



Stable Value Fund Cash Flow Experience Study Overview

October 2026

Executive Summary

- Valerian Capital Group LLC (“Valerian”) conducts an annual experience study of historical stable value fund cash flows.
- The Study analyzes the characteristics of book value cash flows from stable value funds, including their correlation with several broad market indices.
- The Study also examined potential differences in the characteristics of cash flows between Individual Plans, Pooled Funds and 529 Plans.

Key Findings

Stable value funds have seen elevated net outflows since Q2 2022.

Declining transfer inflows and elevated transfer outflows contributed to the initial deterioration, while 401(k) distributions have since plateaued at higher levels, adding to the outflows.

Pooled funds and 529 Plans continue to exhibit unique risk characteristics.

The 12-month put feature of most pooled funds, especially smaller investment-only funds, have exhibited meaningfully higher risk, while 529 Plans have had lower risk characteristics than individually managed plans.

Higher interest rates kept driving participant cash flows through 2025:.

Crediting rate increases have lagged the pace of higher rates creating rate deficits associated with higher participant withdrawals.

Stable value flows show a flight-to-safety pattern.

As confirmed by correlation with the S&P Total Return Index and the VIX: outflows rise in equity rallies, and inflows rise when volatility spikes and equity returns turn negative.

Data Studied

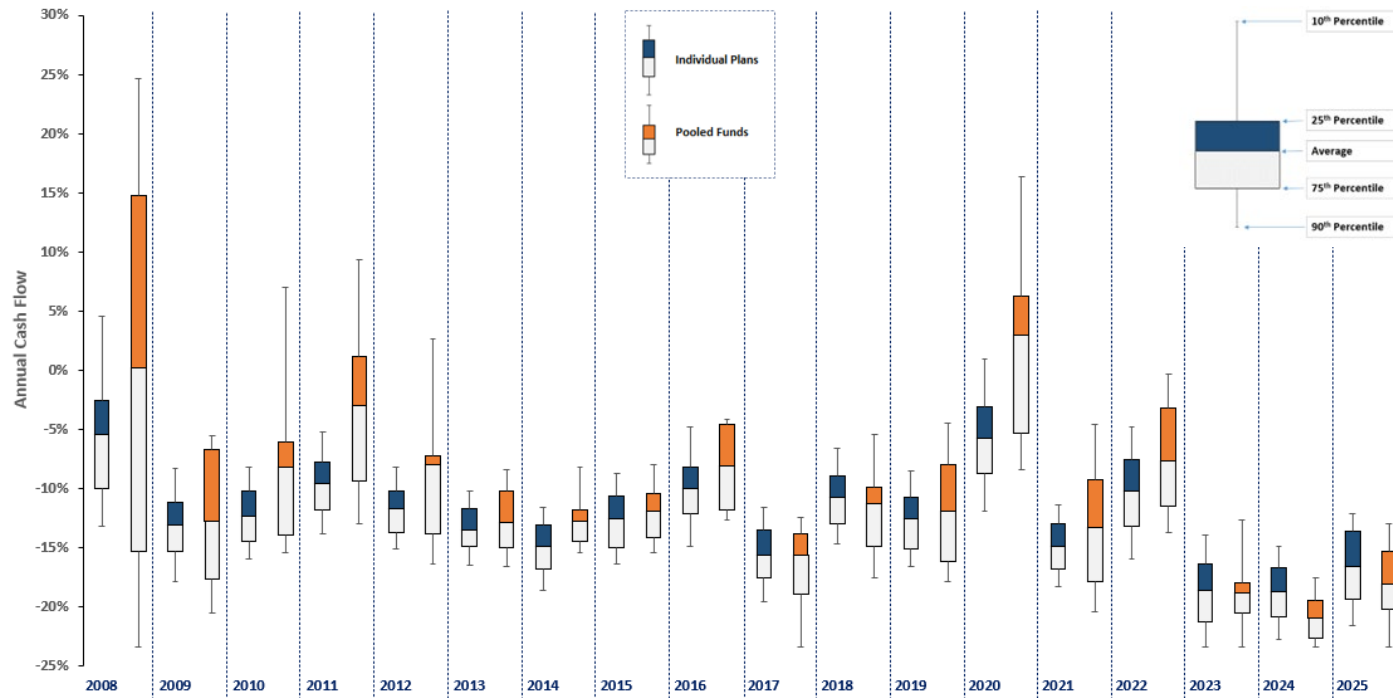
Comprehensive stable value plan-level data, covering **approximately 80% of the SGIC market**, offers a broad view of the industry and can therefore be effectively utilized to analyze industry trends.

