

# Q3 2023

## Plan Universe Allocation & Return Analysis

Corporate plans continue to struggle in the third quarter

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Prepared by:

**Brendan Cooper**

Head of Client Consulting & Research  
Investment Metrics, a Confluence Company

**Scott Treacy**

Research Consultant,  
Client Consulting & Research,  
Investment Metrics, a Confluence Company



## Executive Summary

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The Q3 2023 Investment Metrics Plan Universe Report – the industry's most granular analytics tool for plan sponsors with data sourced directly from over 4,000 institutions – reported strong returns at a median level.

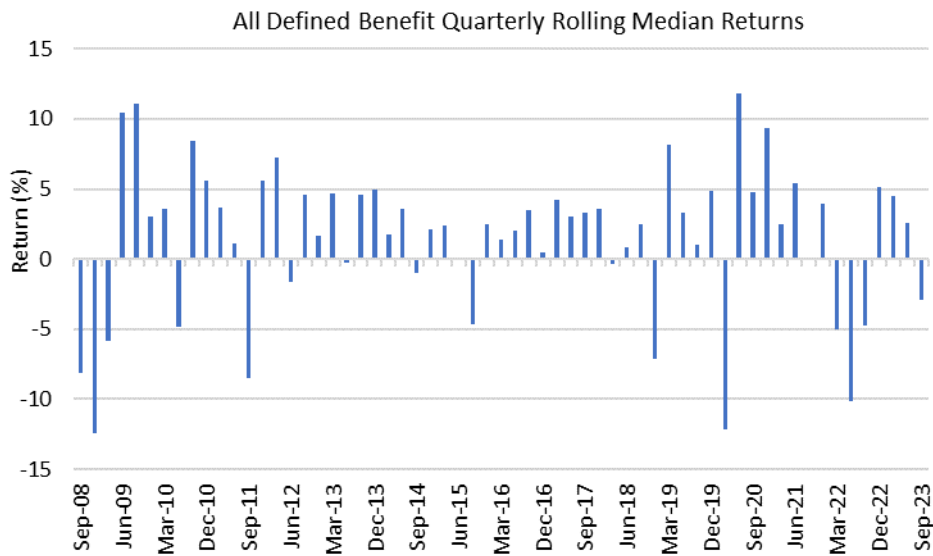
Despite positive data on inflation and GDP growth, capital markets declined in Q3 2023. The MSCI AC World index (public equities) fell 9.5% in the quarter, and the Bloomberg U.S. Aggregate index (fixed income) fell 4.7%. Investor concerns about the Fed Funds rate remaining at its current level of 5.25%-5.50% for a longer period of time, and its impact on US consumers and the economy, led some plans to shift their asset allocations towards fixed income.

### Highlights

- All defined benefit plans had a median return of negative 2.9%, gross of fees.
  - Corporate defined benefit plans continue to be the worst performer compared to peers.
  - Over the longer term, 3 years, all plan types have struggled to reach the typical target return of 7%.
  - Corporate plans have the highest allocation to US fixed income compared to peers, along with the worst quarterly performance.
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## Plan Performance Over Time

Defined benefit plans experienced a challenging third quarter, with a median return of -2.9% (gross of fees), based on data from over 1,500 plans. This outperforms the blended benchmark of 60% MSCI AC World Index and 40% Bloomberg U.S. Aggregate Index, which returned -3.3%. Corporate defined benefit plans struggled the most over the quarter, with a median return of -4.9%. Public defined benefit plans fared better, with a median return of -2.8%, while Taft-Hartley plans posted a median return of -2.3%. This pullback in defined benefit plan performance follows a strong start to 2023, highlighting the volatility of markets in the current economic environment.

