

Confluence Plan Universe

Q4 2024 Plan Universe Allocation & Return Analysis

Equity and Alternatives drive top performing plans in 2024

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Executive Summary

The Q4 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.

While U.S. Large-cap growth equity delivered another positive quarter for investors, a strengthening dollar negatively impacted non-U.S. equities, with the MSCI EAFE and MSCI Emerging Markets indices down over 8%. Within fixed income, the U.S. Bloomberg Aggregate Index returned -3.06% for the quarter, while the Bloomberg U.S. Long Treasury Index returned -8.62%. Despite the fourth-quarter pullback, defined benefit plans posted a median return of 9% for the year.

Highlights

- ▶ All defined benefit plans posted their first negative quarter in over a year, with a median return of -1.27%.
- ▶ For the year, all defined benefit plans posted a median return of 9%, marking four of the last five years with positive returns.
- ▶ U.S. equity continued to drive performance across defined benefit plans at a median level, returning 2.06%. Comparatively, the median returns for U.S. fixed income and alternatives were -2.53% and .32%.
- ▶ Corporate defined benefit plans, driven by their fixed income allocation and exposure to long bonds, were the worst performers by plan type during the quarter, returning -3.83% at a median level.
- ▶ High-net-worth plans, driven by their equity and alternative allocations, were the best performers by plan type for the year, returning 11.32% at a median level.

Plan Performance Over Time

Despite the market response to the election in November, the quarter turned negative as markets pulled back in December. With major asset classes equity and fixed income delivering negative performance, the Confluence All Defined Benefit Plan Sponsor Universe posted its first negative quarter in over a year, with a median return of -1.27%.

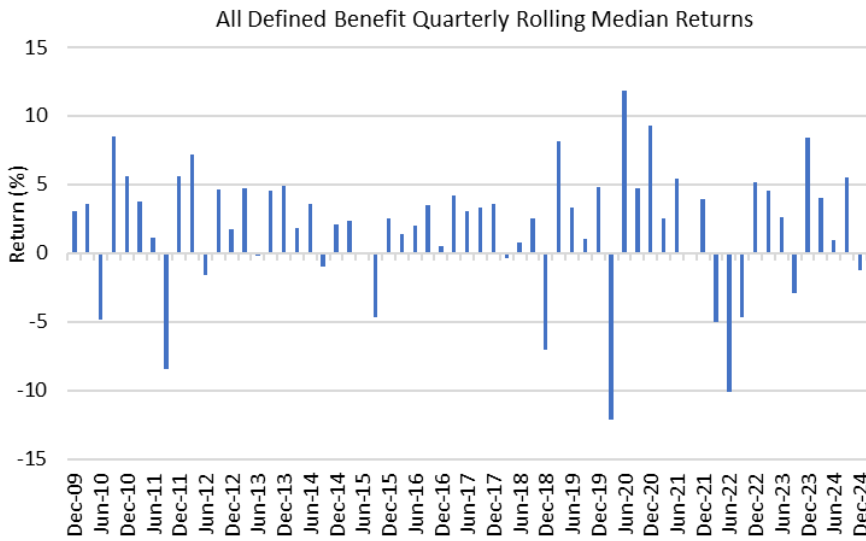


Chart 1: Quarterly Rolling Median Returns for All Defined Benefit Plans.
Source: Confluence

Historical Plan Comparison

Corporate plans, which have a higher exposure to Fixed Income, are disadvantaged by poor performance in the long-duration sector, returning --3.83 % at a median level in Q4 of 2024, underperforming other plans by an average of 3%. Comparatively, those plans with higher exposure to equity markets (Public, Taft-Hartley, Endowment & Foundation, and High Net Worth) outperformed corporate plans for the year by an average of 6.8%. Despite the strong absolute performance for the year, High-net-worth was the only plan type that outperformed a traditional 60/40 benchmark return of 11.07%. (60% MSCI ACWI Index/ 40% Bloomberg Barclays U.S. Aggregate Index.)