		2023 Study	2024 Study	2025 Study
Individual Plans	Number of Managers	11 Managers	11 Managers	11 Managers
	Number of Plans	308 Plans	345 Plans	360 Plans
	Book Value Total	\$225B	\$228B	\$229B
Pooled Funds	Number of Managers	15 Managers	15 Managers	15 Managers
	Number of Funds	20 Funds	21 Funds	22 Funds
	Book Value Total	\$162B	\$147B	\$139B
529 Plans	Number of Managers	3 Managers	3 Managers	3 Managers
	Number of Plans	14 Plans	16 Plans	16 Plans
	Book Value Total	\$15B	\$17B	\$19B
Total	Book Value Total	\$402B	\$392B	\$387B

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Key Observations

Annual Cash Flow Experience



Post rate increase, flows turned negative: 2023 outflows continued through 2024 and 2025.

Cash flow ranges stayed positive during major stress periods — 2008 (financial crisis), 2015–2016 (equity downturn), 2020 (pandemic) and 2022.

Individual Plans and Pooled Funds differ mainly in scale and variability, but not in direction. Investment Only Pooled Funds showing the largest fluctuations.

Transfers



2008 - 2020

Steadily Positive

Net transfers ran positive across the period, annualizing at +4.7%, with gross inflows near 29% against outflows of about -4%.

Post 2020, Into 2022

Peak

Transfer inflows peaked in 2020.

Post Inflationary 2022

Reversal

Declined sharply from Q2 2022. By 2023 net transfers had turned negative on weaker inflows and heavier outflows.

2025

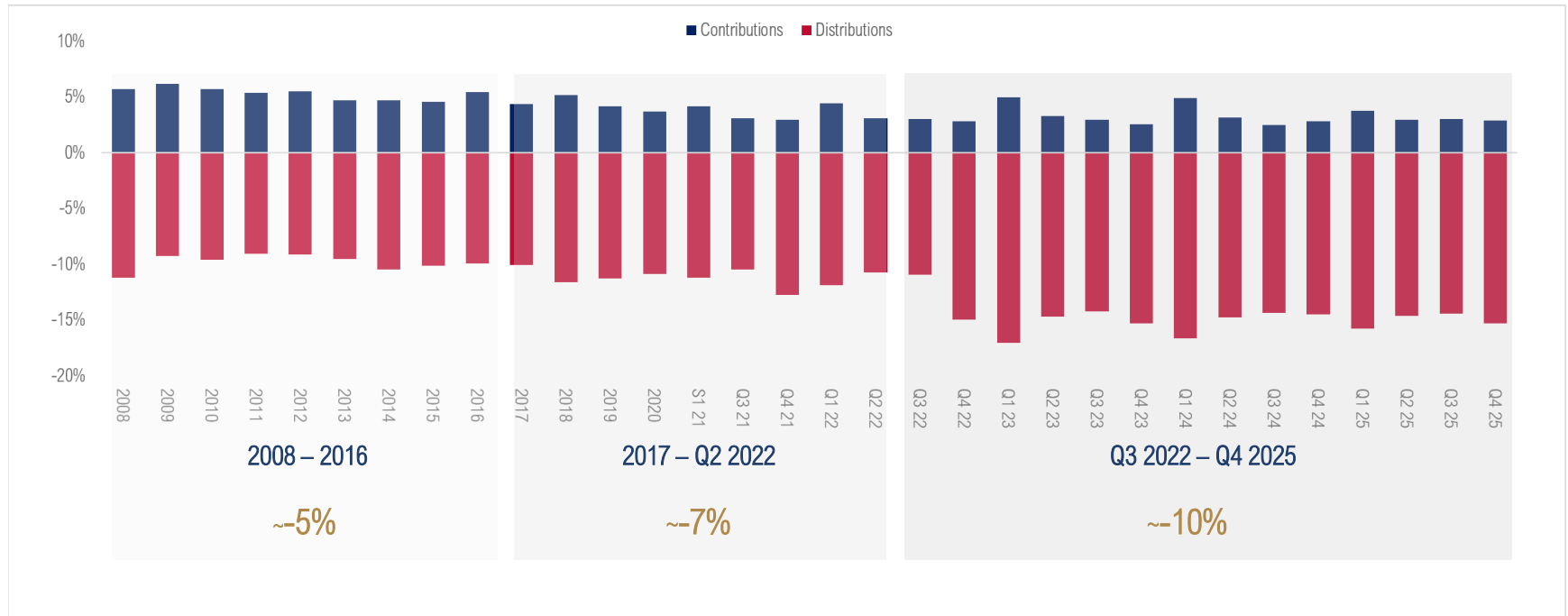
Moderate Inflows

The trend moderated in 2025 as inflows recovered, though outflows stayed elevated.

