

Q4 2023

# Plan Universe Allocation & Return Analysis

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Defined Benefit plans post their best quarterly performance in three years.

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## Author

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## Executive Summary

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The Q4 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 the strongest quarterly performance for defined plans in three years.

Markets rallied, especially toward the end of the year, after the Federal Reserve’s optimistic comments propelled U.S. equity markets to two-year highs. Despite lingering challenges such as geopolitical tensions and the high cost of borrowing, the potential of loosening monetary policy renewed optimism in global markets. Defined benefit plans, buoyed by positive performance during the fourth quarter from all asset classes other than Real Estate, posted their strongest quarterly return since Q4 2020.

## Highlights

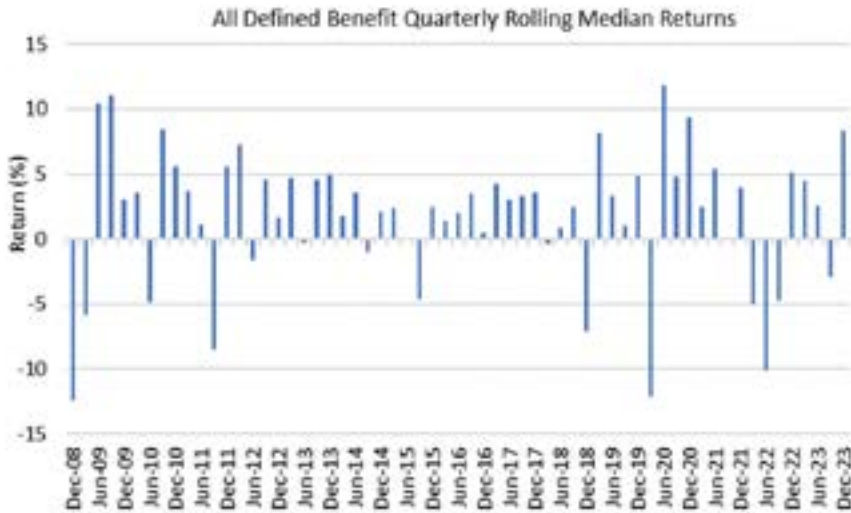
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- ▶ All defined benefit plans’ performance rebounded in the fourth quarter, posting their highest return since Q4 2020, with a median return of 8.38%.
- ▶ U.S. equity continued to drive performance across defined benefit plans, at a median level returning 12.04%. Comparatively, the median returns for U.S. fixed income and alternatives were 6.46% and 2.78.%.
- ▶ Corporate defined benefit plans, driven by their fixed income allocation to long bonds, were the best performers by plan type during the quarter, returning 9.97% at a median level.
- ▶ Taft-Hartley plans lagged peers for the quarter with a median return of 7%, trailing other plan types by nearly 2% on average.

## Plan Performance Over Time

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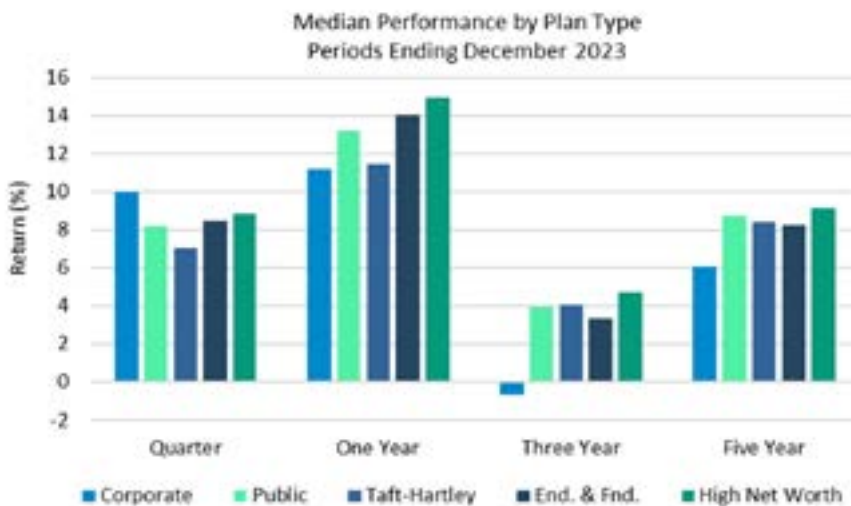
After a challenging third quarter in which defined benefit plans posted a median return of -2.9% (gross of fees), performance rebounded in the fourth quarter of the year with a median return of 8.38%, the best quarterly performance since Q4 2020. Though plan performance was strong during the quarter, all plan types other than Corporates underperformed a traditional 60/40 benchmark return of 9.42%. (60% MSCI ACWI Index/ 40% Bloomberg Barclays U.S. Aggregate Index).



