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SEI Quick Poll: Healthcare Organizations Cite Investment Volatility and Expense as Drivers of Pension Decisions

More than Half Considering Changes to Defined Benefit Plans

OAKS, Pa., Sept. 19 /PRNewswire-FirstCall/ -- An SEI (Nasdaq: SEIC) Quick Poll released today shows that in response to continued investment and expense volatility, healthcare organizations are in the process of making significant changes to their defined benefit (DB) plans. Of the 73 healthcare organizations participating in the poll, only 44 percent said their pension plan will remain in its current state for the foreseeable future and 66 percent of those who are considering making a change plan on doing so by the end of 2008.

Despite the fact that the healthcare industry has historically valued the DB plan as a key part of employee benefits, organizations within this industry are increasingly challenged to control the pension impact on overall corporate finances. Of all of the organizations polled, 48 percent said that eliminating or reducing investment volatility is a key driver in making a change and 47 percent said the goal was to eliminate or reduce costs. A significant portion (22 percent) said the organization's Board had asked for an evaluation.

"Volatility in the pension plan is just one example of how an organizational asset pool can impact corporate finances," said Jim Morris, SEI's Senior Vice President, Global Institutional Solutions. "Within healthcare, increased organizational scrutiny has resulted in a focused effort to control the risks that portfolio decisions for balance sheet and non- balance sheet assets can present to the organization."

The types of healthcare organizations polled included healthcare systems consisting of multiple hospitals or clinics (48 percent), stand-alone hospitals or clinics (47 percent) and hospital affiliated educational programs (5 percent). The poll suggests that healthcare organizations are considering plan design changes in anticipation of the Pension Protection Act to be phased in starting in 2008. Rules will require 100 percent pension funding status. According to the poll, on an Accrued Benefit Obligation (ABO) basis, less than 20 percent of those polled are currently at or over 100 percent funded -- and more than a third are under the 90 percent funding point.

SEI's survey is evidence that change in the DB healthcare space is looming. Of the organizations whose DB plans were still active, more than half said they were considering a design change. Even more, if the organizations currently considering freezing their accruals actually end up doing so, more than half of the pensions polled will have frozen accruals. Two thirds plan to make the change within the next year.

The poll shows that 62 percent have already or are considering defined contribution (DC) as an alternative solution, while 25 percent said they are not considering a replacement in lieu of the phase-out.

The poll, administered by SEI's Pension Management Research Panel, surveyed executives responsible for overseeing defined benefit (DB) plans for 73 different healthcare organizations across the United States ranging from $30 million to over $1 billion in pension assets. None of the companies surveyed were SEI institutional clients. A complete summary of the poll is available by emailing seiresearch@seic.com.

About SEI's Institutional Group

SEI's Institutional Group delivers integrated retirement, healthcare and nonprofit solutions to over 490 global institutional clients (330 U.S. institutional clients) in seven different countries. SEI enables clients to meet financial objectives, reduce business risk, and fulfill their due diligence requirements through implemented strategies for the management of defined benefit plans, defined contribution plans, endowments, foundations and other balance sheet assets. For more information, visit http://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, 2007, through its subsidiaries and partnerships in which the company has a significant interest, SEI administers $407 billion in mutual fund and pooled assets and manages $199 billion in assets. SEI serves clients, conducts or is registered to conduct business and/or operations, from more than 20 offices in over a dozen countries. For more information, visit http://www.seic.com.

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