

Confluence Plan Universe

Q3 2024 Plan Universe Allocation & Return Analysis

Defined Benefit plans post their best third quarter performance in 14 years

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Executive Summary

The Q3 2024 Confluence Plan Universe Report – the industry’s most granular analytics tool for plan sponsors with data sourced directly from over 4,000 institutions – reported another robust quarter for defined benefit plans.

Despite a spike in market volatility, with inflation declining and interest rate cuts by the Federal Reserve and other central banks, global equity markets posted another positive quarter, with the MSCI ACWI index returning over 6.72%. With positive returns across all asset classes, defined benefit plans posted a median return of 5.51%, up more than 4% compared to last quarter.

Highlights

- ▶ All defined benefit plans posted a fourth consecutive positive quarter, with a median return of 5.51%.
- ▶ U.S. equity continued to drive performance across defined benefit plans at a median level returning 6.29%. Comparatively, the median returns for U.S. fixed income and alternatives were 5.08% and 2.01%.
- ▶ Corporate defined benefit plans, driven by their fixed income allocation and exposure to long bonds, were the best performers by plan type during the quarter, returning 6.41% at a median level.

Plan Performance Over Time

Despite the quarter’s market volatility, ongoing geopolitical risks, and uncertainty around the election, U.S. equity markets, buoyed by the US Federal Reserve’s interest-rate cut, posted another strong quarter, with the S&P 500 Index returning 5.89%. With all major asset classes delivering positive performance, the Confluence All Defined Benefit Plan Sponsor Universe posted a median return of 5.51% (gross of fees) for the quarter.

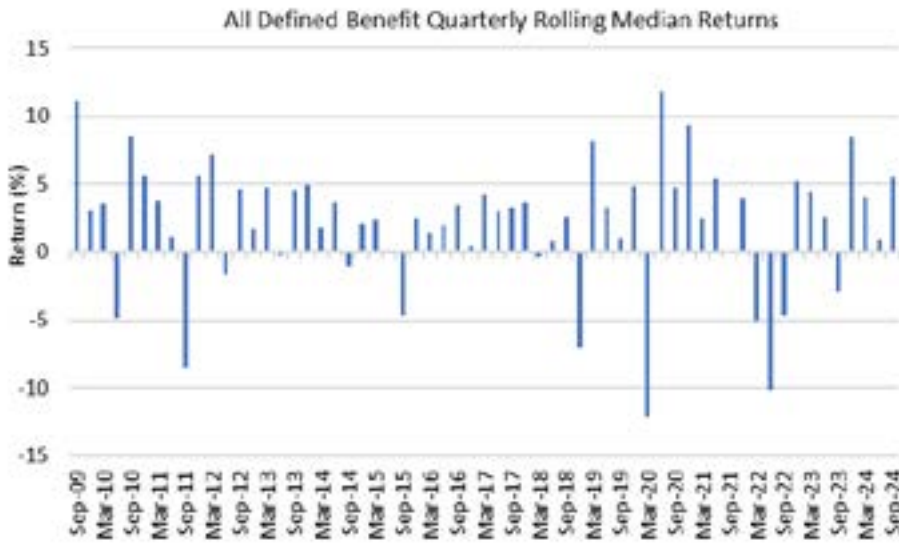


Chart 1: Quarterly Rolling Median Returns for All Defined Benefit Plans

Source: Confluence

Historical Plan Comparison

Corporate plans, which have a higher exposure to Fixed Income and benefited from strong performance in the long-duration sector, returned 6.41% at a median level in Q3 of 2024, outperforming other plans by an average of 1.1%. Comparatively, those plans with higher exposure to equity markets (Public, Taft-Hartley, Endowment & Foundation, and High Net Worth) outperformed corporate plans for the year-to-date period ending September by an average of 3.3%. Despite the strong absolute performance year to date, no plan types outperformed a traditional 60/40 benchmark return of 13.06%. (60% MSCI ACWI Index/ 40% Bloomberg Barclays U.S. Aggregate Index).

