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SEI Quick Poll: More Pensions Using Alternatives; Funded Status Volatility Continues to Be a Concern

Poll Results Suggest Inconsistent Use of Liability Driven Investing (LDI) Strategies

OAKS, PA -- (MARKET WIRE) -- 08/25/11 -- 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 three years of polling. This year, nearly eight out of ten (78 percent) pension executives surveyed in the SEI Quick Poll reported their organization had some allocation to alternatives in the pension portfolio, compared to 51 percent in 2008, 53 percent in 2009, and 65 percent in 2010. However, while more plans in 2011 appear to be using alternative investments, allocations greater than 10 percent of the overall portfolio appear to have decreased in the past year. In 2010, 77 percent of respondents with more than \$300 million in pension assets allocated at least 10 percent of the portfolio to alternatives, compared to only 42 percent of pensions of the same size this year.

Of the executives surveyed, nearly half (46 percent) said the plan's funded status was 90 percent or better. When asked about the future direction of pension plans, more than half (52 percent) of the pension executives polled said even if the pension were fully funded they would not look to terminate the plan. The results also indicate a correlation between well-funded plans and the long-term strategy of the plan. Of those executives with fully funded plans, more than three-quarters (76 percent) reported they would not terminate the plan if they could, compared to the 65 percent of plans less than 80 percent funded who said they would terminate immediately if they could.

The poll found wide discrepancies in regard to use of Liability Driven Investing (LDI) strategies. Notably, more than half (57 percent) of the respondents with pensions greater than 90 percent funded have no allocation whatsoever to LDI strategies. Of those from the group using LDI, 70 percent have at least 40 percent of the overall pension portfolio in LDI.

"Alternative investments continue to be integrated into pension portfolios as another channel for mitigating risk, while providing additional return apparently. However, ongoing volatility of interest rates continues to put liability risk as a primary concern for plan sponsors," said [Jon](#)

[Waite](#), Director, Investment Management Advice and Chief Actuary for SEI's Institutional Group. "The poll results show numerous inconsistencies in the use of various investment strategies, including alternatives, over the past year as plan sponsors appear to be uncertain of what's most appropriate. This might also explain an increased interest in outsourcing as now, more than ever, plan sponsors need to maximize the benefits of external resources and the expertise they provide."

In regard to the trend toward an outsourced approach, nearly half of all participants (47 percent) said their organization would evaluate an outsourced approach to investment management when they next make a change. Of those organizations open to evaluating outsourcing, 43 percent said they plan to issue an RFP for these services by the end of 2013. Larger plans expressed a significant interest -- of the plans with more than \$300 million in assets, 41 percent said they would evaluate an outsourced model.

The fourth annual Quick Poll was completed by 106 pension executives overseeing assets ranging in size from \$25 million to over \$1 billion. Of the respondents, 49 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 450 global institutional clients 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 investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of June 30, 2011, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$430 billion in mutual fund and pooled assets or separately managed assets, including \$180 billion in assets under management and \$250 billion in client assets under administration. For more information, visit www.seic.com.

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