the median age is 59, and \$1 million+ rollouts, for which the median age is 60.

Considering the minor differences in rollout denominations and in median ages, full rollouts do not appear to be more common among older participants with higher balances.

Figure 17 **Average Dollar Amount for Full Transfers, by Age**

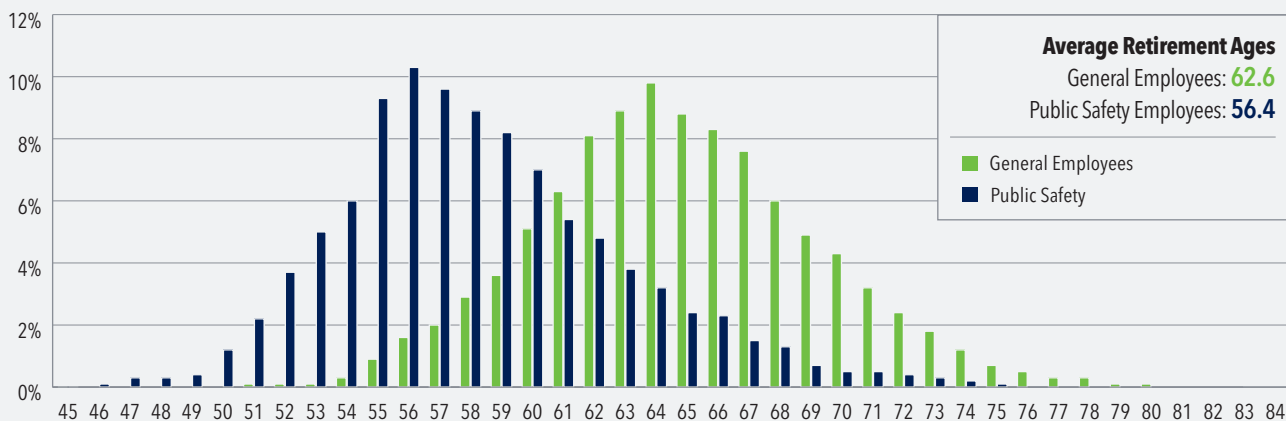


Exchanges

For both transfers and exchanges, a large percentage take place very soon after retirement. For public safety employees, 48% of exchanges take place by age 57

compared to 45% of transfers. For general employees, 40% of exchanges take place by age 63 compared to 48% of transfers (see Figure 18).

Figure 18 **Age for Exchanges, by Employee Type** (n = 62,344)



Additional Topics for Exploration

Among the topics that may be researched further are:

Motivation: What are the stated reasons for participants requesting a disbursement, transfer, or exchange? Coding and analyzing such data may help in plan design, customer service, and participant education.

Plan Interaction: One reason that part-time participants are omitted from this analysis is that they may be less reliant on that plan as a primary source of retirement funds, whether because their spouse or partner also has a retirement plan or because they may have a separate defined benefit or defined contribution plan from another employer. Inventorying the full range of retirement assets that a participant may have available to them, such as via one-on-one financial consultation, may enable a more complete understanding of why they may either mirror or deviate from trends for a particular employee type, plan type, age, or time since retirement.

Financial Education: To what extent does additional information on retirement planning, phased withdrawal, or other financial management issues help participants make more informed decisions? And when better informed, do participants' actions with their accounts differ, either in the years approaching or following retirement?

COVID-19 Impacts: MissionSquare Research Institute continues to collect survey data on the **impacts of the pandemic** on public service employees' retirement readiness, emergency savings, and need to reallocate funds participants would have otherwise saved for retirement.

Conclusion

Helping retirement plan participants accumulate and invest their savings wisely is understandably the primary focus of plan administrators, individual public service employers, and the participants themselves. However, there is a wide range of options available to those participants at and after retirement that deserves just as much attention, particularly as related to taxation, risk, asset allocation, account management, life expectancy, and financial planning.