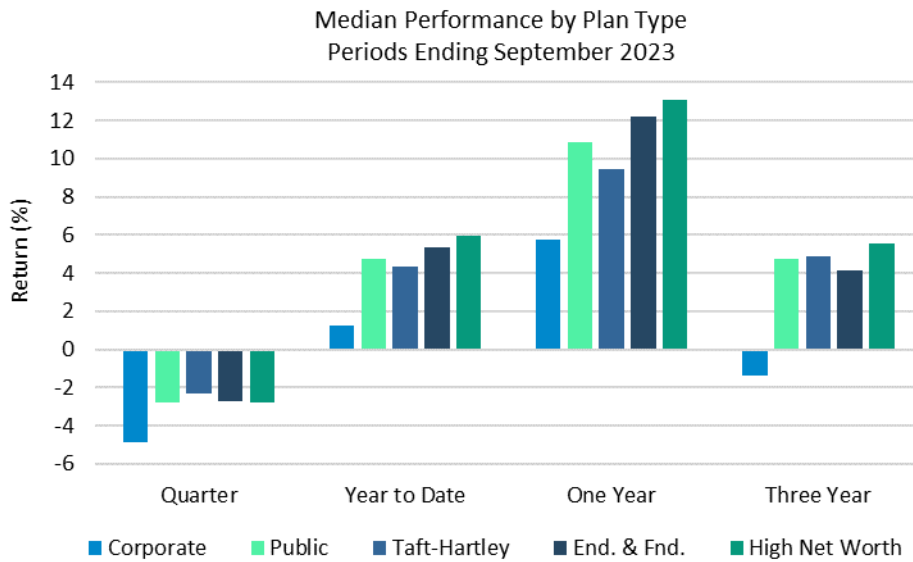


**Chart 1: Quarterly Rolling Median Returns for All Defined Benefit Plans.**

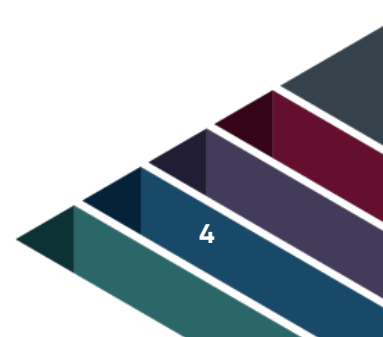
Source: Investment Metrics, a Confluence company

### Historical Plan Comparison

Corporate defined benefit plans significantly underperformed their peers through September 2023, with a median gross-of-fee return of 1.2% year-to-date. High net worth and endowment and foundation plans were the best performers, with return of 5.9% and 5.3% respectively. These returns compare to a blended benchmark return of 3.2%. All plan types have a three-year return under the typical target return of 7%, indicating that plans have struggled over the longer term.

