

WHY ARE TAFT-HARTLEY PLANS TURNING TO SEI'S MANAGER OF MANAGERS PROGRAM?

OVERVIEW

- Manager of Managers programs (MoM) and multi-manager products are a growing sub-segment of the asset management industry*.
 - SEI's Manager of Managers program can provide all of the services of a traditional consulting arrangement in a more integrated and effective manner.
 - Unlike a traditional consultant, SEI has a defined track record, is accountable for results and acts as a co-fiduciary.
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Manager of Managers (MoM) programs represent a growing sub-segment of the global asset management industry*. In this category, SEI is one of the largest multi-managers in the U.S.* Interest in this program is driven by a variety of factors, including a desire for process improvements, pricing efficiencies, and more accountability. MoM programs take historically disconnected processes and deliver them to the Taft-Hartley plan sponsor in a way that can support better strategic decision making, proactive plan management and more consistent investment results. Unions have traditionally relied on a combination of in-house capabilities and professional expertise to manage pension assets. Most often, these outside experts include actuaries, consultants and investment managers. In this framework, the consultant may act as a facilitator for key decisions such as the setting of asset allocation policy, the analysis to hire investment managers and the ongoing reporting of performance relative to stated benchmarks. In the end, however, the plan trustees are left with the bulk of the responsibility for day-to-day decision making and execution: actually hiring and firing managers, re-allocating assets to the strategic asset allocation, documenting policies and ensuring compliance, and evaluating future investment opportunities, to name a few.

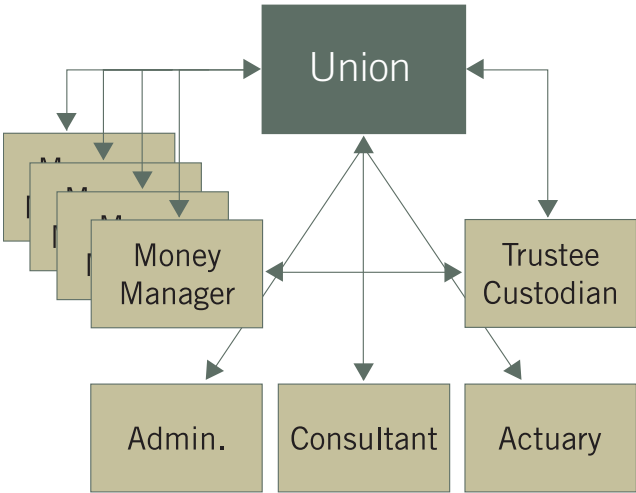
MANAGER OF MANAGERS INVESTMENT STRUCTURES

By definition, a MoM program is one in which a single independent firm is responsible for the portfolio structure, manager selection, manager evaluation, and manager replacements within a certain asset class or across an entire investment portfolio. Unlike a traditional consulting process in which the plan trustees must ultimately pick managers, the MoM chooses the actual managers, determines the

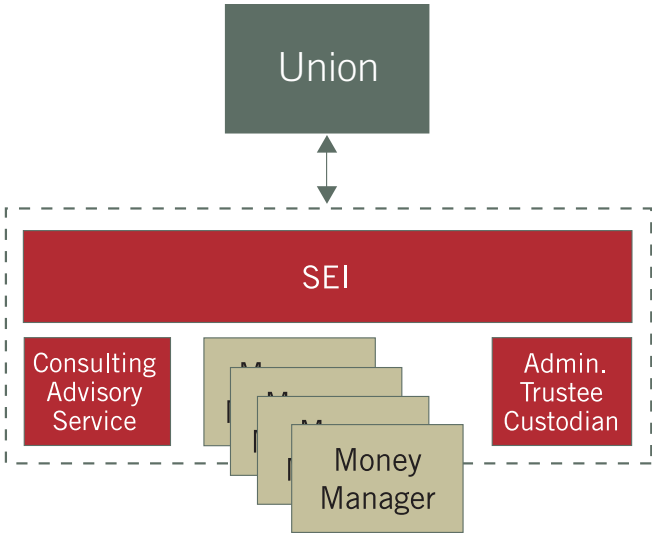
proportion of the portfolio that each manager will manage and makes ongoing hiring and firing decisions through time. A MoM program retains the independence and oversight of the consulting process, while delivering accountability for the results. Fundamental to the value of MoMs is the ability to select specialist investment managers to execute each portion of the strategy. An additional benefit of the MoM

