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Defined Contribution Plan Participants’ Activities, First Quarter 2016

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Defined Contribution Plan Participants’ Activities, First Quarter 2016

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Key Findings

DC plan withdrawal activity in the first quarter of 2016 remained low and was similar to the first quarter in the prior year. In 2016:Q1, 1.1 percent of DC plan participants took withdrawals, about the same share as in 2015:Q1. Levels of hardship withdrawal activity also remained low. Only 0.4 percent of DC plan participants took hardship withdrawals during 2016:Q1, the same share as in 2015:Q1.

The commitment to contribution activity in 2016:Q1 continued at the high rate observed in 2015:Q1. Only 1.1 percent of DC plan participants stopped contributing in 2016:Q1, about the same pace as in 2015:Q1.

Most DC plan participants stayed the course with their asset allocations as stock values only edged up a bit during the first three months of the year. In the first quarter of 2016, 4.3 percent of DC plan participants changed the asset allocation of their account balances, the same share as in 2015:Q1. In the first quarter of 2016, 5.2 percent of participants changed the asset allocation of their contributions, compared with 4.2 percent in the first quarter of 2015. These levels of reallocation activity are roughly in line with the activity observed in the same time frame in recent years.

DC plan participants’ loan activity edged down in the first quarter of 2016, following a seasonal pattern observed over the past several years. The first quarter of the year tends to have lower percentages of DC plan participants with loans outstanding compared with later quarters. At the end of March 2016, 17.0 percent of DC plan participants had loans outstanding, compared with 17.4 percent at year-end 2015. Nevertheless, loan activity continues to remain elevated compared with about seven years ago (at year-end 2008, 15.3 percent of DC plan participants had loans outstanding).
Introduction

Defined contribution (DC) plan assets are a significant component of Americans’ retirement assets, representing more than one-quarter of the total retirement market (Figure 1) and almost one-tenth of U.S. households’ aggregate financial assets at the end of the first quarter of 2016.¹ To measure participant-directed changes in DC plans, ICI has been tracking participant activity through recordkeeper surveys since 2008. This report updates results from ICI’s survey of a cross section of recordkeeping firms representing a broad range of DC plans and covering more

![Figure 1](image-url)

**28 Percent of U.S. Retirement Assets Were Defined Contribution Plan Assets**

*Trillions of dollars; end-of-period, selected periods*

<table>
<thead>
<tr>
<th>Year</th>
<th>Annuities¹</th>
<th>Federal, state, and local defined benefit plans²</th>
<th>Private defined benefit plans</th>
<th>IRAs</th>
<th>Other defined contribution plans³</th>
<th>401(k) plans</th>
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<tr>
<td>2007</td>
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<td>14.2</td>
<td>1.1</td>
<td>4.3</td>
<td>12.8</td>
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<tr>
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<td>4.3</td>
<td>9.6</td>
<td>1.1</td>
<td>2.6</td>
<td>11.3</td>
</tr>
<tr>
<td>2009</td>
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<td>2.6</td>
<td>13.5</td>
<td>1.1</td>
<td>4.7</td>
<td>11.4</td>
</tr>
<tr>
<td>2010</td>
<td>18.0</td>
<td>4.7</td>
<td>13.3</td>
<td>1.1</td>
<td>1.6</td>
<td>11.9</td>
</tr>
<tr>
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<td>16.5</td>
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<tr>
<td>2012</td>
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<td>4.1</td>
<td>15.6</td>
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<tr>
<td>2013</td>
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<td>4.1</td>
<td>15.6</td>
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<td>2014</td>
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<td>1.1</td>
<td>5.8</td>
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<td>2015</td>
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</tr>
<tr>
<td>2016</td>
<td>24.0</td>
<td>5.1</td>
<td>18.9</td>
<td>1.1</td>
<td>7.3*</td>
<td>12.3</td>
</tr>
<tr>
<td>2016:Q1</td>
<td>24.1</td>
<td>5.1</td>
<td>18.9</td>
<td>1.1</td>
<td>7.4*</td>
<td>12.3</td>
</tr>
</tbody>
</table>

¹ Annuities include all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds. Because ICI estimates of annuities held in IRAs, 457 plans, and 403(b) plans are netted from the Federal Reserve Board’s financial accounts’ annuities (life insurance pension fund reserves) figure and reported in their respective categories by ICI, ICI reports a lower annuities total than in the financial accounts of the United States (see U.S. Federal Reserve Board 2016).

² Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust.

³ Other DC plans include 403(b) plans, 457 plans, the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP), and private employer-sponsored DC plans without 401(k) features.

⁶ Data are estimated.

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division; see Investment Company Institute 2016
than 27 million employer-based DC retirement plan participant accounts as of March 2016. The broad scope of the recordkeeper survey provides valuable insights about recent withdrawal, contribution, asset allocation, and loan decisions of participants in these plans. The most recent survey covered DC plan participants’ activities in the first three months of 2016. In this period, stock prices only edged up only a bit (Figure 2); on net, the S&P 500 total return index was up 1.3 percent in the first quarter of 2016.

FIGURE 2
Equity Returns
Percent change in the S&P 500 total return index, 2009:Q1–2016:Q1

Note: The S&P 500 total return index consists of 500 U.S. stocks chosen for market size, liquidity, and industry group representation. Sources: Investment Company Institute, Bloomberg, and Standard & Poor’s
DC Plan Participants' Activities in 2016:Q1

The withdrawal and contribution data indicate that essentially all DC plan participants continued to save in their retirement plans at work. DC plan participants' withdrawal activity during the first quarter of 2016 was in line with activity observed during the first quarter of the prior year, and a negligible share of participants stopped contributing during 2016:Q1. In 2016:Q1, 1.1 percent of DC plan participants took withdrawals from their DC plan accounts, with 0.4 percent taking hardship withdrawals (Figure 3). These levels of activity are similar to those observed in the first quarter of 2015. In 2016:Q1, 1.1 percent of DC plan participants stopped making contributions, a similar share as in 2015:Q1. It is possible that some of these participants stopped contributing simply because they reached the annual contribution limit.

FIGURE 3
Defined Contribution Plan Participants' Activities
Summary of recordkeeper data, percentage of participants

Note: The samples include nearly 24 million DC plan participants in 2009–2014; more than 26 million in 2015:Q1; and more than 27 million in 2016:Q1.
The survey of recordkeeping firms also gathered information about asset allocation changes in DC account balances or contributions. During the first three months of the year, 4.3 percent of DC plan participants had changed the asset allocation of their account balances, the same share as in 2015:Q1 (Figure 3). Reallocation activity regarding contributions was roughly in line with the rates observed in recent earlier periods; 5.2 percent of DC plan participants had changed the asset allocation of their contributions in 2016:Q1, compared with 4.2 percent in 2015:Q1, 4.5 percent in 2014:Q1, and 4.8 percent in 2013:Q1.

Two factors appear to influence DC plan participants’ loan activity: reaction to financial stresses and a seasonal pattern. Likely responding to financial stresses, the percentage of DC plan participants with loans outstanding rose from the end of 2008 (15.3 percent) through 2011 (18.5 percent) (Figure 4). This pattern of activity is similar to that observed in the wake of

![FIGURE 4](image-url)

**401(k) Loan Activity**

*Percentage of 401(k) plan participants who had loans outstanding: end-of-period, selected periods*

Note: The EBRI/ICI data cover 401(k) plans; the ICI Survey of DC Plan Recordkeepers covers DC plans more generally (although 401(k) plans make up the bulk of DC plans).

Sources: EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (2002-2014) and ICI Survey of DC Plan Recordkeepers (December 2008–March 2016)
the bear market and recession earlier in the decade. The share of DC plan participants with loans outstanding then leveled out in 2012 through 2015, perhaps reflecting loans supporting consumer spending or home purchases. The sample of recordkeepers reported that as of March 2016, 17.0 percent of DC plan participants had loans outstanding, compared with 17.4 percent at year-end 2015. Loan activity appears to have a quarterly seasonal pattern: the first quarter of the year tends to have lower percentages of DC plan participants with loans outstanding compared with later quarters (Figure 5). Loan activity edged down in 2016:Q1, following the seasonal pattern observed over the past several years.