**Chart 1:** Quarterly Rolling Median Returns for All Defined Benefit Plans  
 Source: Investment Metrics, a Confluence company

## Historical Plan Comparison

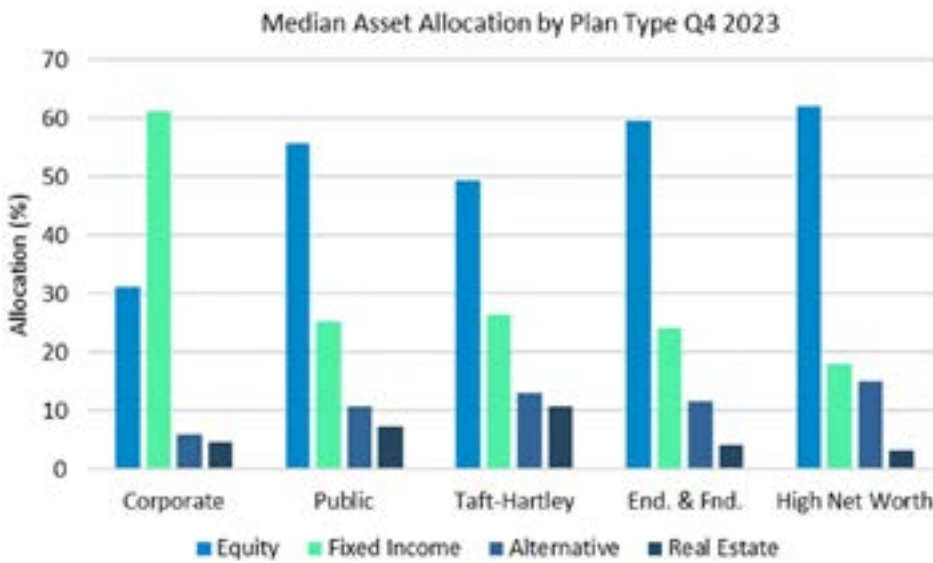
Corporate defined benefit plans returned 9.97% at a median level in Q4 of 2023, outperforming all plan types. While long bond performance in December buoyed corporate plan performance during the quarter, that same exposure underperformed for the year; therefore, corporate plans lagged other plan types with a median return of 11.22% in 2023. The plans with the highest exposure to equity (Public, Endowments & Foundations, High Net Worth) posted the strongest performance for the year.