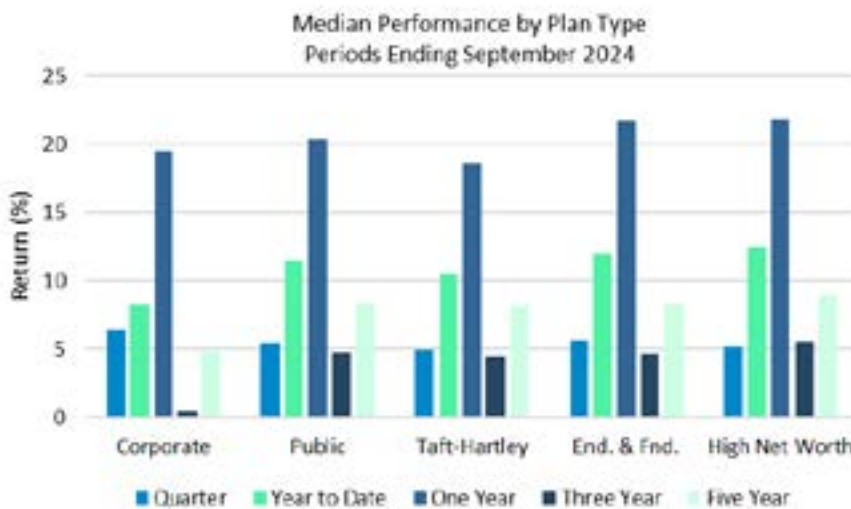


Chart 2: Median Performance by Plan Type

Source: Confluence

Q3 Plan Allocation Analysis

Corporate plans, which outperformed all other plan types for the quarter, continue to hold the largest allocation to fixed income, to which all plan types other than High Net Worth have increased allocations over the last year. Allocations to Real Estate, the worst-performing asset class across all defined benefit plans over the last year with a median return of -2.41%, were down by an average of 2%.

