EVOLVING FORCES: CONVERGENCE IN THE U.S. RETIREMENT MARKETPLACE

The pressures of regulation, demographic changes and investment innovation converge to create pitfalls and possibilities for plan sponsors and asset managers.

SEI New ways. New answers.®

CONTENTS

1 Executive Summary

2 How the Retirement Market Has Evolved

6 Defined Contribution Tomorrow

14 Obstacles and Opportunities

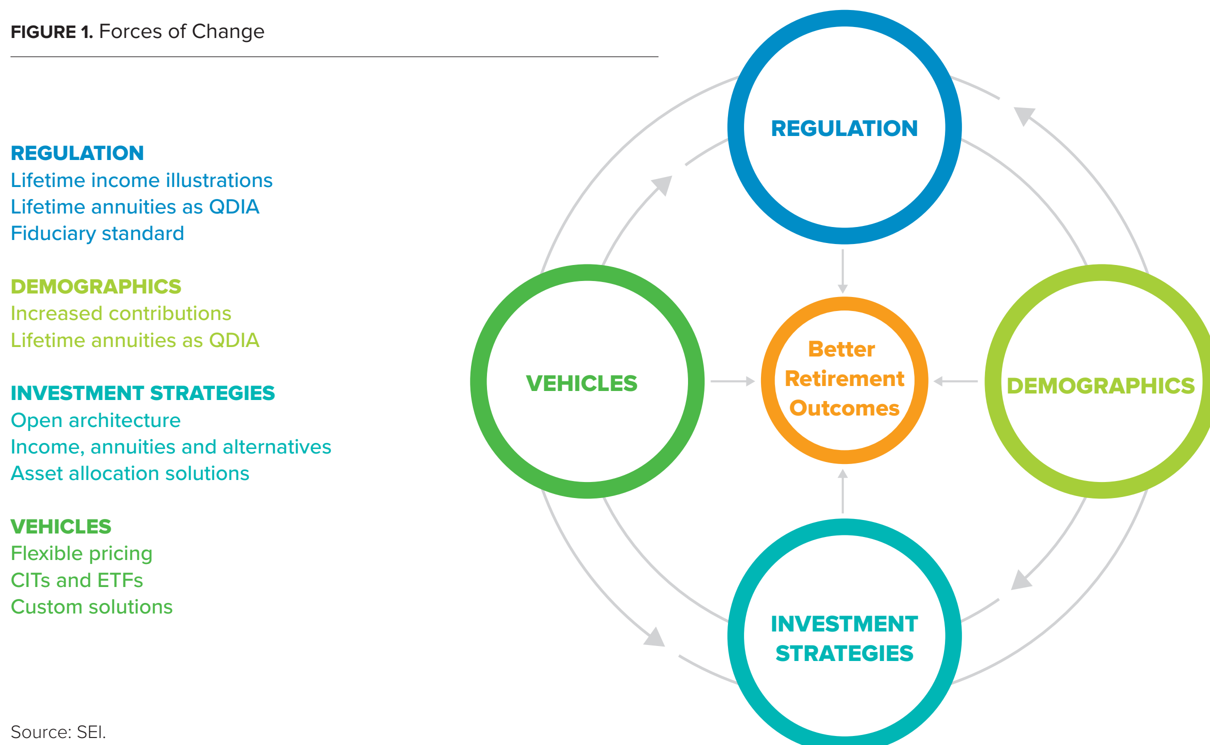
EXECUTIVE SUMMARY

The U.S. retirement market, the world's largest, is maturing as transformative trends continue to play out. Over the past several decades, responsibility to save for retirement has shifted from employers to individuals, and defined contribution (DC) plans have become firmly entrenched as the primary U.S. retirement solution, usurping defined benefit (DB) plans. This isn't just a U.S. phenomenon, however; DC plan assets for the seven largest retirement markets have grown on average 7.5% per year over the past 20 years, compared with 3.5% for DB plan assets.[1]

A closer look at DC reveals opportunities for players of all types, both incumbents and new entrants alike. In identifying these opportunities, it becomes apparent that the historical drivers of retirement market growth will likely be the same drivers of growth tomorrow. These drivers—demographics, regulation, investment vehicles and strategies—are now amalgamating around the main goal of improving retirement outcomes and meeting the needs of plan sponsors, plan participants and retirees (Figure 1).

As these forces continue to evolve and converge, opportunities emerge for investment managers and plan sponsors. Continued innovations can vastly improve retirement outcomes when interwoven: asset allocation solutions, integration of alternative investments, open architecture, product packaging, flexible pricing and customization. Just as important, no one product structure stands on its own as the panacea in reaching better outcomes. Only through thoughtful and continued collaboration can these themes come together to create a better outlook for retirees over the long term.

FIGURE 1. Forces of Change



Source: SEI.

