Investment Management Outsourcing

Integrating our talents to support yours
The new normal

Investment committees have traditionally managed substantial pension assets on the basis of quarterly meetings with the advice of an investment consultant, often resulting in decisions and actions that were reactive rather than proactive. This approach worked more or less satisfactorily in the pension environment of the past, but is not the most effective approach in our “new normal.”

In the last decade, defined benefit plan sponsors have witnessed growing pension deficits as a result of external factors such as declining interest rates and relentlessly volatile markets. Coupling these factors with evolving regulatory and accounting requirements, managing a pension benefit has become a significant distraction for many financial executives who did not intend to be in the pension business.

Because mismanaging the pension can impair an organization’s cash flow, balance sheet and earnings statements, the defined benefit plan is often viewed as a significant risk to the sponsoring organization.

The increasingly complex investment landscape, combined with an intense focus by the Board and senior executives on risks associated with plan liabilities, leaves plan sponsors exposed and facing an onerous governance mandate without the time or resources to match.

A new environment requires a new approach to pension management

Success in today’s environment begins with recognizing the limitations of yesterday’s approach to managing pension risk. Gone are the days of waiting for quarterly meetings to bring an issue to the table, and then wait for consensus to emerge at a future meeting. Out of this recognition, the outsource approach to pension management was born.

Consequently, plan sponsors need to ask themselves if their in-house structures are fully equipped and dedicated to managing this risk. A growing number of financial executives have answered this question with ‘no’ and have chosen not to build up the required resources to take on the complexities of the task.

Outsourcing lets these plan sponsors delegate the tactical aspects of their investment program, such as manager search, selection and monitoring. As a result, they can shift their mindsets to the strategic aspects of overall pension management, such as improving funded status and reducing funding volatility.

Outsourcing enables ongoing scrutiny and management of assets to liabilities. Plan sponsors can efficiently react to rapidly changing market conditions to avoid risk, and take advantage of market opportunities.

The end result of outsourcing is a heightened focus on achieving the long-term goals of the pension plan within a defined risk-management framework.
SEI integrates its talents to support yours

As an investment manager with a heritage in investment consulting, SEI brings practical experience to creating and executing multi-manager portfolios and de-risking strategies to help you achieve your long-term pension goals.

Clients decide how they want to work with SEI based on their specific needs. Flexible levels of discretion range from partial to full outsourcing.

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Unlike the traditional approach, in which a pension fund relies on a variety of advisors all offering independent and often uncoordinated advice, SEI integrates its multi-disciplined team to provide a synchronized focus on your pension. Plan sponsors draw on the knowledge of SEI’s team of 300+ corporate finance, pension finance, and investment management experts to make informed decisions.

In essence, this team functions as a virtual internal team to your organization. SEI views this relationship as a strategic partnership that lets you focus on achieving long-term goals such as improved funded status, reduced funding volatility, and liability-focused investing. We integrate our talent to support yours.

About SEI

- Founded in 1968
- Ranked largest outsourcer by *Pensions & Investments*¹
- US $201 billion in assets under management²
- US $257 billion in assets under administration²
- US $10 million invested annually into investment research tools and technology
- Shaped the investment landscape through a landmark study involving SEI's Gil Beebower³
In 1986, a landmark study by Gary Brinson, L. Randolph Hood, and SEI’s Gil Beebower identified asset allocation as the primary determinant of variation in portfolio return and became a cornerstone of portfolio construction theory.