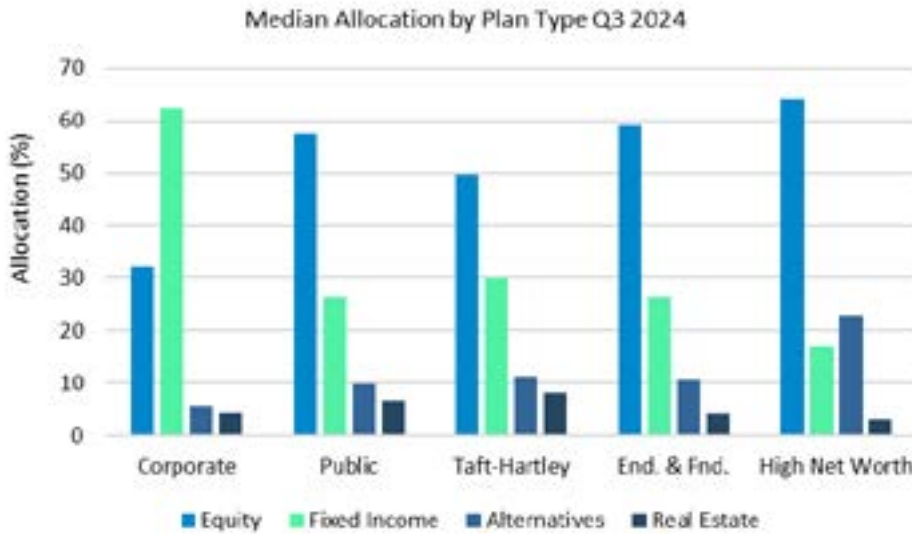


Chart 3: Median Allocations by Plan Type
Source: Confluence

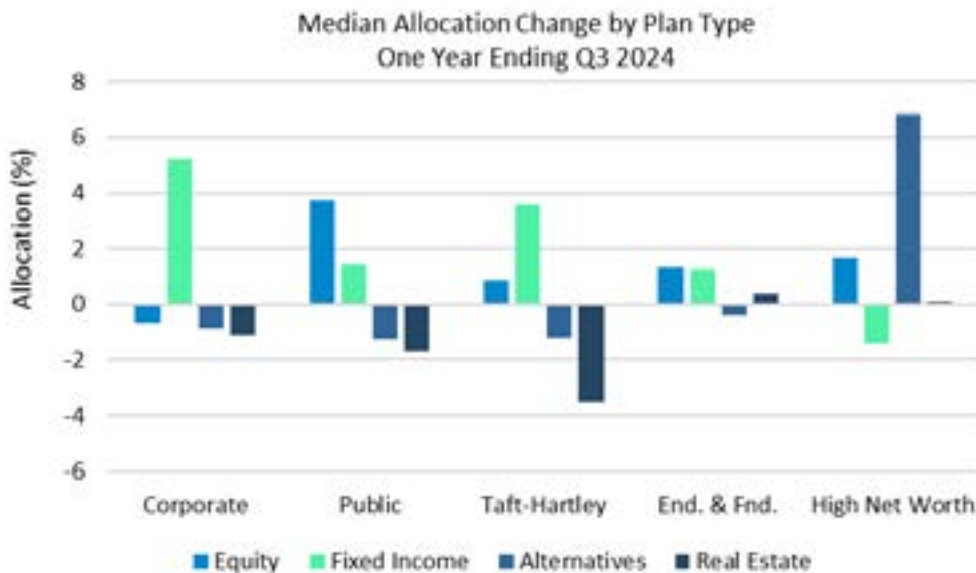


Chart 4: Median Allocation shift by Plan Type
Source: Confluence

U.S. Equity Performance

U.S. public equity markets posted positive returns in Q3 2024. For defined benefit plans, the median U.S. equity return was 6.29%. Corporate plans continue to be underweight U.S. equity with a median allocation of 18.33%, roughly half of the allocation compared to other plan types. For the year ending September, all plan types other than corporates increased their allocation to U.S. equity.