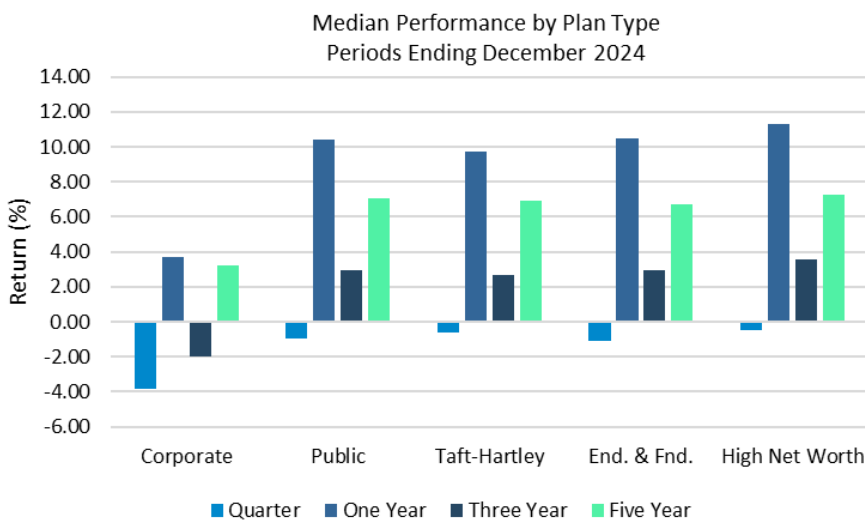


Chart 2: Median Performance by Plan Type.
Source: Confluence

Plan Allocation Analysis

Corporate plans, which underperformed all other plan types for the quarter, continue to hold the largest allocation to fixed income. Other than High Net Worth, all plan types 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 -1.84%, were down by an average of 1%.