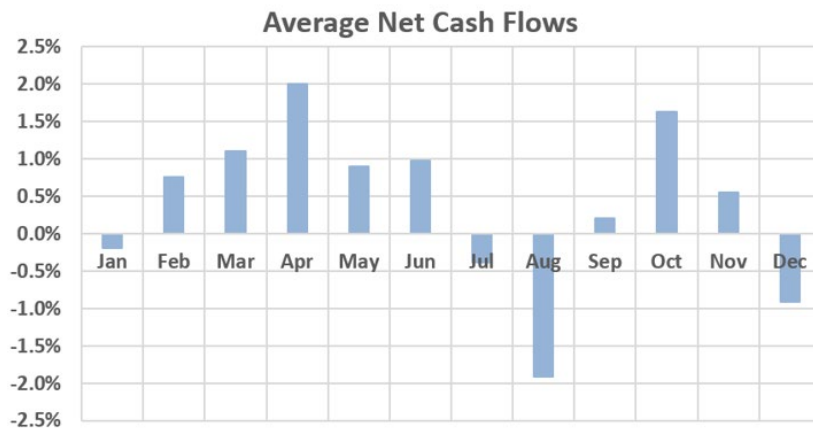
401(k) Contribution vs Distribution

401(k) annualized net distribution rates have shown a gradual increase, over time.

Net distribution rates have stepped down from about **-5%** through 2016, **-7%** to mid-2022, and **-10%** since. Year 2025, continued to show the same pattern observed since 2022.

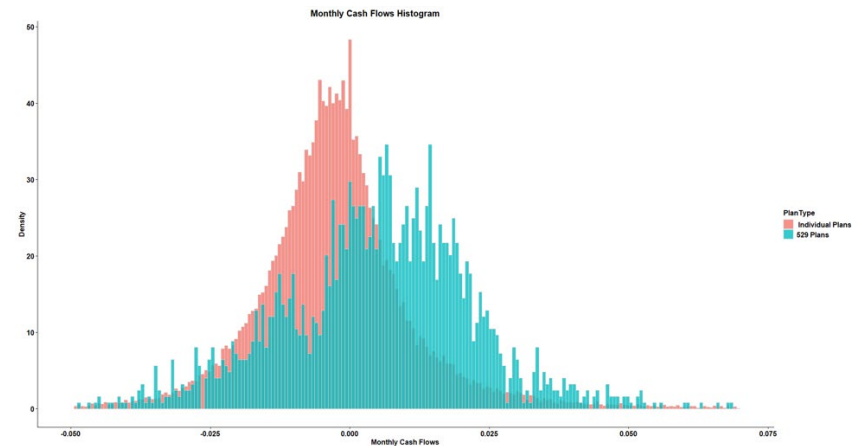


Seasonal Patterns



The 529 Plans exhibit notable seasonality in withdrawals, with peaks corresponding to academic calendar semesters.

More Positive Cash Flows than 401(k) Plans

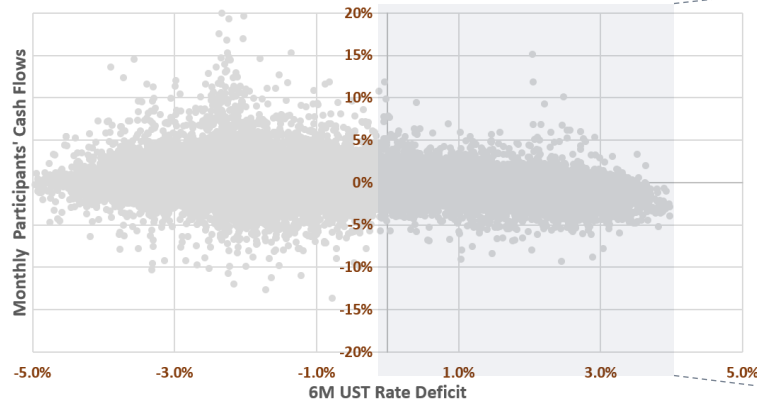


Average cash flows are more positive for 529 Plans relative to 401(k) plans, likely reflecting their continued growth phase.