HOW THE RETIREMENT MARKET HAS **EVOLVED**

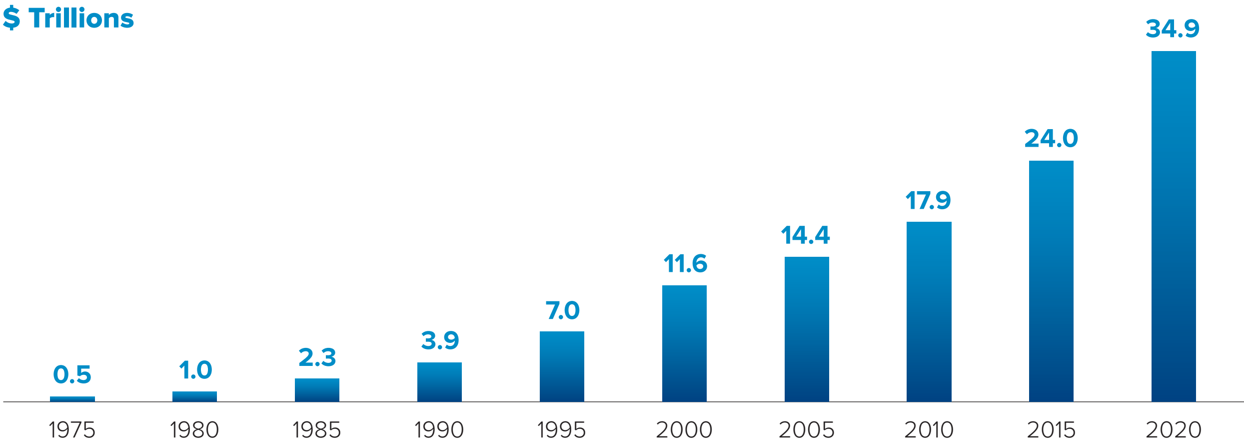
Growing from just $1 trillion in assets 40 years ago to nearly $35 trillion today (Figure 2), the retirement market is central to the U.S. investment industry, and it has been shaped over time by regulation, innovation and demographic changes. Nearly 63% of retirement assets now reside in individual retirement accounts (IRAs) and DC plans (Figure 3). This is a significant increase in share of total retirement assets from 25 years ago, when IRAs and DC plans represented only 18.5% and 25%, respectively, while total DB plans accounted for over 48% of total retirement assets.

The power of regulation

The shift toward individual responsibility began with the Employee Retirement Income Security Act of 1974 (ERISA) and the creation of the 401(k) plan. Initially, DC plans were envisioned as supplemental savings plans, joining employer-sponsored pensions and Social Security to create the traditional three-pillar retirement savings program. The environment changed, however, as costs and risks associated with maintaining guaranteed benefits for retirees through a DB plan rose throughout the 1990s and 2000s. Today not only have many plan sponsors closed or frozen their DB plans, but also most new companies now offer DC plans only. Approximately three-quarters of DB plans are closed to new hires and a significant portion of them have stopped accruals for participants.

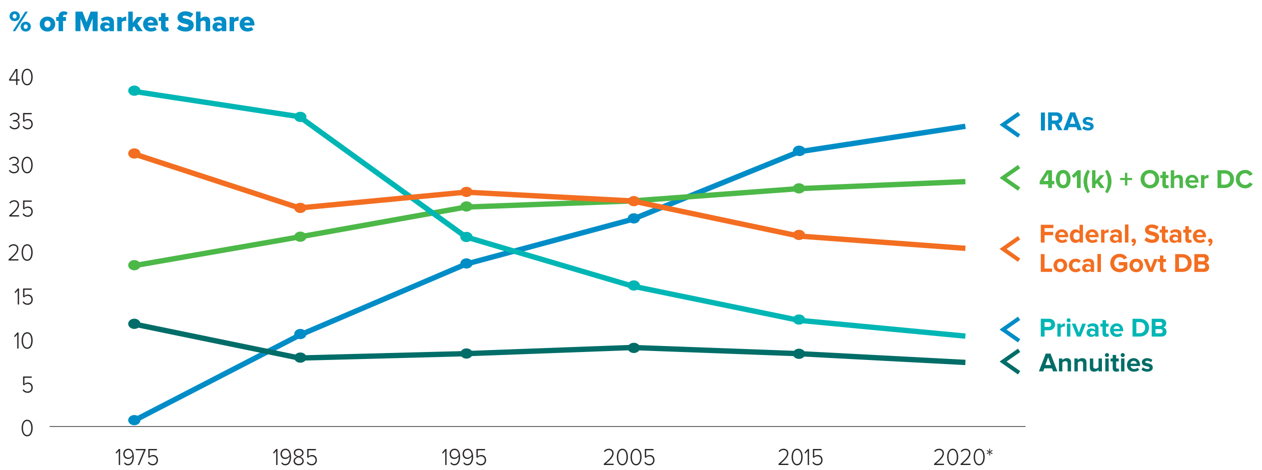
The Pension Protection Act of 2006 offered safe-harbor protection for assets invested in qualified default investment alternatives (QDIAs) such as target-date strategies, thus fueling the growth of automatic enrollment in DC plans and the resulting assets invested. Fast forward to Q4 2020, and DC plans now account for more than $9.6 trillion in assets.

FIGURE 2. Total U.S. Retirement Assets



Source: Investment Company Institute.