Median Allocation by Plan Type Q4 2024

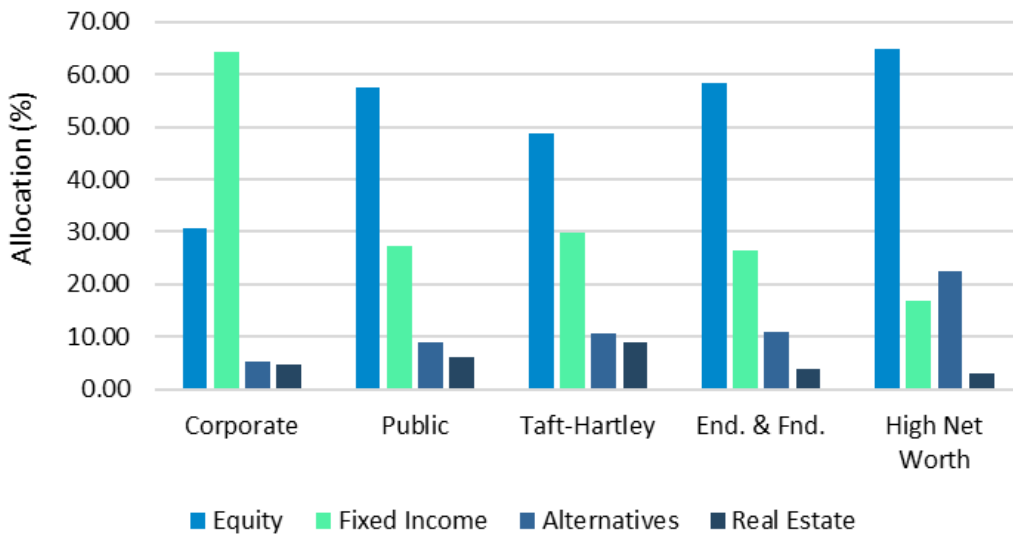


Chart 3: Median Allocations by Plan Type.
Source: Confluence

Median Allocation Change by Plan Type
One Year Ending Q4 2024

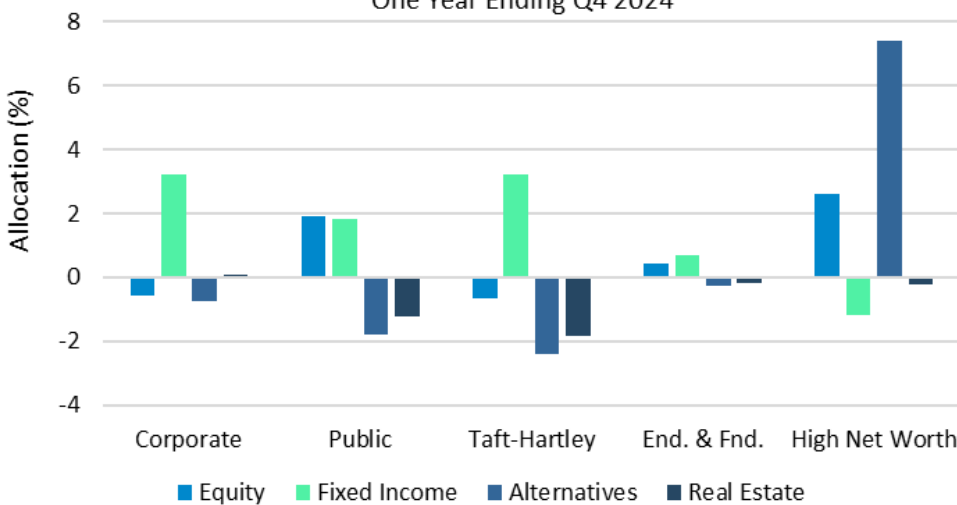


Chart 4: Median Allocation shift by Plan Type.
Source: Confluence

U.S. Equity Performance

U.S. public equity markets posted positive returns in Q4 2024. For defined benefit plans, the median U.S. equity return was 2.06%. Corporate plans continue to be underweight U.S. equity with a median allocation of 17.88%, roughly half of the allocation compared to other plan types. For the year ending December, all plan types other than corporates increased their allocation to U.S. equity.

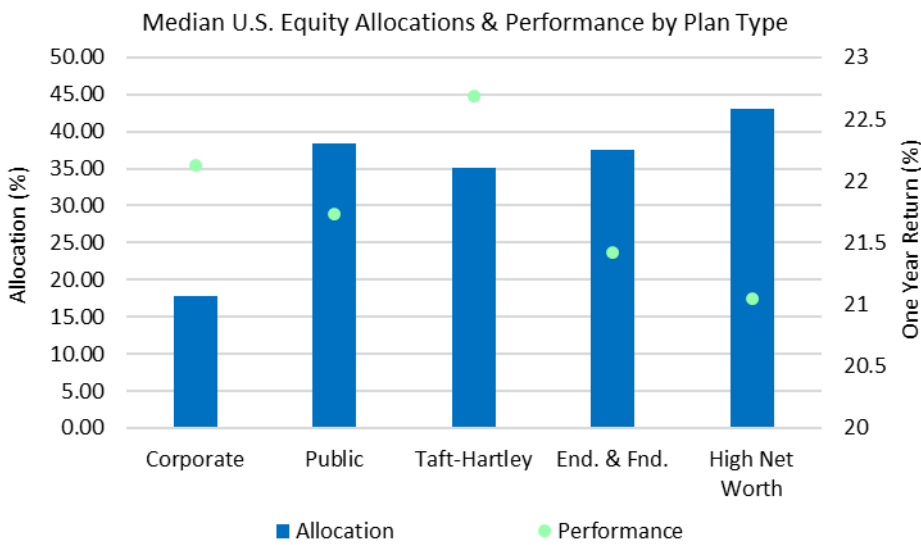


Chart 5: Median U.S. Equity Allocation & Performance by Plan Type.
Source: Confluence