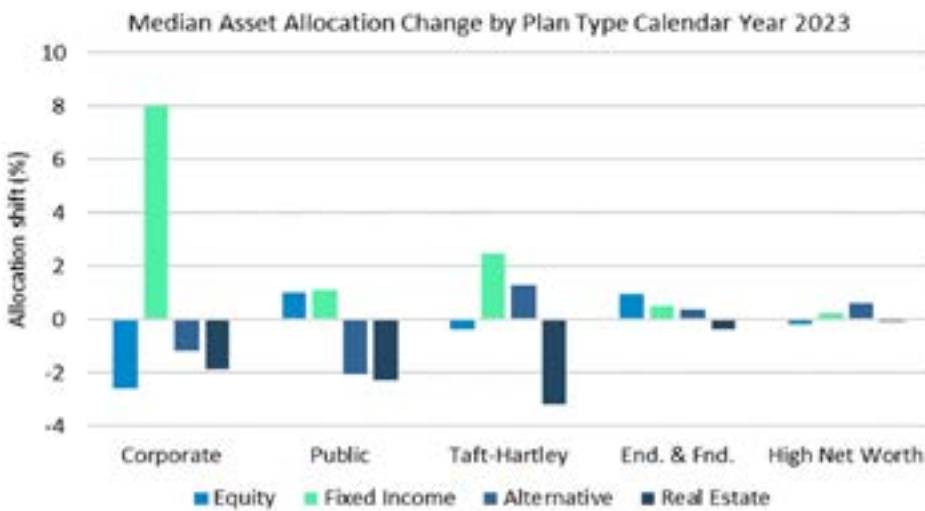
**Chart 2:** Median Performance by Plan Type.  
 Source: Investment Metrics, a Confluence company

## Q4 Plan Allocation Analysis

Corporate and Taft-Hartley defined benefit plans, which lagged all other plan types in performance, decreased their equity and increased their fixed income allocations during the year. Though both asset classes posted positive returns for the year, equity outperformed fixed income by 3.3% at the median level across all defined plans. Also of note, allocations to Real Estate, the worst performing asset class for the year with a median return of -3.49%, were down across all plan types.



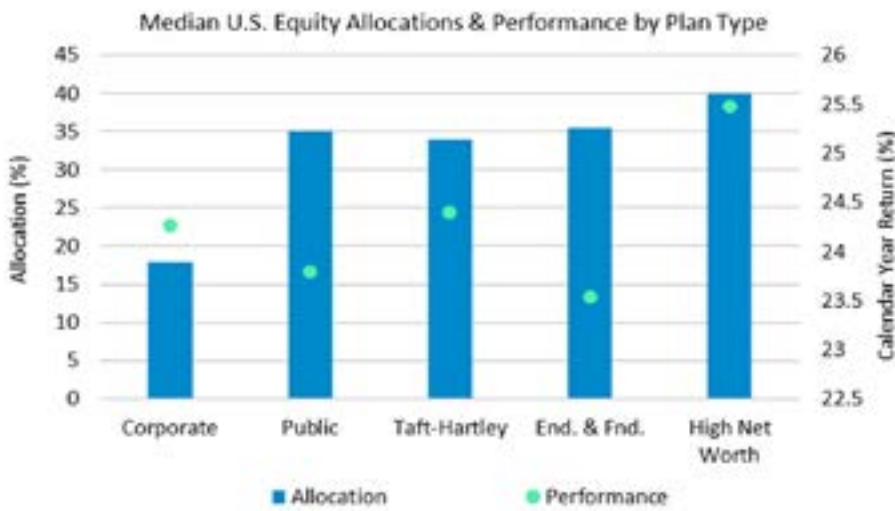
**Chart 3:** Median Allocations by Plan Type  
 Source: Investment Metrics, a Confluence company