FIGURE 3. Historical Share of U.S. Retirement Market by Plan Type



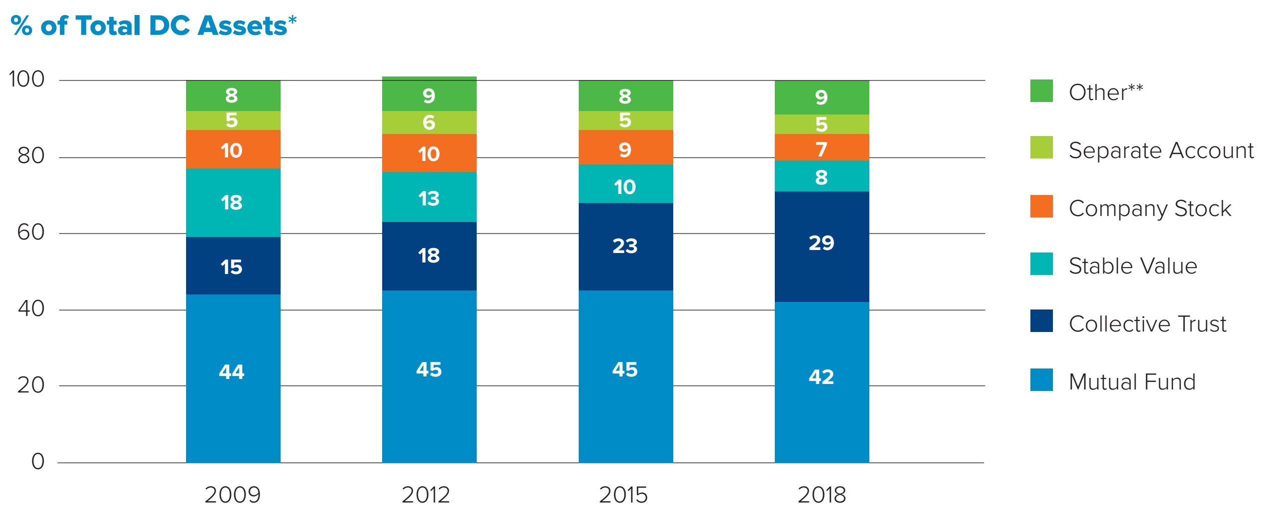
*Data reflects year-end figures for all periods except 2020 which reflects data as of September 30.
Source: Investment Company Institute.

Investment vehicles evolve

Another driver of today's DC landscape is the evolution of investment vehicles. Without continued innovation, mutual funds and collective investment trusts (CITs) most likely would have been replaced with different products in DC plans. Improved transparency, trading and pricing advancements, new investment strategies and lower fees all contribute to the solid foothold maintained by these vehicles in the retirement market.

According to the Investment Company Institute, mutual funds accounted for 55% of DC assets at mid-year 2020, up from 43% two decades earlier. Although CIT assets have not been tracked for as long as mutual funds have, plan year 2018 data from BrightScope estimates that assets in these products have grown to account for more than a quarter of DC assets. During the 10 years ending in 2018, CIT asset share almost doubled, from 15% in 2009 to 29% in 2018 (Figure 4).

FIGURE 4. Investment Vehicle Share of DC Assets, 2009–2018



*Totals may add up to more than 100% due to rounding.
**Other includes common stock, ETFs, brokerage windows and loans.
Source: ISS Market Intelligence; Brightscope.

Favorable demographics for asset accumulation

The sheer size of the boomer generation combined with high deferrals from base salaries as well as the ability to take advantage of catch-up contributions have contributed to the steady growth of DC plan assets. For year-end 2016, well more than half (63%) of 401(k) assets were held by participants in their 50s and 60s.[2] Moreover, with close to 30% of individuals aged 65 to 72 remaining in the labor force, retirement funds continue to accumulate.[3]

Balances peak as plan participants approach retirement. Moreover, with approximately 10,000 Americans celebrating their 65th birthday every day for the next 10 years, retirement funds continue to accumulate. By 2030, the U.S. Census Bureau estimates that all baby boomers will have reached age 65, and the so-called *gray tsunami* will be in full force.[4] That being said, the tide is slowly shifting from accumulation to distribution and with it comes a shift of emphasis from the institution to the individual.

CASE STUDY 1

A large corporation required a pooled vehicle solution

A large U.S.-based global corporation with several operating entities made a strategic decision to divest its core business into multiple business units. The company needed a solution that enabled them to preserve the open-architecture design and economies of scale that they had achieved in their $12 billion 401(k) plan. The company approached a leading consultant (and subsequently SEI Trust Company) to help them explore converting their existing separate account structure within their 401(k) plan into a multi-manager, multi-fund collective investment trust. Because a CIT structure expressly permits the commingling of assets across multiple plans, it allowed the company to provide the same investment fund lineup, while supporting the seamless transition for 401(k) participants as the company split into two business units and split its 401(k) plan into two separate plans.

