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SEI Research: Multiemployer Plans Considering Changes in Wake of Poor Funded Status

Trustees Say Volatility, Funding Status Concerns Influence Considerations for New Strategies

OAKS, Pa., June 22 /PRNewswire-FirstCall/ -- New research from SEI's (Nasdaq: SEIC) Pension Management Research Panel outlines four key issues impacting multiemployer plans and addressing poorly funded plans. The paper shows that nearly half (49 percent) of the multiemployer plans questioned said their plan was below 80 percent funded. The Worker, Retiree, and Employer Recovery Act (WRERA) provided multiemployer trustees with a permissible election to treat the plan's current status as the plan's status in the preceding plan year. Nearly three in four trustees have chosen to do so.

"Clearly, the recent economic environment has placed tremendous stress on multiemployer pension funds and their trustees," said Jon Waite, Director, Investment Management Advice and Chief Actuary of SEI's Institutional Group. "The difficulties in overseeing these plans have continued to mount and multiemployer plan trustees are trying to implement new strategies for managing these plans moving forward."

In response to this challenging environment, multiemployer trustees appear more open to change. Historically, trustees had been relatively conservative when it came to investing in alternatives. Yet, 87 percent said the multiemployer plans they oversee currently have an allocation to alternatives. Furthermore, over a third (39 percent) said that the organization had increased their plan's allocation to alternatives during the past 12 months.

An additional sign of investment management change is that 67 percent said there was an increased focus on the plan's liabilities when setting investment strategies. Other potential changes could result from the fact that almost three-quarters (73 percent) of those trustees using a consultant said it has been more than five years since they last changed their consultant. Twenty-three percent said they would like a model that reduces the time spent evaluating and selecting manager finalists from the consultants.

The Panel conducted primary research by questioning a select group representing 31 unique multiemployer pension funds. Of those individuals questioned, 39 percent were union

trustees, 19 percent were management trustees, and 42 percent filled other pension administrative roles.

A complete summary of the poll is available by emailing seiresearch@seic.com.

About SEI's Institutional Group

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