September 13, 2010

SEI Quick Poll: Pension Plans Increase Use of Alternative Investments

More than Half of Plans Closed or Frozen; Funded Status a Greater Priority than Returns

OAKS, Pa., Sept. 13 /PRNewswire/ -- An SEI (Nasdaq: SEIC) Quick Poll released today shows a significant increase in the percentage of pension portfolios investing in alternatives, when compared to the previous two years. In 2008, 51 percent of pension executives surveyed in an SEI Quick Poll said their pension portfolio was invested in alternatives. In 2009, that percentage increased to 53 percent. This year's poll saw an increase to 65 percent of the poll participants. Use among pensions with more than $300 million in assets is significantly higher than those with less; 84 percent compared to 53 percent, respectively.

Other poll findings include that nearly all pension executives viewed improved funded status as a benchmark more important than increasing absolute returns. Of the major concerns impacting pension executives, more poll respondents (88 percent) chose managing funded status than any other issue. Additional priorities moving forward included improving funded status, creating a long-term pension strategy, stress-testing the portfolio, increasing due diligence, and defining the role of consultants and investment professionals providing advice to pensions.

"Funding deficiencies are getting the attention of various stakeholders in companies and, as a result, boards and senior management are looking for long-term strategies as this scrutiny continues," said Jon Waite, Director, Investment Management Advice and Chief Actuary for SEI's Institutional Group. "A plan's funded status is the top priority as liabilities are being managed within a larger, organizational, risk management framework. In particular, alternative investments are being integrated into the portfolio as another channel for mitigating overall risk, while providing additional return."

In addition to the increase in the percentage of pensions using alternatives, poll respondents from larger plans are investing a greater percentage of the portfolio in alternatives. Of those with more than $300 million in assets, more than three-quarters (77 percent) invest 11 percent or more in alternatives. By comparison, 42 percent of pensions with less than $300 million in assets invest 11 percent or more. Real estate (77 percent), private equity (54 percent), funds of hedge funds (47 percent), and single manager hedge funds (30 percent) are the most common alternatives being used, according to respondents.

In response to recent economic conditions and changing priorities, some pensions are closed to new entrants and accruals have ended for current participants. According to poll respondents, more than half (53 percent) of the pension plans are either closed or frozen, approximately a 10 percent increase compared to a similar survey conducted in August 2009. However, funding deficiency was not the only factor in preventing organizations from terminating their plan. Respondents were asked if their plan were fully funded, would they still look to terminate the plan as soon as possible. Of those that already have frozen their plan, nearly three-quarters (73 percent) said they would look to terminate the plan. Of those with active plans, 75 percent said they would not look to terminate it.

The poll was completed by 85 pension executives overseeing assets ranging in size from $25 million to $10 billion. Of the respondents, 36 percent oversee more than $300 million in assets. None of the respondents were institutional clients of SEI.

For a copy of the complete survey results, please email seiresearch@seic.com.

About SEI's Institutional Group

SEI's Institutional Group delivers integrated healthcare, retirement and nonprofit investment solutions to more than 500 global institutional clients (of which 340 are U.S. based) in six different countries. SEI enables clients to meet financial objectives, reduce business risk, and fulfill their due diligence requirements through implemented fiduciary management strategies for defined benefit plans, defined contribution plans, endowments, foundations and other balance sheet assets. For more information, visit www.seic.com/institutions.

About SEI

SEI (Nasdaq: SEIC) is a leading global provider of outsourced asset management, investment processing and investment operations solutions. The company's innovative solutions help corporations, financial institutions, financial advisors, and affluent families create and manage wealth. As of June 30, 2010, through its subsidiaries and partnerships in which the company has a significant interest, SEI administers $380 billion in mutual fund and pooled assets and manages $149 billion in assets. SEI serves clients, conducts or is registered to conduct business and/or operations, from numerous offices worldwide. For more information, visit www.seic.com.

SOURCE SEI