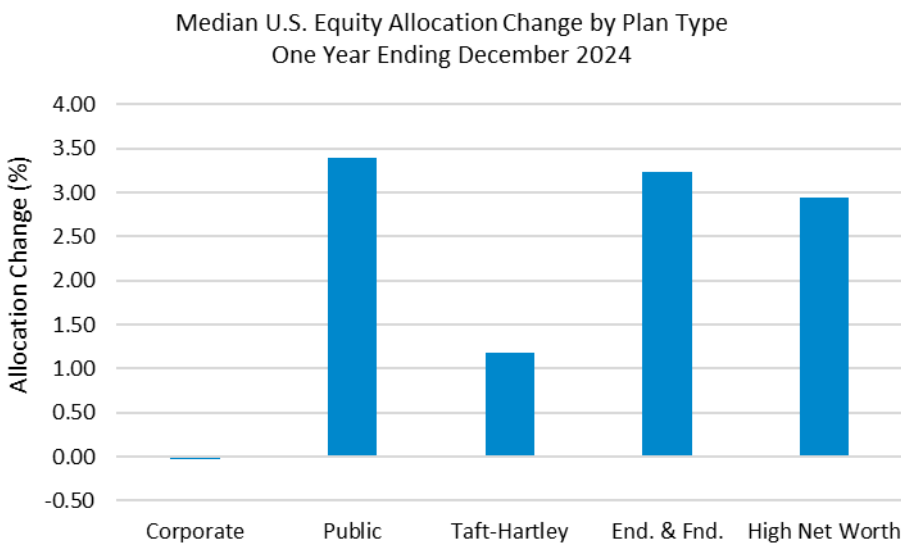


Chart 6: Median U.S. Equity Allocation Shift by Plan Type.
Source: Confluence

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 63.73%, also increased their allocation by more than 4% during the year. Corporate plans also continue to underperform other plan types due to their exposure to longer-duration investments.

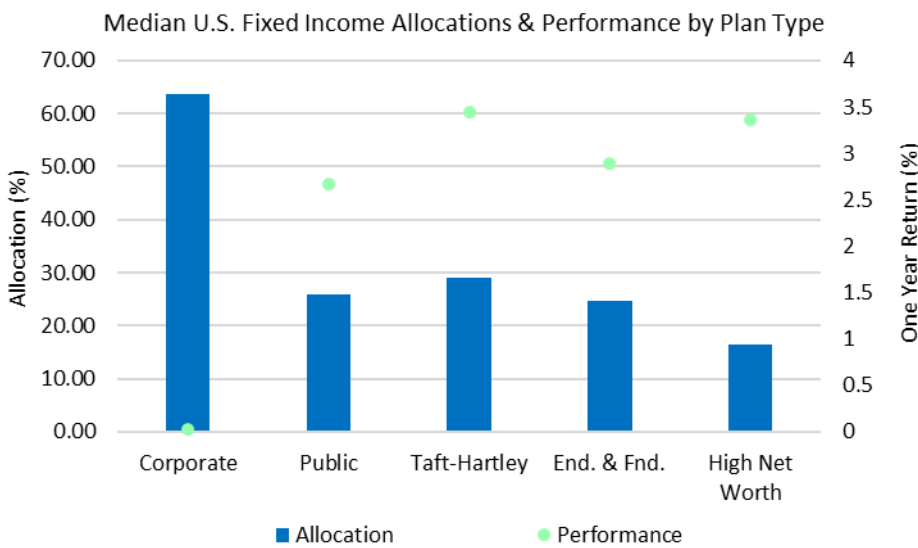


Chart 7: Median U.S. Fixed Income Allocation & Performance by Plan Type.
Source: Confluence

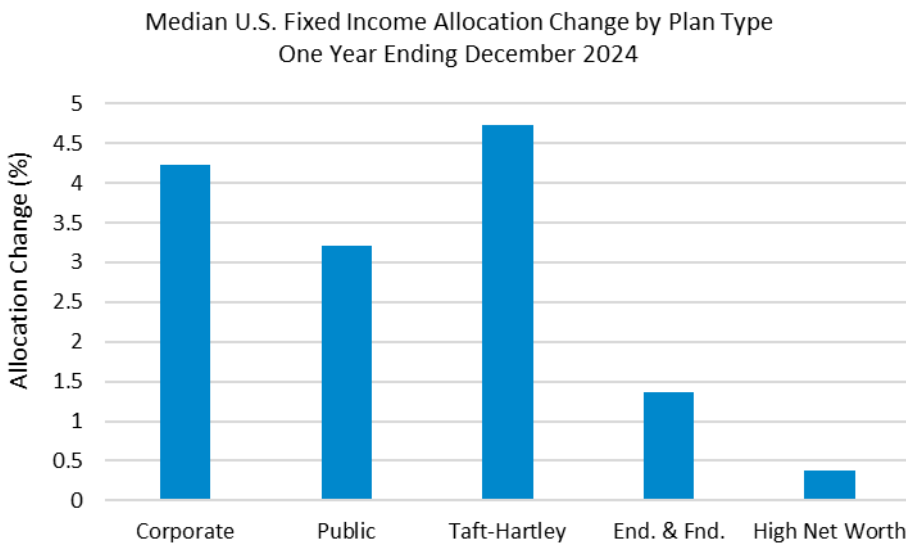


Chart 8: Median U.S. Equity Allocation Shift by Plan Type.
Source: Confluence

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 1.5% last year.