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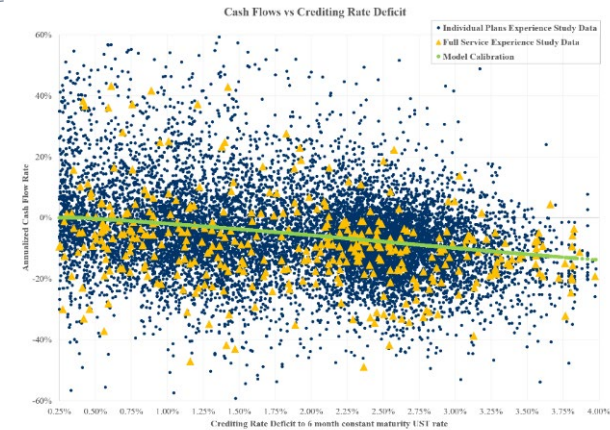
Regression Analysis of Key Drivers

All Observations



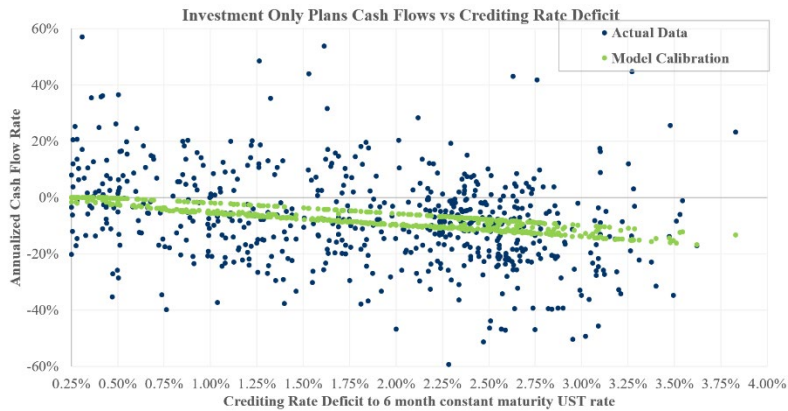
- Prior to 2022, there was no evidence of a dynamic relationship between cash flows and rate deficit. However, the deficit levels observed were limited, generally remaining below 1%.

Post 2022 Positive Rate Deficits Experience



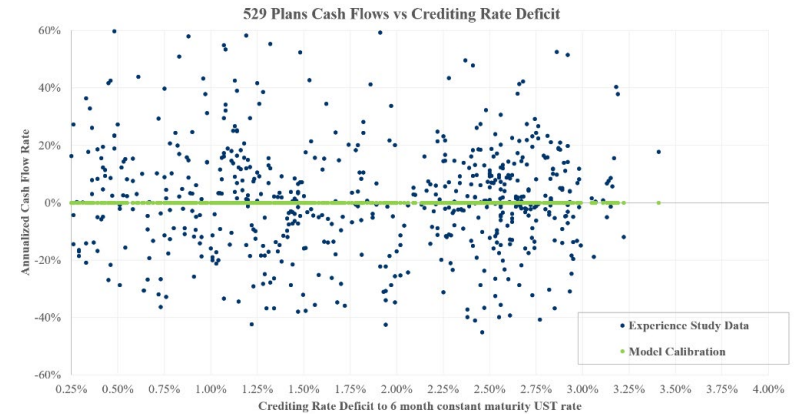
- However, since interest rates began rising in 2022, a relationship started to emerge between participant cash flows and the stable value crediting rate deficit.
- During this period, while Individual Plans and Full Service Pooled Funds show heightened sensitivity to crediting rate deficits, 529 Plan cash flows show little reaction, likely due to their structural differences.