To accommodate an investment platform of this size and complexity, the CIT needed to have a number of sophisticated operational and investment attributes including:

- Investment advisory breadth and expertise to conduct due diligence and ongoing fiduciary oversight for 21 different multi-manager funds employing 26 separate sub-advised and/or sub-fund mandates across a complete range of asset classes and strategies
- Operational flexibility to invest trust assets directly into securities, other CITs and mutual funds, and support the seamless replacement, termination, or addition of sub-advisors or sub-funds within the multimanager structures with no impact on participants
- Automated trading support for sophisticated daily cash management and rebalancing algorithms employed across target-date funds, asset class funds, sub-funds and separate accounts
- NSCC trading support for all funds offered, and seamless integration with the recordkeepers and plan custodians for the two plans
- Multiple share classes to support differing daily fee accrual requirements across the two companies
- Customized and sophisticated quarterly multimanager fund fact sheets meeting disclosure requirements for 401(k) options, including DOL requirements for QDIA options
- Institutional quality reporting on a daily, monthly and quarterly basis. In addition, consulting support for the investment staff and oversight committee at each of the two companies

This was a highly sophisticated and complex project that needed to be completed in less than six months. In this time frame, SEI Trust Company and the consultant:

- Identified and hired a new custodial bank
- Negotiated all 26 sub-advisory or fund-trading agreements
- Opened 21 new funds
- Built a new trading system to support the rebalancing and the daily cash flow requirements of the CIT structure

The approximately $12 billion conversion was completed on time and without any operational issues. From a participant's perspective, the conversion was completely seamless; trading continued with business as usual. The CIT offers the company cost efficiencies because both entities will benefit from investment into one pooled fund vehicle structure. Finally, the CIT structure provides efficiency and flexibility to offer a customized, effectively priced solution for the participants of the plans invested in the CIT.

DEFINED CONTRIBUTION **TOMORROW**

Product innovation and demographics are now converging to reshape the retirement market. If DC assets were to grow at an annual compounded 2% U.S. inflation rate, they will surpass $11.6 trillion within 5 years, up from $9.6 trillion at the end of the fourth quarter 2020.[5] Net flow rates into DC plans are projected to remain positive, albeit decreasing annually, averaging 1% over the next five years. While a large participant cohort is transitioning to retirement, younger generations, regulation and investment innovations will help to mitigate the effects of asset drawdown. Across DC plan types, 401(k) plans represent the bulk of assets ($6.5 trillion) and will continue to do so.[6]

Product innovation focused on outcome-oriented solutions

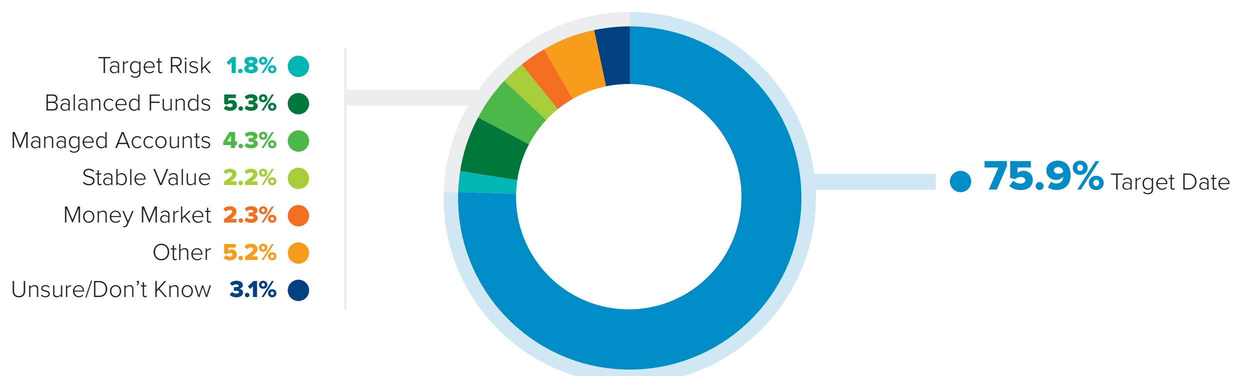
There are several threads of innovation that have emerged in DC over the recent years. While each thread plays a role individually, only when woven together do they create a strong fabric. These innovations include asset allocation solutions, alternatives, open architecture, product packaging and customization.

Asset allocation solutions

The strategies standing to benefit the most from the regulatory changes are solutions-oriented strategies (Figure 5). Increasing adoption of automatic plan features and innovation with retirement income has increased preference for target-date strategies and managed accounts as QDIAs. As a result, target-date assets grew quickly on the back of strong flows over the past decade, in stark contrast to target-risk strategies, which experienced anemic overall growth over the same period (Figure 6, page 7).

