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SEI Poll: DC Schemes to Change Outdated Default Strategy Design

Sixty-Two Percent of Respondents Expect Pension Scheme Members Will Keep Monies Invested via Flexible Drawdown Post Retirement; 25 Percent Believe Members Will Purchase an Annuity

LONDON, UNITED KINGDOM -- (Marketwired) -- 08/26/14 -- The results of a survey published today by SEI (NASDAQ: SEIC) revealed U.K. pension schemes continue to undergo critical changes following the pension reforms announced in the U.K. 2014 budget, with nearly 66 percent of trustees looking to change their default strategy within the next 18 months.

The poll surveyed trustees and employers on their current approach to defined contribution (DC) pension scheme governance, in addition to their reaction to the changes announced in the U.K. 2014 budget.

Sixty-two percent of respondents said they expect pension scheme members to use flexible drawdown, while only 25 percent said they believe members will purchase an annuity. Additionally, 55 percent of respondents consider it feasible that members may withdraw a tax-free cash sum, while keeping the remainder invested until future needs arise. Forty percent of respondents believe members will choose to receive the entire pot as a cash lump sum.

Commenting on the results of the poll, Ashish Kapur, Head of Solutions for SEI's Institutional Group in the EMEA region, said:

"People are living longer and working more flexibly. A default investment strategy that targets an annuity purchase at retirement ignores the fact that the majority of DC scheme members may not suddenly stop working or require access to their pension money immediately. Therefore, it is important to review a member's DC scheme default to make sure there is an appropriate strategy leading up to and after retirement.

"Additionally, there will be a growing demand for alternatives to annuities, as many individuals regard pension accounts as another savings vehicle from which to withdraw monies as and when needed. The DC landscape is transforming inexorably and, following the successful launch of auto-enrolment, employers, trustees, and master trusts now need to evaluate how their schemes can accommodate greater flexibility. Effectively communicating these changes to scheme members will be key."

Other findings revealed by the survey:

- Fifty-two percent of respondents operating trust-based schemes are planning to implement new retirement solutions following the removal of compulsory annuitisation.
- Nearly 80 percent of respondents who operate a trust-based scheme intend to make changes to their default strategy within the next 18 months.
- An overwhelming 93 percent of respondents stated that they had met their auto-enrolment responsibilities.
- Seventy-four percent of participants maintain a form of governance committee to monitor their pension scheme.

The *Defined Contribution Pensions Survey*, conducted by SEI in June 2014, was completed by 61 pension professionals in the U.K. overseeing pension assets ranging from £10 million to £100 million. None of the participating organisations are clients of SEI's Institutional business. Please note that totals are rounded and may not always equal 100 percent.

The SEI DC Master Trust
The SEI DC Master Trust provides a fully-bundled solution for employers delivering Defined Contribution (DC) schemes. The Master Trust offers a range of flexible options for employers, including the ability to outsource management of deferred members as an alternative to DC scheme buy-outs and the capacity to design customised default investment strategies. The Master Trust also offers assistance meeting auto-enrolment obligations. Key benefits to employers include in-house investment management and oversight, organization of member communications, flexible scheme administration, and independent trustee oversight.

About SEI
SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of June 30, 2014, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $602 billion in mutual fund and pooled or separately managed assets, including $249 billion in assets under management and $353 billion in client assets under administration. For more information, visit http://www.seic.com/enUK/index.htm.

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