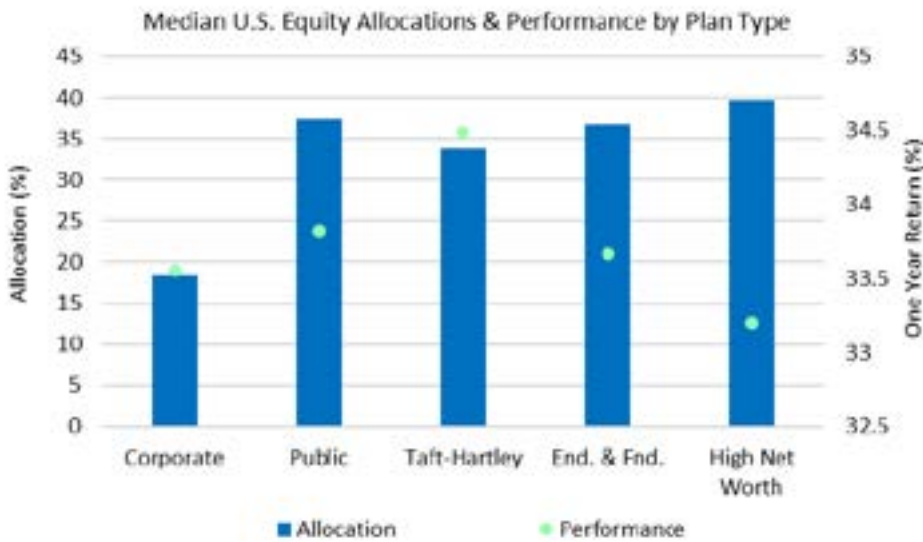


Chart 5: Median U.S. Equity Allocation & Performance by Plan Type

Source: Confluence

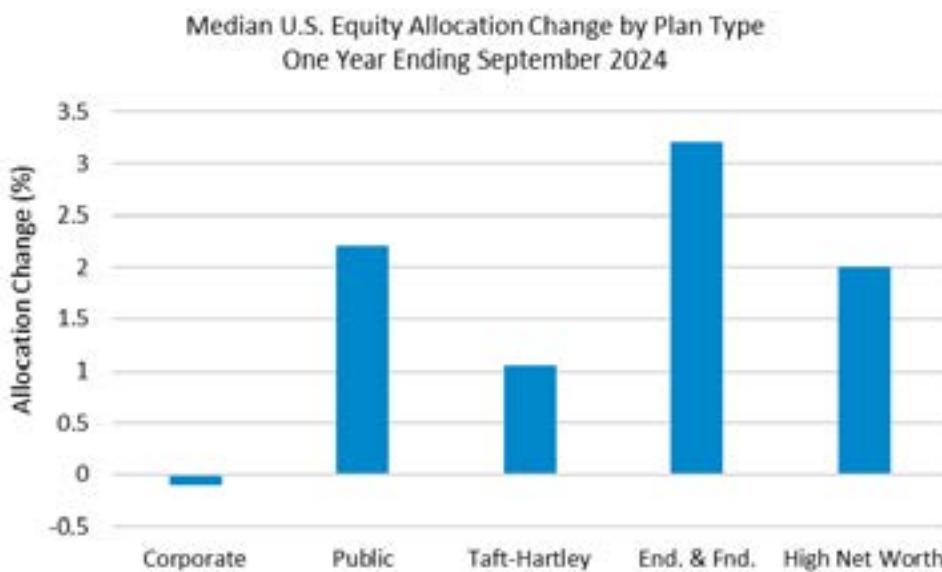


Chart 6: Median U.S. Equity Allocation Shift by Plan Type

Source: Confluence

U.S. Fixed Income Performance

All plan types increased their allocation to U.S. Fixed income over the last year, led by Taft-Hartley plans which increased their allocation by 4.73%. Corporate plans, which have the highest allocation to the asset class at 58.74%, also increased their allocation by more than 4% during the last year.

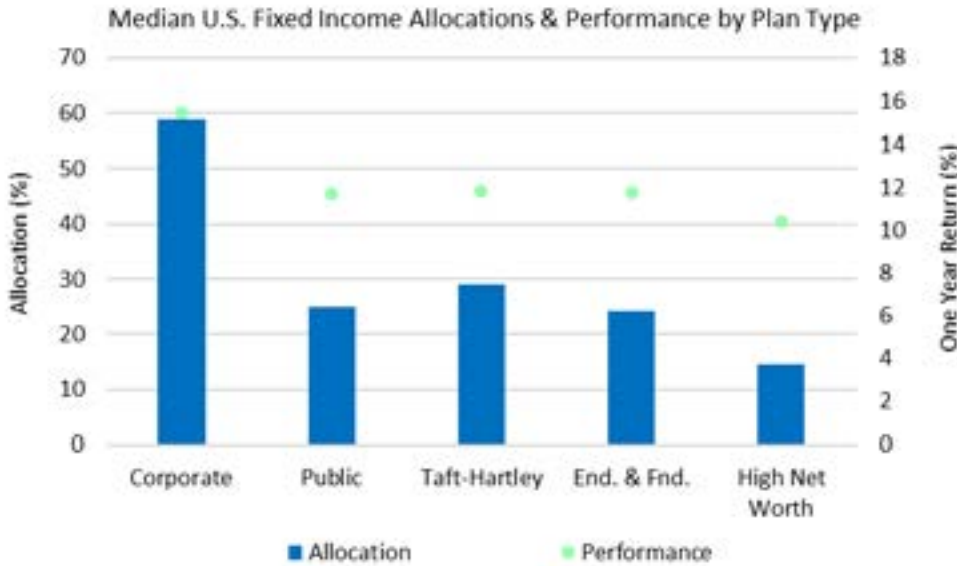


Chart 7: Median U.S. Equity Allocation Shift by Plan Type
Source: Confluence

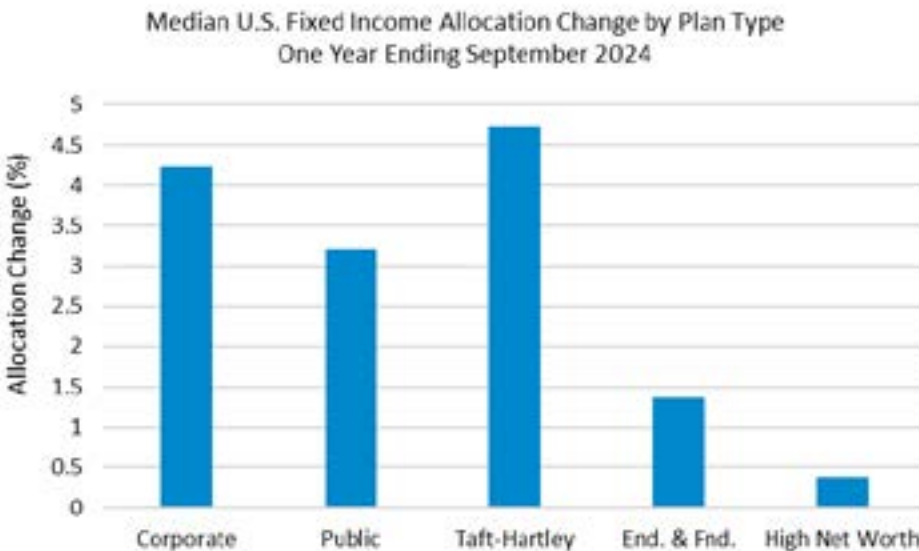


Chart 8: Median U.S. Fixed Income Allocation Shift by Plan Type
Source: Confluence

Alternatives Performance

Due to their lower exposure to private equity, corporate plans allocate half the amount to alternatives compared to other plan types. Allocations at a median level were down across all plan types, led by Public and Taft-Hartley plans, which saw their alternative allocations down over 1% last year.