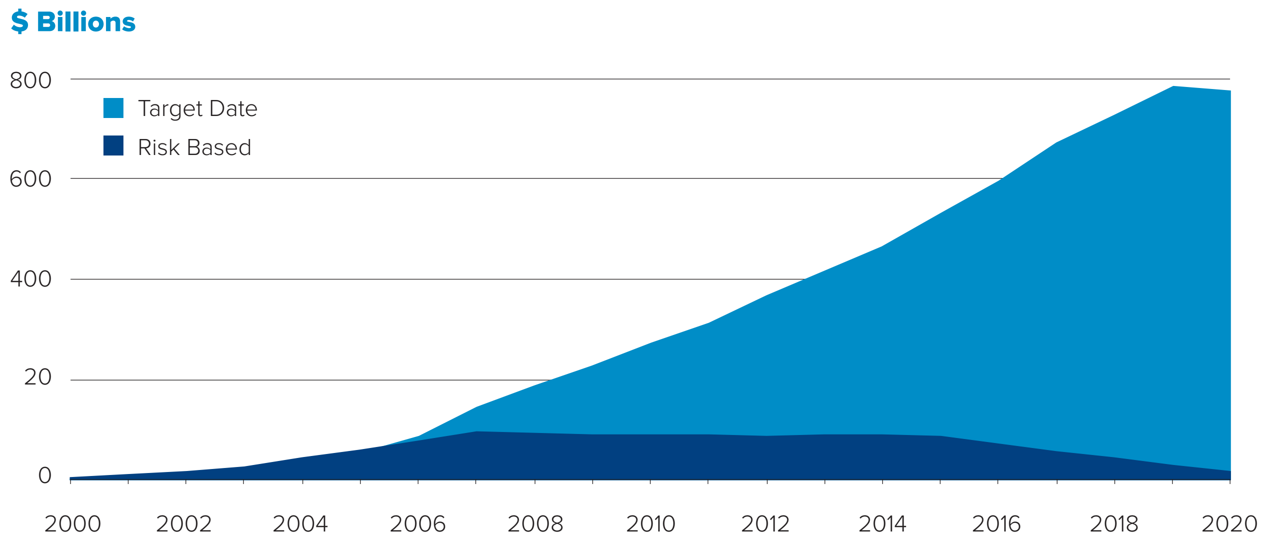
Target-date approaches appear to be a clear favorite of regulatory agencies, as identified by guidance related to the use of lifetime annuities noted above. Current areas of innovation within the $1.55 trillion target-date mutual fund market include tactical flexibility, use of alternative strategies and open architecture.[7]

FIGURE 5. QDIAs Selected



Source: *PLANSPONSOR* 2020 DC Survey.

FIGURE 6. Cumulative Net Flows to Target-Date and Target-Risk Funds: 2000–2020



Source: ISS Market Intelligence; Simfund Enterprise.

Managed payout funds are a more recent addition to the retirement solutions scene. Structured to provide a consistent, inflation-adjusted monthly income stream for a fixed term or the life of the retiree, these funds resemble annuities. But they differ in some important ways, not least of all by being less expensive and more flexible. Payouts, however, might vacillate significantly depending on fund performance. In any case, this type of fund, where the manager is responsible for distribution in addition to asset allocation, could well become another popular default option under DC plans.

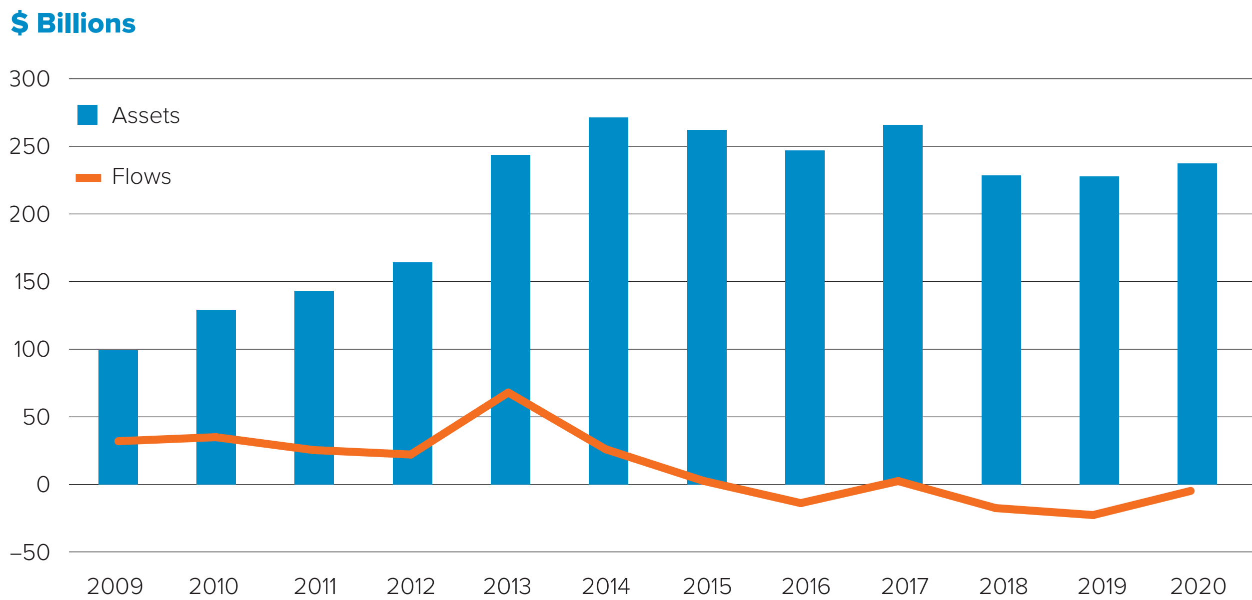
A growing role for alternatives

Investment innovation in liquid alternative strategies gets swept up in the target-date tide because many portfolio strategists recommend a 10-20% allocation to alternatives to effectively hedge retirement portfolios against daily risk and outlier events. The potential growth for liquid alternatives is quite large, should even a minimum allocation be achieved. For perspective, if all target-date mutual fund strategies were to adopt a modest 7% allocation in liquid alternatives, then a $100+ billion market opportunity would be created. Other than target-date strategies, opportunities exist for multi-strategy alternatives to be offered on the core menu or as an individual specialty strategy only available through a managed account.