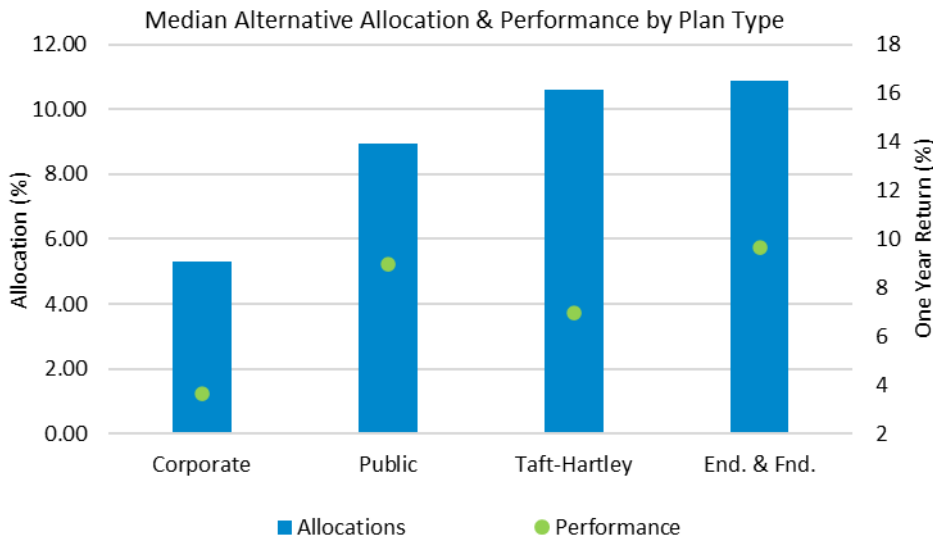


Chart 9: Median Alternative Allocation & Performance.

Source: Confluence

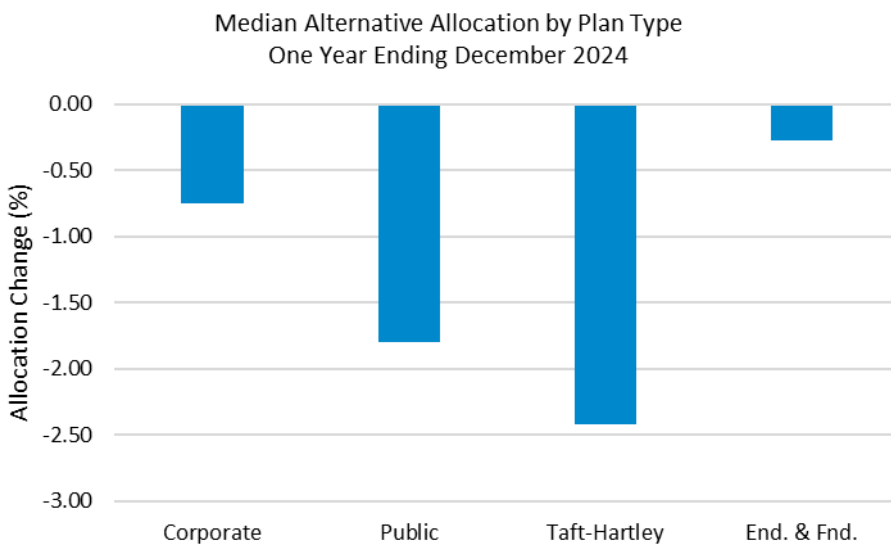


Chart 10: Median Alternative Allocation Shift by Plan Type.

Source: Confluence

Confluence Plan Universe

Confluence Plan Universe is the industry's most granular analytics tool for plan sponsors, and it includes 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 a 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 are broken into equity (US, global, global ex-US), fixed income (US, global, and global ex-US), alternatives, real estate (public and private), and 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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