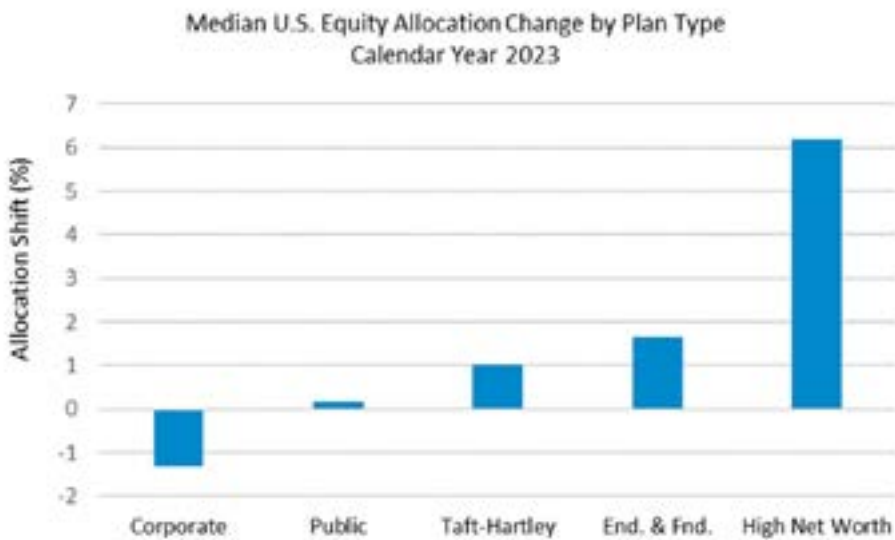
**Chart 4:** Median Allocation shift by Plan Type  
 Source: Investment Metrics, a Confluence company

## U.S. Equity Performance

The public U.S. equity market posted very strong returns in 2023; for defined benefit plans, the median U.S. equity return was 24.18%. Corporate plans continue to be underweight U.S. equity with a median allocation of 17.9%, roughly half the allocation compared to other plan types. For the year, all plan types, other than Corporates, increased their allocation to U.S. equity. High Net Worth plans, which were the best performing plan type for the year, increased their allocation to U.S. equity and had the strongest performance within the assets class, returning 25.5% at the median level.



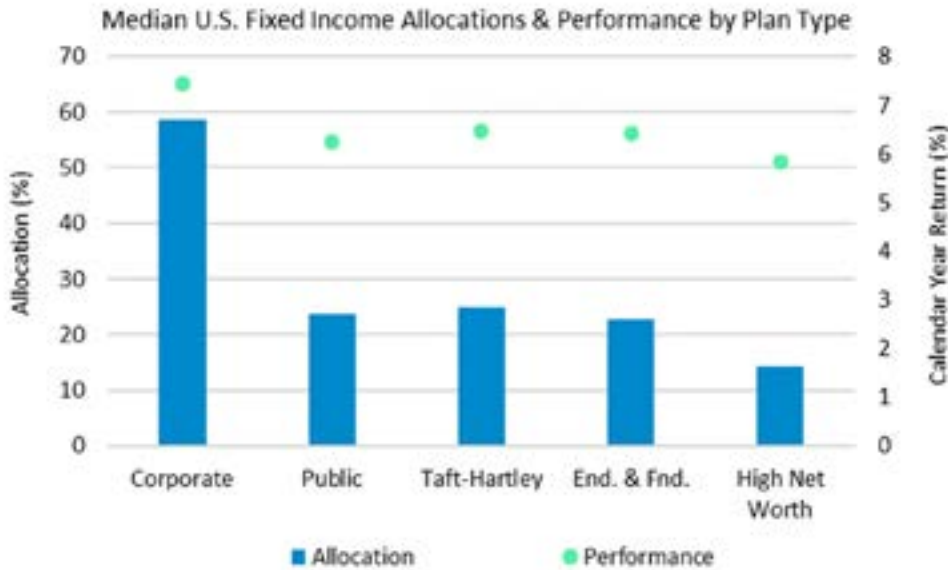
**Chart 5:** Median U.S. Equity Allocation & Performance by Plan Type  
 Source: Investment Metrics, a Confluence company



**Chart 6:** Median U.S. Equity Allocation shift by Plan Type  
 Source: Investment Metrics, a Confluence company

## U.S. Fixed Income Performance

All plan types other than High Net Worth increased their allocation to U.S. Fixed income in 2023. Corporate plans, which have the highest allocation to the asset class at 58.5%, had the highest increase in allocation as well as the best performance within the asset class.