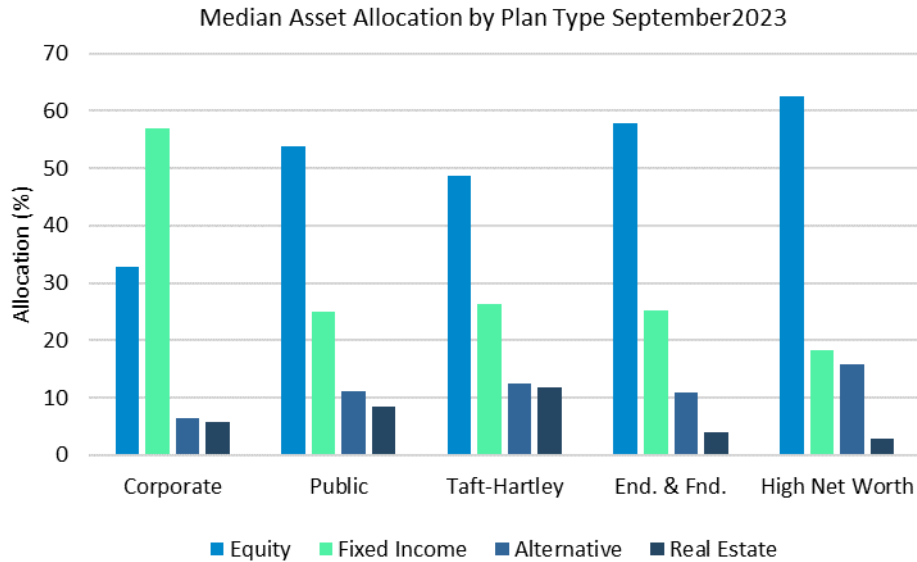


**Chart 2: Median Performance by Plan Type.**  
Source: Investment Metrics, a Confluence company.



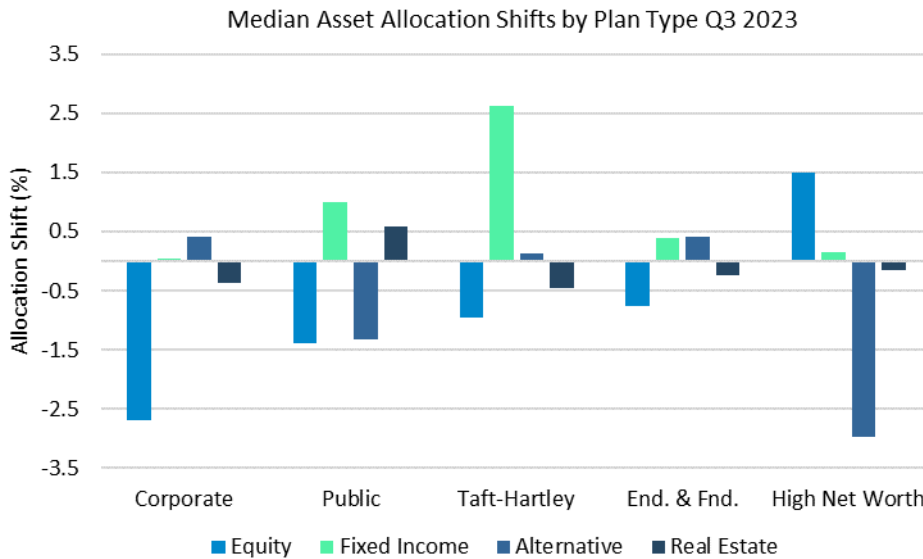
## Q3 Plan Allocation Analysis

Plan asset allocations over the quarter, with Taft-Hartley plans increasing their fixed income allocation by over 2.5%. Public plans also increased their fixed income allocation and decreased their equity and alternatives allocations. Corporate plans, which have the highest exposure to fixed income, reduced their equity allocation by over 2.5%.



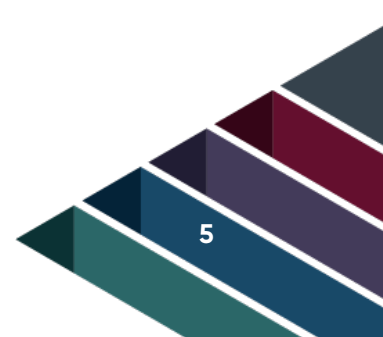
**Chart 3: Median Allocations by Plan Type.**

Source: Investment Metrics, a Confluence company.



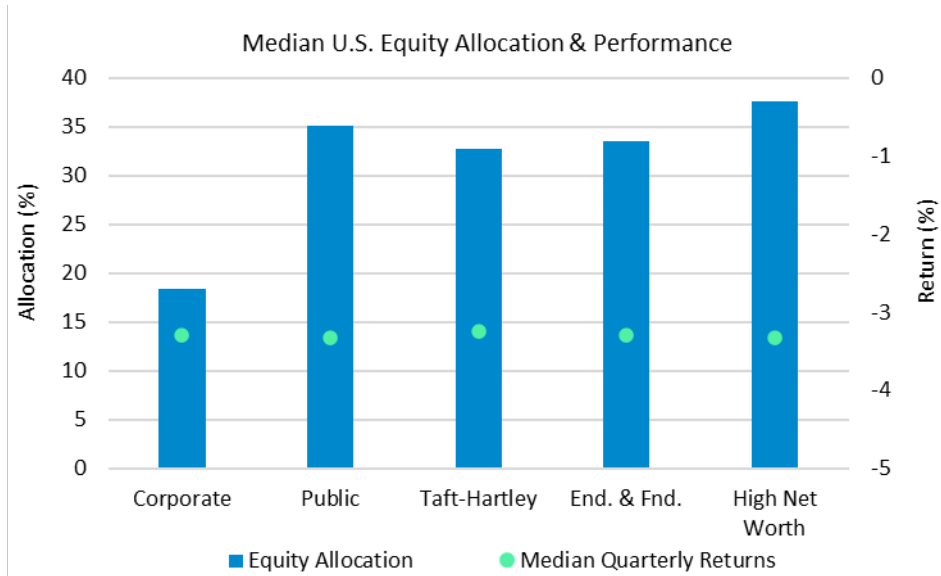
**Chart 4: Median Allocation shift by Plan Type.**

Source: Investment Metrics, a Confluence company.