Liquid alternative assets peaked in 2014, plateaued through 2017 and have dipped since then (Figure 7, page 8), but certain areas of focus continue to gain momentum, notably options-based, hedged equity strategies. The scope of alternatives available is also expanding, as asset classes such as private equity are increasingly made available for embedding into retirement plans.

Retail participation in the private markets received a boost in mid-2020 when the DOL issued regulatory guidance related to the use of private equity funds within professionally managed strategies (e.g., target-date funds, target-risk funds) that may serve as a DC plan's QDIA. The DOL acknowledged this type of fund could be structured in multiple ways: It could be a separately managed account managed by a plan investment committee, an investment manager exercising delegated investment responsibility, or a pre-packaged fund-of-funds structured as a CIT or other pooled vehicle. By way

FIGURE 7. Liquid Alternative Fund Assets



Source: Strategic Insight Simfund. Includes all funds classified as using an alternative objective.

of such structures, managers of DC plans would not violate their fiduciary duty under federal law by including private equity as part of their investment offerings accessible to individual workers.[8]

However, Brooks Herman, Executive Director, Data & Research at ISS Market Intelligence, cautions that "Changes in the DC marketplace move at a glacial pace, as participants, plan sponsors, advisors, and recordkeepers all become more familiar with new developments and innovations. Sponsors will have to be laser focused on making sure liquid alternatives deliver value at a reasonable fee level." Regardless of the pace of adoption, the potential for the inclusion of liquid alts in retirement plans promises to reinvigorate product development efforts among managers, leading to greater scale as well as scope. It should be noted, however, that the DOL clarified that its guidance did not address vehicles that would allow a participant to invest in private equity directly, and that such investments present distinct legal and operations issues.

Open-architecture expansion

Manager diversification has the potential to improve participant outcomes, but the bulk of DC assets and solutions-oriented products were historically invested by managers affiliated with the plan's recordkeeper. What drives the trend toward open-architecture plans and the defined contribution investment only (DCIO) market is the fact that few investment organizations can manage all strategies well—indeed, having all assets managed by one manager comes with embedded risks. In addition, the regulatory drive toward fee transparency has led to an unbundling of services, such as separating back-office services like administration and custody from investment management. Some of the largest bundled providers are those with strong target-date and stable value businesses. The opportunity of DCIO cannot be ignored if managers want to take part in the new retirement landscape. ISS Media's *2020 PLANADVISER DCIO Survey* reports that DCIO assets now account for $4.98 trillion, or 60% of total DC assets, at year-end 2019.

Collective Investment Trusts

THE BASICS

What are they?

CITs are pooled institutional investment vehicles that are intended for use by qualified retirement plans and governmental plans, and are not publicly available. The trust must be established by a bank or trust company that will act as a fiduciary and maintain the ultimate responsibility for the discretion and control of the trust.

Who governs them?

CITs are regulated and governed at the federal or state levels by the Office of the Comptroller of the Currency (OCC) or by state banking entities. Unlike mutual funds, they are exempt from SEC regulation and are not subject to the Securities Act of 1933 or the Investment Company Act of 1940.

In what markets are they available?

CITs are available in both the DC and DB market. However, these vehicles cannot currently be used by most 403(b) plans, some 457(b) plans, 457(f) plans, funded welfare plans or IRAs.

THE BENEFITS

Pricing

Generally CITs have an advantage of lower cost over mutual funds due to different regulatory requirements and other factors.

Flexibility

Ability to offer multiple fee classes to clients, which includes a sliding fee schedule based on invested assets. Further, distinct service fee share classes can be offered.

Speed to market

Setting up a CIT can take 30% to 50% less time than launching a comparable mutual fund while most often costing less.

NSCC trading

Trading through the NSCC allows CITs to provide the same operational efficiencies as mutual fund structures.

Custom solutions

Plan sponsors are evaluating custom asset allocation solutions to meet unique plan demographic needs and to incorporate sophisticated investment strategies in a cost-efficient manner. Almost 10 years ago, in February 2013, the DOL released guidance on target-date fund selection in which one of the tips was to "inquire about whether a custom or nonproprietary target-date fund would be a better fit for your plan." Custom solutions have long been considered an option available at only the largest plans, but increasingly customization is moving down-market in a cost-efficient manner. There are three ways in which customization is moving down-market: participant advice, managed account solutions and turnkey solutions.

Pricing and packaging of investment strategies

Choosing the most appropriate vehicle structure for a plan can help reach better outcomes, particularly as this decision relates to investment strategy, manager risk mitigation and fee awareness. In these areas the packaging of investment strategies is ripe with innovation.

Specifically, DCIO innovation manifests itself by boutique managers implementing turnkey solutions to offer their strategies in various vehicles. For CITs, turnkey solutions help ease regulatory barriers; for mutual funds, turnkey solutions help startups bring new products to market. Turnkey solutions also promote institutional strategies to new markets.

Fee disclosure and transparency are also driving innovation in product packaging. Specifically, the release of the final guidance and implementation deadlines for service provider and participant fee rules (Rules 408(b)(2) and 404(a)(5), respectively), as set forth by the DOL, facilitates a plan sponsor's understanding of the available investment options and how they compare.

