

Alternatives usage in target date & balanced options by large U.S. Plan sponsors: 2017-2020

The 2020 CEM DC Database (extending from 1997) contains option level allocations, costs, benchmarks, and returns for 137 U.S. DC plan sponsors, covering \$1.5 trillion in assets.

Sponsors provide asset allocation for each target date or balanced option (i.e. they report separate target year allocations separately for 2030, 2035, 2040, etc.).

Prior to 2017, alternatives were reported as a single allocation within targeted date and balanced options.



2020 average asset allocation of target date and balanced options in the CEM DC database

	Target Date			Balanced
	All	Off-the-Shelf	Custom	All
Total Stock	67.5%	70.3%	62.9%	57.8%
Fixed Income	28.6%	27.8%	29.7%	35.3%
Commodities	0.7%	0.5%	1.2%	0.5%
REITs	1.4%	1.1%	2.1%	0.8%
Real Estate	0.7%	0.1%	1.7%	0.6%
Private Equity	0.0%	0.0%	0.0%	0.9%
Risk Parity & Hedge Funds	0.4%	0.0%	1.1%	0.3%
# of Sponsors	123	81	42	49
Total Assets (\$ billion)	\$338	\$155	\$184	\$39

2017-2020 average allocations to alternatives in target date options (only sponsors reporting for all years)

	Target Date			
	2017	2018	2019	2020
Real Estate	0.8%	0.9%	1.2%	0.9%
Private Equity	0.1%	0.0%	0.0%	0.0%
Risk Parity & Hedge Funds	0.5%	0.6%	0.6%	0.5%
Total	1.4%	1.5%	1.8%	1.4%

Figures shown represent an equal weighting of each plan sponsor. Target date options for a given sponsor have been combined based on assets.

As a point of comparison, the average allocations to real estate, private equity and hedge funds or risk parity are each over 5% in CEM's database of U.S. defined benefit pension plans.

See <https://www.cembenchmarking.com/ri/insight/34>

As of July 21, 2022.

Cost of target date and balanced options with alternatives

Target Date or balanced options in the database that include any combination of real estate, private equity or risk parity/hedge funds had an average investment manager cost (excluding administration) of 31 bps.

All other target date and balanced options had an average investment manager cost of 13 bps.

The options with alternatives tended to also be more active in traditional asset classes than those options without alternatives.