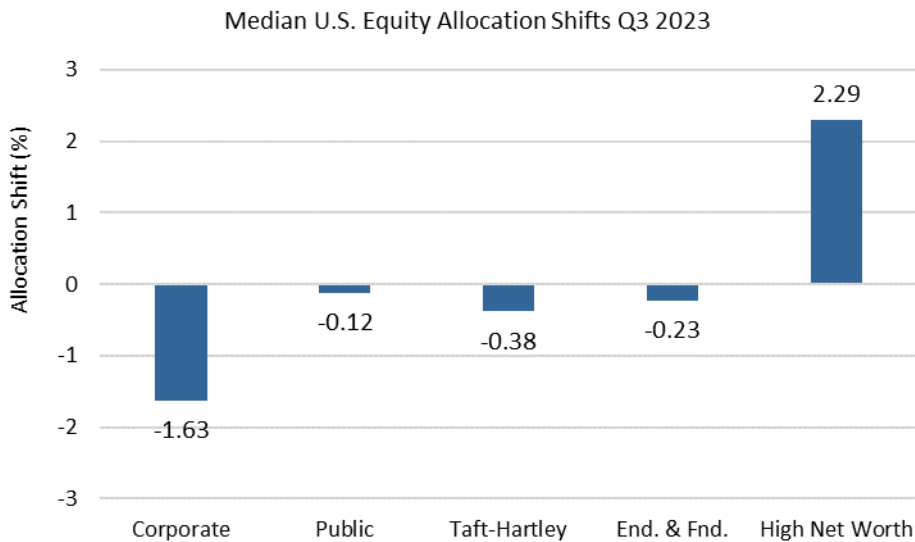
### U.S. Equity Performance

US equity returns across plan types were around -3.3% in Q3, significantly better than the Russell 3000 Index performance of -9%. Despite the negative quarterly return, US equity plans outperformed the benchmark. Corporate plans continue to lag their peers in US equity allocation, which has been the best-performing asset class over the past decade.



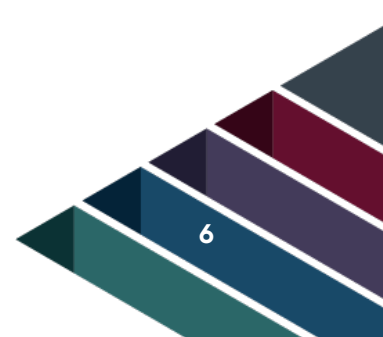
**Chart 5: Median U.S. Equity Allocation & Performance by Plan Type.**

Source: Investment Metrics, a Confluence company



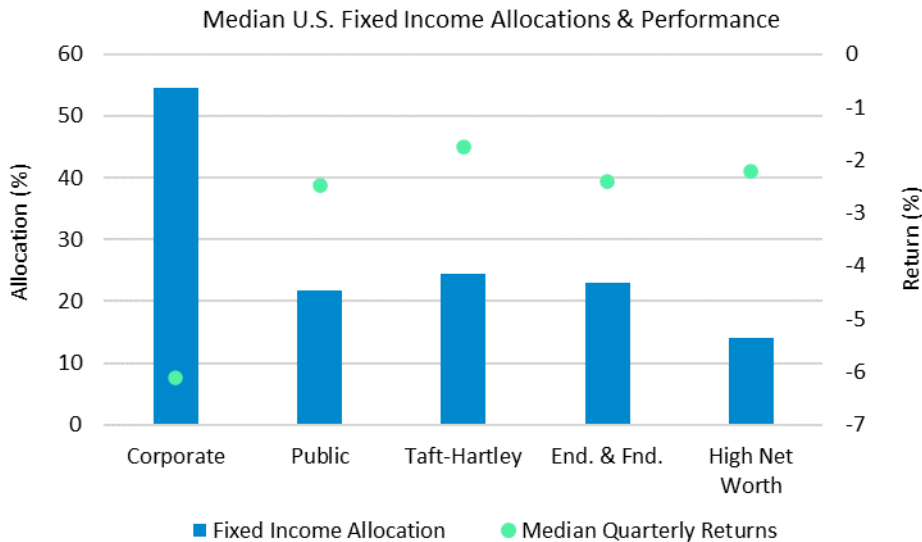
**Chart 6: Median U.S. Equity Allocation shift by Plan Type.**

