

Use of alternatives in target date and balanced options by large U.S. plan sponsors: 2022

2022 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	66.9%	68.7%	63.8%	55.3%
Fixed Income	29.6%	29.4%	29.7%	39.8%
Commodities	0.37%	0.31%	0.46%	0.16%
REITs	1.48%	1.34%	1.77%	0.37%
Private Real Estate	0.76%	0.08%	2.10%	1.07%
Private Equity	0.00%	0.00%	0.00%	0.46%
Risk Parity & Hedge Funds	0.37%	0.00%	1.10%	0.38%
# of Sponsors	110	73	37	33
Total Assets (\$Bn)	\$323	\$139	\$184	\$23

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>

2022 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	13 out of 37	6.0%	6 out of 33	5.5%
Private Equity	0 out of 37	0.0%	2 out of 33	n/a, count<4
Risk Parity & Hedge Funds	4 out of 37	10.1%	1 out of 33	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 25 basis points. All other target date and balanced options had an average investment manager cost of 11 bps. The options with alternatives tended to also be more active in traditional asset classes than those options without alternatives.

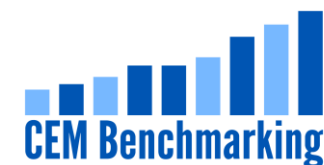
The CEM DC database

As of Sep 01, 2023, the 2022 CEM DC Database contains option level allocations, costs, benchmarks and returns for 121 U.S. defined contribution plan sponsors, covering \$1.2 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 Benchmarking

Our business is providing objective, actionable benchmarking insights into maximizing value for money in investments and pension administration. For Defined Contribution plans of all shapes and sizes, we arm DC plan sponsors with an annual, objective, and defensible fee and performance review process.

BenchmarkDC is our comprehensive benchmarking service for Defined Contribution plans. In addition to BenchmarkDC, since 1992, we've also benchmarked managed asset pools, primarily Defined Benefit from around the world. This second, global database covers 300+ fund organizations and over \$13 trillion in assets.



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Use of alternatives in target date options: trend 2018–2022 and comparison with D.B. plans

2018–2022 Average allocations to alternatives in target date options (only sponsors reporting for all years)

	2018	2019	2020	2021	2022
Private Real Estate	0.9%	1.2%	0.9%	1.1%	1.0%
Private Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Risk Parity & Hedge Funds	0.7%	0.6%	0.6%	0.6%	0.5%

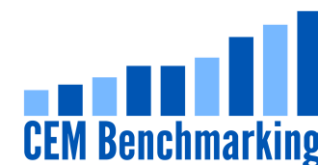
Figures shown represent an equal weighting of each plan sponsor. Target date options for a given sponsor have been combined based on assets.

2022 Average allocations in defined benefit plans by segment

	U.S.		Non-U.S.	
	Public	Corporate	Public	Corporate
Public Stock	42.9%	24.4%	41.5%	27.2%
Fixed income	26.1%	55.4%	24.0%	48.2%
Commodities	0.3%	0.1%	0.5%	0.0%
REITs	0.9%	0.5%	0.3%	0.7%
Private Real Estate	7.9%	4.3%	9.4%	8.5%
Infrastructure	0.9%	0.4%	7.3%	5.3%
Other private real assets	1.4%	0.4%	1.4%	0.3%
Private Equity	11.9%	6.6%	7.6%	4.4%
Private credit	2.2%	1.6%	3.9%	4.3%
Risk Parity & Hedge Funds	5.1%	5.6%	2.5%	1.1%
Other multi-asset	0.6%	0.6%	1.5%	0.0%

CEMs U.S. DB Database

CEM's U.S. Defined Benefit Database is used here as a comparison point for the allocations to target date options. As of Aug 03, 2023, CEM U.S. Defined Benefit Database, which contains asset class level holdings, implementation approach, costs, benchmarks and returns, has been fully or partially updated to calendar end 2022 for 133 U.S. defined benefit plan sponsors, covering \$5 trillion in assets. For some plans whose 2022 data is still in progress, 2021 allocations are included here. It is a subset of CEM's global \$14 trillion investment benchmarking service database. The database extends back to 1991.



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