program is that SEI manages all of the relationships with the underlying managers – monitoring trading activity, managing cash flows and re-balancing across asset classes, ensuring operational efficacy, and proactively making manager changes and additions where appropriate. The plan trustees have access to the analysis and information regarding each of these decisions and activities without having the

responsibility for day-to-day decision making. In essence, SEI acts as a partner with a full complement of resources, technology and expertise for more timely and disciplined decision making. Graphically, the relationships between the various providers and the organization under the two programs are illustrated below.



Traditional Model



SEI Model

While typically the focus is on the benefit that SEI provides in managing all of the investment management relationships, additional synergies are gained through SEI’s ability to

integrate advisory services and optional custodial functions and administrative activities.

SEI AS A CO-FIDUCIARY

Under ERISA regulations, the trustees of the plan act as fiduciaries with respect to policy decisions, investment decisions and compliance. The traditional consultant acts as an information gatherer and facilitator, rather than a decision-maker, and cannot provide additional fiduciary protection.

In contrast, SEI actively makes decisions regarding manager selection and implementation consistent with the client’s strategic goals and objectives. Through this arrangement,

SEI is able to act as a co-fiduciary with respect to the plan assets, providing an additional layer of protection for the trustees. In essence, the trustees are responsible for due diligence with respect to the selection of SEI as a partner. SEI is then responsible for investment and operational elements. SEI can provide a detailed description of the scope of this co-fiduciary role.

CONSISTENCY IN IMPLEMENTATION AND ACCOUNTABILITY FOR RESULTS

SEI delivers investment management through institutional mutual fund “building blocks.” As the advisor to the fund, SEI selects, combines, monitors, and replaces managers in each of the strategies. Because these funds are registered vehicles, they have a historical track record which reflects the aggregate performance of all the underlying managers SEI hires through time. Another advantage is that each and every client that invests in an asset category – large

cap equities, small cap equities, and core fixed income, for example – gets the same best thinking implementation. A third advantage is that the client does not have to undergo a search and approval process every time a manager change is warranted. The client buys into the asset pool which is advised by SEI; SEI can then replace or add managers where appropriate.

PROACTIVITY AND ENHANCED INFORMATION FLOW

Most Taft-Hartley plan trustees review results on a quarterly basis. Typically, the focus of these meetings is a review of manager performance versus benchmarks. In some cases, the agenda will include a recommendation to make changes to the investment mix or undergo a new manager search if performance is particularly poor. In SEI’s MoM program, investment oversight is proactive, comprehensive and complete. With respect to the investment managers, SEI’s ability to monitor trades on a daily basis ensures that

managers are executing against their stated mandate. Managers are reviewed and replaced if necessary. SEI leverages technology for efficient and timely rebalancing, reporting and administration. And SEI’s ongoing research effort ensures that new ideas are proactively brought into the portfolio where appropriate. Plan trustees are kept abreast of portfolio developments through a combination of regular meetings, web-based tools and traditional paper-based reporting packages.

INSTITUTIONAL ACCESS AND PRICING

Research suggests that many plans could benefit from more diversification**. Often, however, plans are limited by the size of the asset pool, the resources dedicated to managing the plan or the availability of quality managers. SEI aggregates assets to achieve the economies of scale necessary to deliver

a state-of-the-art investment program. In U.S. equities alone, as many as twenty managers may be needed to adequately cover the range of investment securities. Even very large plans (with assets of over \$1 billion) may not be able to implement such a program cost-effectively.

SUMMARY

There are key differences between traditional consultant-based investment approaches and SEI’s Manager of Managers program. With increasing pressure to produce

better results with fewer resources, Taft-Hartley plan trustees recognize that SEI’s approach can provide a more robust solution.

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