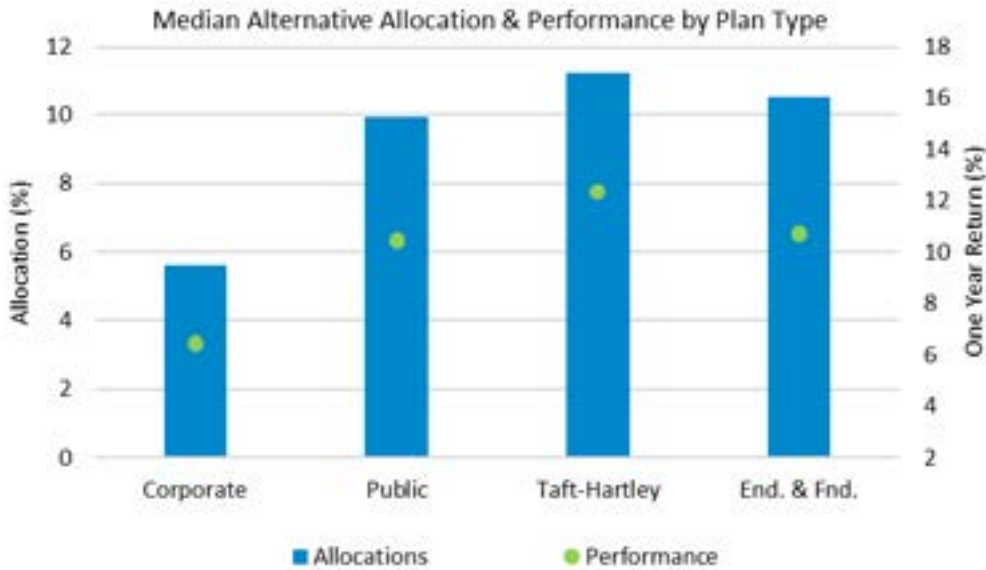


Chart 9: Median Alternative Allocation & Performance

Source: Confluence

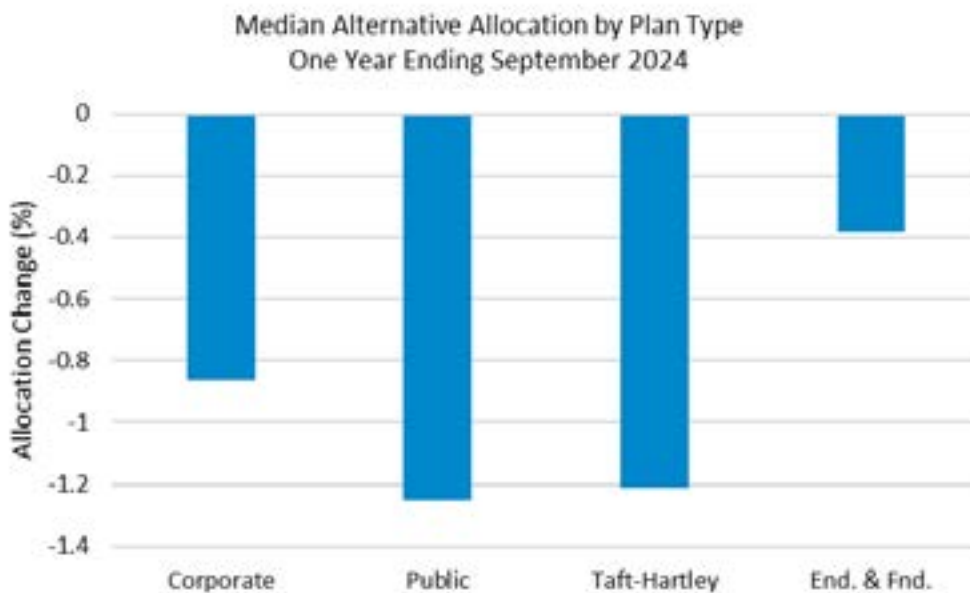


Chart 10: Median Alternative Allocation Shift by Plan Type

Source: Confluence

Confluence Plan Universe

Confluence 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 and 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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