CASE STUDY 2

Attracting institutional U.S. retirement plan assets with a CIT

A large Midwest U.S. investment firm offered U.S., global and international (global ex-U.S.) investment strategies for individuals and families, financial advisors and institutional clients (including pension funds, foundations and endowments).

In 2008, the firm began exploring opportunities to expand its product offerings by investigating the CIT vehicle as an option for their DB or DC business within the U.S. retirement market. Their challenge was that they did not fully understand the operational infrastructure or administrative requirements surrounding CITs, nor did the firm have in-house expertise.

Although CITs were not a new product, the firm realized that many plan sponsors weren't comfortable with the vehicle either, nor were they familiar with the nuances surrounding it. The firm found that the DB market was the one most comfortable and informed about CITs, and began targeting DB plans directly, working in tandem with consultants and other intermediaries who had direct access to the DB plan end-client. Being able to offer CITs, which had lower expense ratios than mutual funds and offered more flexible pricing structures, were key selling points. Additionally, a CIT could be launched much more quickly than a mutual fund and had the flexibility to be tailored to the DB plan.

The firm recognized it needed an experienced partner to launch its first CIT, so it partnered with SEI Trust Company. SEI provided the expertise, technology and infrastructure needed to establish the CIT, as well as to educate the firm and its end-client on the value and benefits of the vehicle. The CIT has enabled the firm to offer its DB plan clients a vehicle with lower expenses, which has significantly helped to strengthen and retain the firm's relationships. With a CIT in place, the firm has also been able to compete in the market to win new client relationships.

Pricing innovation in mutual funds (notably share classes without embedded distribution fees, often referred to as R6 share classes) will help to further solidify the vehicle's position in the DC market (Figure 8). As of year-end 2020, $2.38 trillion was held in zero/zero share classes, which included R6 and other share classes that may or may not be specifically utilized for retirement structures.[9] Notably, retirement share classes are not only being introduced with new funds but are also being added to existing funds in response to demands for more transparency and lower fees.

CITs typically enjoy a lower-cost advantage over mutual funds, primarily due to their differing regulatory requirements. However, a representative and reliable comparison between mutual fund expense ratios and their CIT counterparts is not available due to current data limitations.

Despite this limitation, across the gamut of asset classes, CITs offer daily liquidity and high transparency for plan sponsors with a moderate degree of customization, which can help fiduciaries design an optimal plan for their participant population. Unlike mutual funds and ETFs, CITs are not available in the non-retirement retail market (Figure 9, page 12).

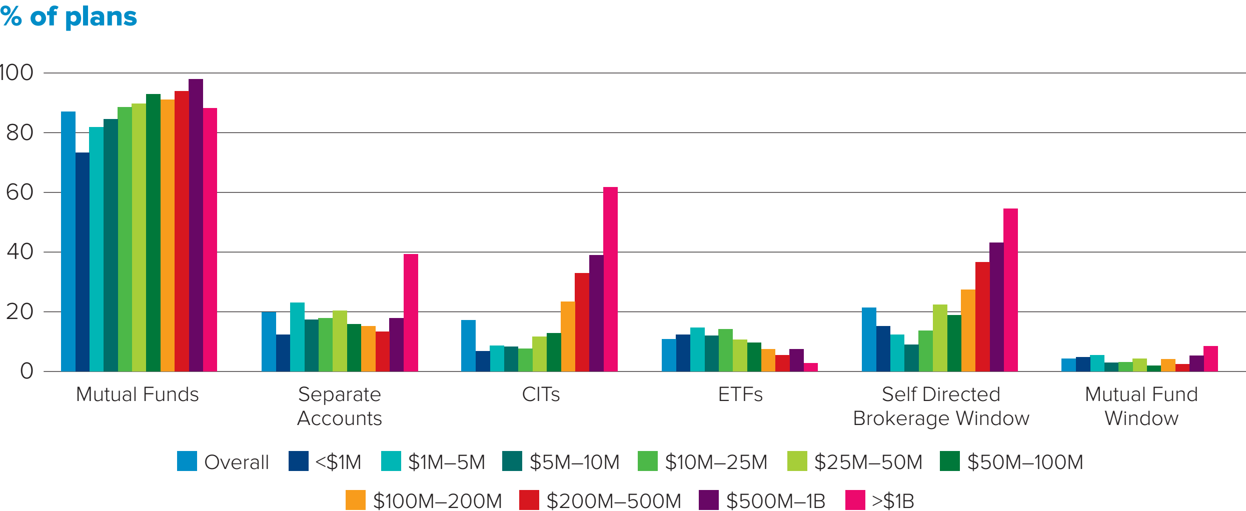
Participants fear retirement savings are inadequate

Many baby boomers are extending their working years. According to findings from the 20th annual Transamerica Center for Retirement Studies (TCRS) retirement survey,[10] workers across generations share a common retirement fear: outliving their savings and investments.