As demonstrated by the data in this report, 47-49% of total plan participants take no action to disburse and/or transfer their assets within the first ten years following retirement. Nevertheless, the first two years post-retirement see a significant amount of such activity. This is the case regardless of the age of the retirees, as among general participants and public safety participants (who tend to retire younger), 27% of each group transact their first disbursement in the first months after retirement.

About 30% of participants transfer funds and 12% exchange funds, with most such transactions being for the full account balance. As with disbursements, these transactions also tend to take place in the first two years post-retirement.

Based on the very short timeline between retirement and decisions to withdraw or reallocate funds, there would appear to be very little opportunity to impact plan participants' decision making with financial educational materials beyond the last few years prior to their retirement.

In a fully predictable retirement environment, all employees would retire around the same age and employers and plan sponsors could schedule financial planning outreach meetings with them at scheduled intervals. In the pandemic environment, however, not only are in-person group meetings with participants more difficult to schedule due to remote or hybrid work environments, but the participants themselves may be deciding to leave the public workforce early or **accelerate their plans for retirement**. Such trends make it all the more important that financial planning communications with participants be ramped up in the several years when they might be approaching retirement so that they can be equipped with all the information they will need to make wise asset decumulation decisions.

Other Resources from MissionSquare Research Institute

Public Plans Database (in partnership with the National Association of State Retirement Administrators (NASRA), the Center for Retirement Research at Boston College (CRR), and the Government Finance Officers Association (GFOA)) and **2021 PPD Snapshot**

Have Localities Shifted Away from Traditional Defined Benefit Plans (with CRR), April 2020

An Introduction to Police and Fire Pensions (with CRR), February 2020

Proactive Pension Management: An Elected Official's Guide to Variable Benefit and Contribution Arrangements (with AARP), September 2019

Other Post-Employment Benefits by State (with NASRA), July 2019

Nudging Deferral Rates within Public Sector Supplemental Retirement Plans, March 2019

Balancing Objectives in Public Employee Post-Retirement Employment Policies: Reassessing Barriers to Continued Work, (with NASRA and the Alfred P. Sloan Foundation), November 2018

Impact of Automatic Enrollment in the 457 Plan for South Dakota Public Employees, March 2018

Endnotes

¹ By focusing only on full-time plan participants and those who retired by age 75, the dataset includes a range of general and public safety employees. Examples of the types of participants excluded would be a part-time/seasonal golf course starter who retired at age 85 and a full-time library assistant who retired at age 86, who may not be as representative of the full dataset as those who retired at a younger age.

Also omitted from analysis were several cases where the last retirement plan contribution took place more than one year prior to the participant's hiring. Where this is the case, it may either represent a clerical error in the dates reported or a situation where the participant also worked for a previous employer through which they made plan contributions. Where the last contribution took place roughly one year after retirement, records remained a part of the analysis on the assumption that the contributions may simply not have been reported in a timely manner. These represent 0.5% of the total records.

² In some instances, when a both a required minimum distribution (RMD) and a rollover take place at the same time,

effectively zeroing out the account, both are logged as full distributions, even though the RMD may have been a partial payment. No attempt has been made to change that coding as "full" or "partial," but where disbursements are discussed in more detail, they are categorized as a percentage of the beginning balance in order to capture their relative size.

³ Behavior may a bit more complex when a participant has three or more plans. For example, one public safety participant took a full disbursement from a 457 plan one year after separation, took a full disbursement from one 401(a) plan four years after separation, and left one 401(a) plan untouched. As those with three or more plans form a very small subset of the total, that cohort is not discussed further.

⁴ To avoid skewing the analysis based on a small number of very large or very small transfers, Figure 17 shows only those ages at which at least 100 participants processed a 100% transfer. In the public safety average from age 59-68, there were 98 participants taking a full transfer at age 68; this group was included in the calculations to enable an even 10 years in each cohort.

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