Source: Investment Metrics, a Confluence company



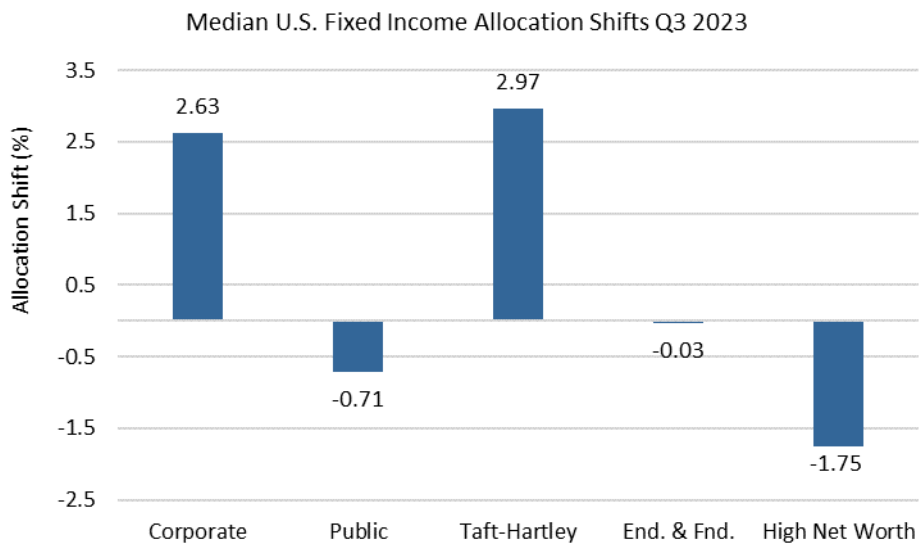
### U.S. Fixed Income Performance

Corporate plans have significantly lagged their peers in US fixed income performance, along with having twice the portfolio exposure. At a median level, corporate plans US fixed income performance was -6.1%, compared to other plan type returns of approximately -2.2%. Additionally, the median corporate plan has 55% of their plan portfolio allocated to US fixed income, much higher than peers.



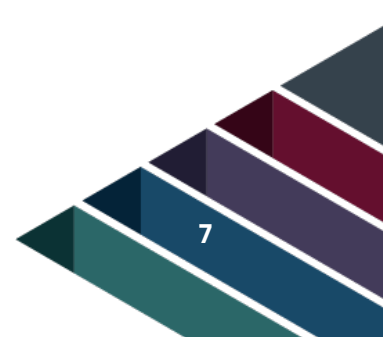
**Chart 7: Median U.S. Fixed Income Allocation & Performance by Plan Type.**

Source: Investment Metrics, a Confluence company



**Chart 8: Median U.S. Fixed Income Allocation Shift by Plan Type.**

Source: Investment Metrics, a Confluence



### Alternatives Performance

Despite their exposure to alternatives, many plan types did not benefit in a down equity and fixed income market during Q3. Public plans, Taft-Hartley plans, endowment and foundations, and high net worth plans all saw negative returns from this asset class. Corporate plans, on the other hand, had a positive 1% return from their alternatives allocation.

