Use of alternatives in target date and balanced options by large U.S. plan sponsors: 2025

2025 Average Asset allocation of target date and balanced options in the CEM DC database

	Target Date			Balanced
	All	Off-the-shelf	Custom	All
Public Stock	69.3%	70.9%	66.6%	55.5%
Fixed Income	27.3%	27.0%	27.2%	38.7%
Commodities	0.36%	0.26%	0.51%	0.62%
REITs	1.35%	1.05%	1.95%	1.33%
Private Real Estate	0.78%	0.00%	2.29%	0.94%
Private Equity	0.02%	0.00%	0.05%	1.45%
Risk Parity & Hedge Funds	0.32%	0.00%	0.94%	0.45%
# of Sponsors	102	67	35	25
Total Assets ($Bn)	$786	$243	$543	$22

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 4% in CEM's database of U.S. defined benefit pension plans.

2025 Median allocations to alternatives in target date options (non-zero allocations)

	Custom Target Date Funds		Balanced Funds	
	#Sponsors	Median Alloc.	#Sponsors	Median Alloc.
Private Real Estate	16 out of 35	4.8%	4 out of 25	5.4%
Private Equity	1 out of 35	n/a, count<4	3 out of 25	n/a, count<4
Risk Parity & Hedge Funds	4 out of 35	7.9%	2 out of 25	n/a, count<4

Allocations to alternatives in the top table are significantly impacted by most target date and balanced options not having allocations to alternatives. If a plan does include alternatives within balanced or target date options, they form a more meaningful part of the allocation. The table immediately above shows the median allocation weight to each alternative type if it is used in a custom target date option or a balanced fund. Insufficient off-the-shelf funds held any alternative assets.

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 26 basis points. All other target date and balanced options had an average investment manager cost of 12 bps. The options with alternatives tended to also be more active in traditional asset classes than those options without alternatives.

The CEM DC database

As of October 2026 the 2025 CEM DC Database contains option level allocations, costs, benchmarks and returns for 109 U.S. Defined Contribution plan sponsors, covering $2.7 trillion in assets. Sponsors provide asset allocation for each target date or balanced option (i.e. they report allocations separately for 2030, 2035, 2040, etc. target year options). Prior to 2017, alternatives were reported as a single allocation within target date and balanced options. The database extends back to 1997.

About CEM

CEM is a data & insights firm serving institutional investors globally. Its investment benchmarking subscriptions give investment, strategy, and finance professionals an independent, objective assessment of their plan's performance and a clear fact base for investment and operating decisions that follow.
Founded in 1992, data integrity is at the core of everything CEM does: Data is collected directly from plan sponsors, their recordkeepers, and consultants. Read more about the 8 data principles here: https://explorecem.com/data-integrity/

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Use of alternatives in target date options: trend 2021–2025

2021–2025 Average allocations to alternatives in target date options (only sponsors reporting for all 5 years)

	2021	2022	2023	2024	2025
Private Real Estate	1.2%	1.1%	1.2%	1.2%	1.1%
Private Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Risk Parity & Hedge Funds	0.6%	0.6%	0.5%	0.5%	0.5%

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

2025 Average allocations in Defined Benefit plans by segment

	U.S.		Non-U.S.	
	Public	Corporate	Public	Corporate
Public Stock	41.1%	22.5%	42.0%	25.7%
Fixed Income	26.1%	59.4%	25.0%	46.0%
Commodities[1]	0.3%	0.0%	0.4%	0.0%
REITs[2]	0.5%	0.2%	0.1%	0.3%
Private Real Estate	7.7%	3.9%	8.4%	7.6%
Infrastructure	2.2%	0.6%	8.7%	7.4%
Other private real assets	1.3%	0.3%	0.8%	0.3%
Private Equity	11.8%	6.7%	7.4%	5.2%
Private Credit	4.3%	2.0%	5.4%	5.8%
Risk Parity & Hedge Funds	4.3%	4.0%	1.6%	1.6%
Other multi-asset	0.3%	0.4%	0.2%	0.0%

1. Excludes exposure through derivatives.
2. Real Estate Investment Trusts / listed real estate.

CEM's Investment Benchmarking Database

CEM's U.S. Defined Benefit Investment Database is used here as a comparison point for the allocations to target date options. As of Oct 26, 2026 this database, which contains asset class level holdings, implementation approach, costs, benchmarks and returns, has been fully or partially updated to calendar end 2025 for 130+ U.S. defined benefit plan sponsors, covering USD$4.3 trillion in assets. For some plans whose 2025 data is still in progress, 2024 allocations are included here. It is a subset of CEM's global $16 trillion investment benchmarking service database. The database extends back to 1991.





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