FIGURE 5
401(k) Loan Activity Tends to Edge Down in the First Quarter
Percentage of DC plan participants who had loans outstanding; end-of-period, 2011:Q4–2016:Q1

Note: This figure reports loan activity on a quarterly basis (the most recent quarters also are shown in Figure 4). The range on the vertical axis is limited to 15 percent to 19 percent to highlight the seasonal variation in 401(k) loan activity.

Source: ICI Survey of DC Plan Recordkeepers (December 2011–March 2016)
Notes

1 Total financial assets of U.S. households were $71.1 trillion at the end of 2016:Q1. See U.S. Federal Reserve Board 2016.

2 This report presents withdrawal, contribution, and asset allocation activity during the first quarter of 2016 and compares the 2016:Q1 rates of activity to 2015:Q1, 2014:Q1, 2013:Q1, 2012:Q1, 2011:Q1, 2010:Q1, and 2009:Q1. Caution should be exercised when comparing the results from the surveys for different periods. Data should only be compared for similar periods—evaluating periods that are similar in terms of length and timing during the year allows us to focus on the relevant variables. For example, if there are any effects that are typical for the beginning of the year (e.g., people getting bonuses to invest, profit-sharing contributions occurring in the first quarter, people reacting to upcoming taxes, people reacting to past holiday spending), then it is essential to compare periods that also may experience these “seasonal” effects. In addition to seasonal effects, DC plan participant activity may be influenced by cyclical factors (e.g., recent stock market returns). Because some participants may visit their asset allocations at the beginning of the year and not again, it is not possible to translate the year-to-date figures into an estimate of activity for the whole year. For annual activity through 2015, see Holden and Schrass 2016.

3 The recordkeepers typically remove participants who are no longer working for the employer sponsoring the plan. It would not be correct to include such separated, retired, or terminated participants, because they cannot contribute. The goal of the survey is to measure the activity of active DC plan participants.

4 There are two possible types of withdrawals from DC plans: nonhardship and hardship. Generally, participants withdrawing after age 59½ are categorized as nonhardship withdrawals. A participant seeking a hardship withdrawal must demonstrate financial hardship and generally faces a 10 percent penalty on the taxable portion of the withdrawal. If a plan allows loans, participants are generally required to first take a loan before they are permitted to take a hardship withdrawal.

5 Annual rates of account balance reallocation activity observed in the ICI Survey of DC Plan Recordkeepers for 2008–2015 are consistent with the behavior observed in earlier years in other data sources. Historically, recordkeepers find that in any given year, DC plan participants generally do not rebalance in their accounts (for references to this research, see note 80 in Holden, Brady, and Hadley 2006; for discussion of changes in asset allocation, see note 33 in Holden et al. 2016).

6 See note 2 for an explanation of seasonal effects.

7 The EBRI/ICI 401(k) database update reports loan activity among 401(k) participants in plans that allow loans. At year-end 2014, 87 percent of participants in the database were in plans that offer loans; among those participants, 20 percent had loans outstanding at year-end 2014. This translates to 17 percent of all active 401(k) participants having loans outstanding. The year-end 2014 EBRI/ICI database includes statistical information about 24.9 million 401(k) participants in 81,139 plans, with $1.9 trillion in assets. See Holden et al. 2016.

8 The National Bureau of Economic Research dates the recession earlier in the decade to have occurred between March 2001 and November 2001. The latest recession was dated to have occurred between December 2007 and June 2009. See National Bureau of Economic Research 2010.
References


Additional Reading

» The U.S. Retirement Market, First Quarter 2016
  Available at www.ici.org/info/ret_16_q1_data.xls.

» American Views on Defined Contribution Plan Saving, 2015
  Available at www.ici.org/pdf/ppr_16_dc_plan_saving.pdf.

» 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2014
  Available at www.ici.org/pdf/per22-03.pdf.

» The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2015
  Available at www.ici.org/pdf/per22-04.pdf.

  Available at www.ici.org/pdf/per20-04.pdf.

» ICI Resources on 401(k) Plans
  Available at www.ici.org/401k.

» ICI Resources on the Retirement System
  Available at www.ici.org/retirement.