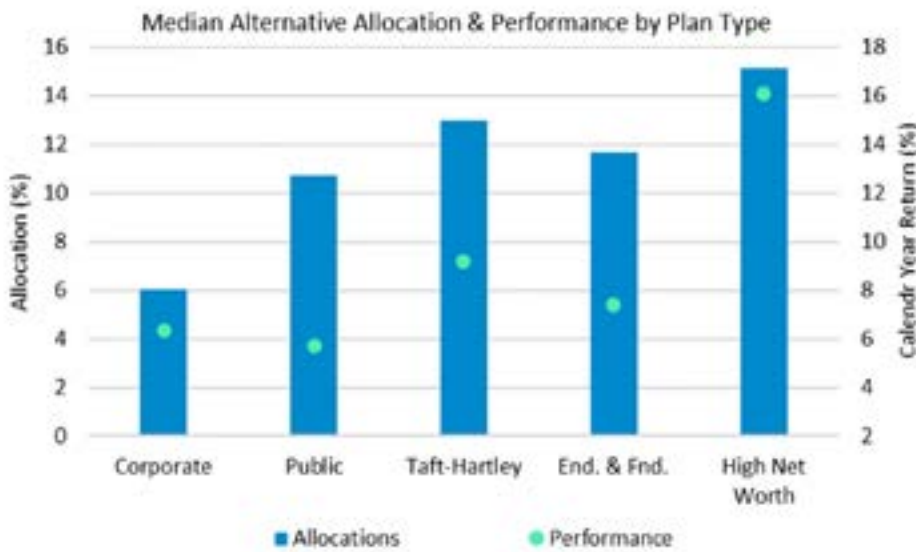
**Chart 7:** Median U.S. Fixed Income Allocation & Performance by Plan Type  
 Source: Investment Metrics, a Confluence company



**Chart 8:** Median U.S. Fixed Income Allocation shift by Plan Type  
 Source: Investment Metrics, a Confluence company

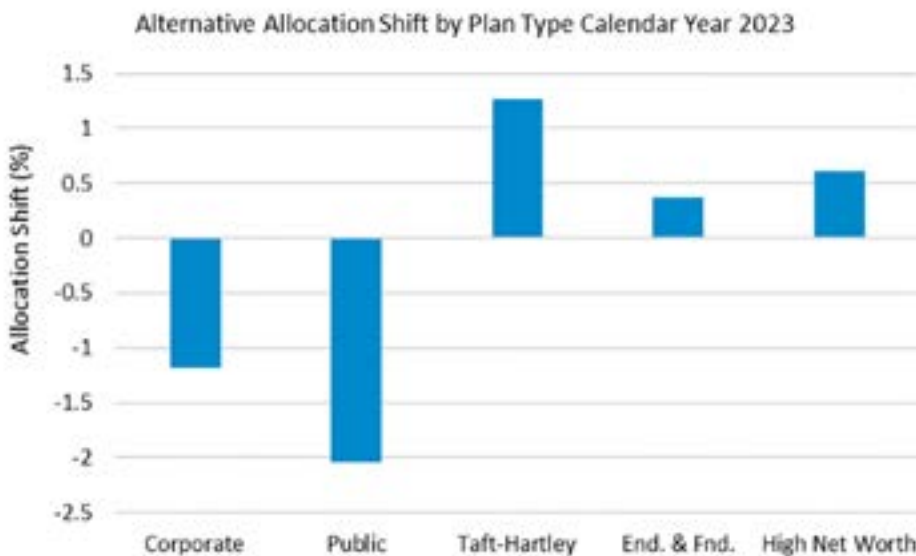
## Alternatives Performance

The plans that increased their allocations to Alternatives during the year (Taft-Hartley, Endowments & Foundations, High Net Worth) also have the highest allocations. Public plans had the largest pullback to alternatives during the year, down 2% at the median level. Public plan's performance in Alternatives also lagged all other plan types, returning 5.7% for the year, while the median across all defined plans was 6.9%.



**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 and typically available on or near the following schedule: preliminary data available on the 14th business day after the 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), 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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