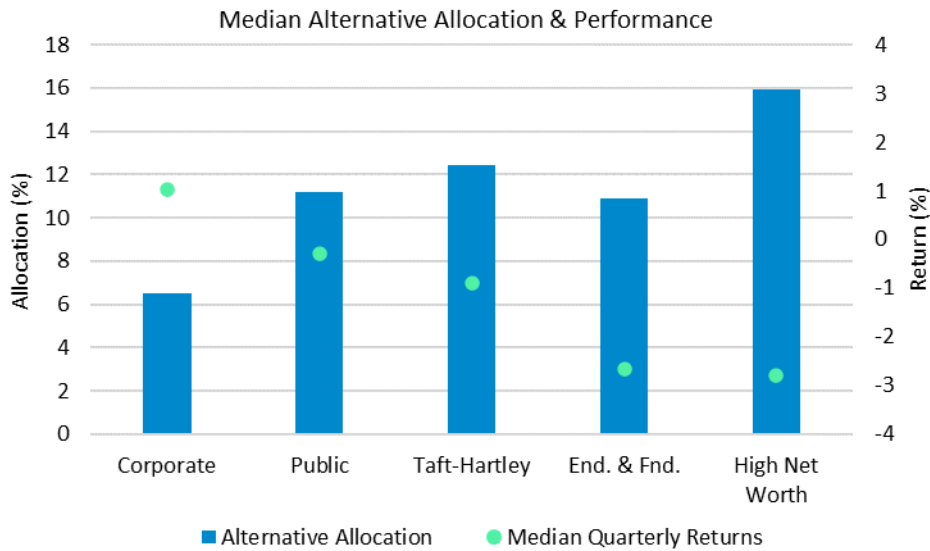


Chart 9: Median Alternative allocation & Performance.  
Source: Investment Metrics, a Confluence company

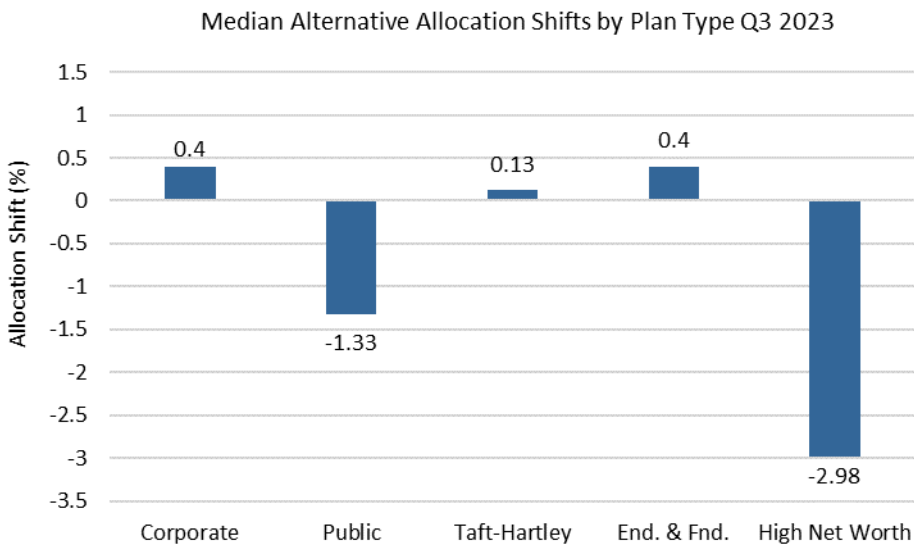
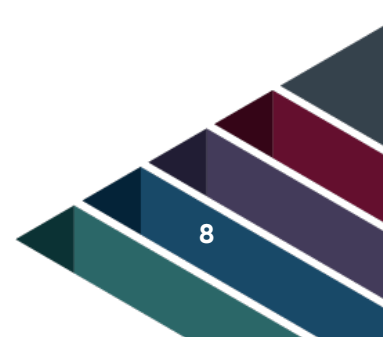


Chart 10: Median Alternative Allocation Shift by Plan Type.  
Source: Investment Metrics, a Confluence company





## Investment Metrics Plan Universe

Investment Metrics Plan Universe is the industry's most granular analytics tool for plan sponsors including standard and custom peer group comparisons of performance, risk, and asset allocations by plan type and size. The data is sourced directly from over 4,000 institutions using our reporting and analytics solutions including investment consultants, advisors and asset owners. Plan Universe is updated quarterly typically available on or near the following schedule: preliminary data available on the 14th business day after quarter end, a second cut on the 21st business day and final cut on the 29th business day, the data includes 20+ years' history on:

- Trust Funds, Corporates, Public Plans, Taft-Hartley, Endowments & Foundations, High Net Worth, Health & Welfare, and custom groups.
- Asset Allocations broken into equity (US, global, global ex-US), fixed income (US, global, and global ex-US), alternatives, real estate (public and private), multi-asset and cash. Emerging Markets allocations are available for equities and debt securities.
- Net and gross performances displayed by quartile with full percentiles via download.
- With all information aggregated by Plan Size.

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### Contact Us

 [confluence.com](http://confluence.com)

 [info@confluence.com](mailto:info@confluence.com)

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