Investment Only Pooled Funds



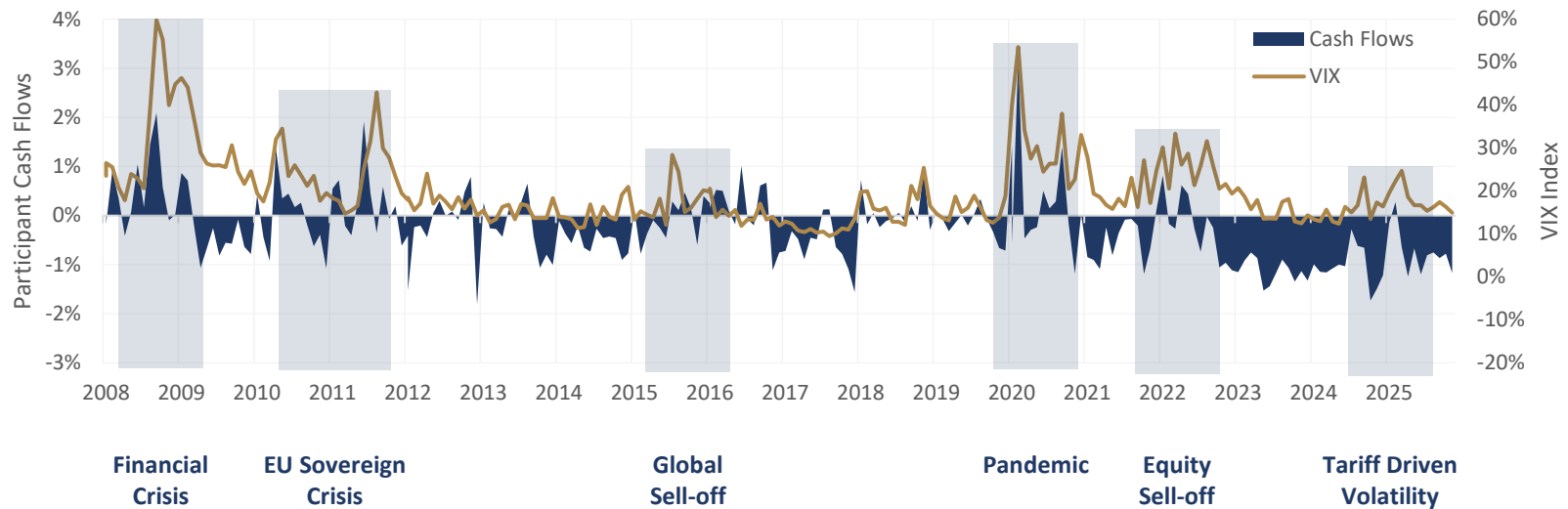
Heightened sensitivity to crediting rate deficits.

529 Plans



No relationship with the crediting rate deficit.

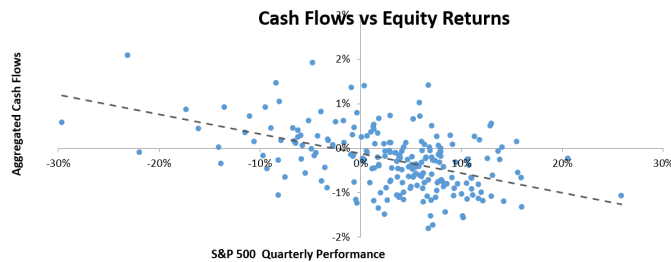
Participants exhibiting a 'flight-to-safety' pattern:



- ✚ Positive transfers during equity market crises and VIX spikes.
- ✚ Negative transfers after.

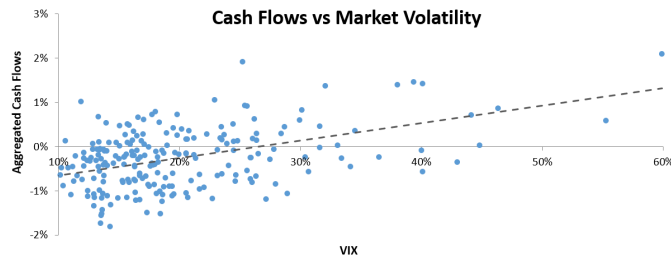
Equity Market Interaction

Cash flows into stable value funds inversely correlate with S&P Total Return Index (“SPTR”) performance and positively correlate with the market volatility, measured using the Volatility Index (“VIX”)¹.



📉 SPTR (–49% corr.):

Cash flows into stable value funds decline as equity returns rise while during equity downturns, allocations are redirected back.



🛡️ VIX (+47% corr.):

Rising market volatility pulls participants out of risk assets and into stable value funds.

Index	Correlation	Coeff. of Determination (R ²)	p-value	Interpretation
SPTR	–49%	24%	0.00%	Realized performance
VIX	+47%	22%	0.00%	Forward risk

¹SPTR represents realized equity performance while VIX captures forward-looking market expectations of risk.

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