Other fears vary by generation, such as the fear of a reduction in or elimination of Social Security, which is more frequently cited by the (currently) 57 to 75-year-old baby boomers (46%) than by the younger Generation X and millennial generational cohorts (39% and 36% respectively).[11] Boomers are significantly more likely to expect Social Security to be their primary source of income in retirement, whereas approximately half of the millennials and Generation Xers surveyed indicated they are more likely to look to self-funded savings, including 401(k)s, 403(b)s, IRAs and/or other savings and investments as their expected primary sources of income.

Given other common fears, such as declining health that might require long-term care, inability to meet the family's basic financial needs and being laid off

FIGURE 8. Investment Vehicles Used by Size of DC Plan



Source: *PLANSPONSOR* 2020 DC Survey.

FIGURE 9. Comparison of Investment Vehicles Used in DC Plans

	Mutual Fund	CIT	Separate Accounts	ETF
Daily liquidity	Yes	Yes	Variable	Yes
Transparency for participant	High	Low	Low	High
Transparency for plan sponsor	High	High	Moderate	High
Availability in retail market	Yes	No	No	Yes
Customizability	Limited	Limited	High	No

Source: SEI.

or not being able to retire on one's own terms, it's no surprise to find that workers expect to continue to work past retirement age. Workers' expectations of retiring after age 65 or of not planning to retire at all increase with age. According to TCRS, almost 7 in 10 baby boomers either expect to work, or are already working, past age 65 or do not plan to retire, compared with approximately half of Generation X and 43% of millennials. Looking at it another way, we can say that close to 60% of millennials and half of Generation X expect to retire at age 65 or sooner.[12] Consistent with this are the results of a survey by the Insured Retirement Institute (IRI) whose findings showed that 63% of boomers plan to retire after age 65 or not at all.[13] Ultimately, this reluctance to retire will likely result in increased contributions to retirement accounts, the reduction of/delay in withdrawals and the preservation of assets already saved.

Echoing this sentiment are findings from a 2019 Business Insider and Morning Consult survey[14] that found millennials, who now outnumber baby boomers as the nation's largest living adult generation,[15] appear to be more self-reliant and are showing signs of saving even more than their elders. According to that survey, only 25% of millennials expect to rely on Social Security and pensions for retirement income, while 45% have a retirement savings account, such as a 401(k) or IRA, and 33% are actively contributing to it, according to the survey. Similarly, in a IRI survey of millennials, 79% stated that they had at least some money saved for retirement but only 39% were consistently contributing to a 401(k), IRA or other qualified plan.[16] The implication is that a relatively high number of millennials have either stopped saving, are trying to achieve some other financial goal first—such as paying off student loans or buying a first home—or are using other means to accumulate wealth for retirement.

Results from the 2019 Wells Fargo Retirement study found that Generation X (now ages 39 to 54), who are closer to retirement than millennials and are projected to pass the boomers in population by 2028, seem to be falling well short of what they will need to fund their retirement.[17] Although 18% of millennials started saving more for retirement during the COVID-19 pandemic, boomers and retirees appear to be more exposed financially. Having lived through the inflation and energy shocks of the 1970s, the early 2000s dot-com crash and the 2007–2008 global financial crisis,[18] no one can say boomers' fears of running out of savings is not legitimate.

CASE STUDY 3

A non-U.S. manager leverages the CIT structure and its U.S. affiliates to enter U.S. retirement market

The firm is a leading publicly traded, independent global asset management firm headquartered in Canada with U.S.-based SEC-registered affiliates located across the country. Operating as a full-service, multi-product investment company, the firm offers international equity and fixed-income management as well as expertise in asset allocation and alternative investment strategies.

To succeed long-term in the asset management industry, the asset manager believed that they needed to create scale in their operations and expand their business globally into unique markets. It began researching opportunities to enter the institutional side of the U.S. retirement market. Prior to entering the market, however, they needed to fully understand the risks, costs and competitive landscape associated with the business segment.

In their research of the DC segment of the retirement market, the firm found that the regulatory and compliance mandates associated with managing institutional assets were challenging. Additionally, brand-name recognition in the U.S. retirement business was paramount. Fortunately, large cross-border, multi-national sponsors exist in both Canada and the U.S., and the firm realized that there were more similarities than differences between the U.S. and Canadian institutional business.

The manager determined that they had two choices to enter the U.S. institutional retirement market:

1. Organically develop the knowledge needed to establish their operations and in-house expertise.
2. Identify an established business partner with proven expertise in the institutional asset management business.

Because it wanted to fast-track its entry into the U.S. DC market, the firm did not want to invest significant time and resources to build in-house expertise. Instead, they looked for an experienced business partner and a turnkey solution to help them get established quickly. At the time, they were about a year away from considering a CIT vehicle. However, they were awarded a multi-million dollar institutional mandate and quickly needed to create a pooled vehicle to enter the DC market.

In their quest for a business partner, the manager identified SEI Trust Company as an expert in the legal, compliance and reporting requirements for CITs, with a proven track record in the market. Most important, SEI Trust Company would serve as an ERISA fiduciary and could provide ongoing advice and oversight unique to a CIT. Leveraging SEI's turnkey solution, the firm would be able to benefit from a daily valued pooled investment vehicle offering low costs, operational efficiencies and the flexibility of multiple share classes, all of which were important to them and their client. The SEC-registered affiliate of the parent company was retained by SEI Trust Company to act as a subadvisor for their international equity CIT, and it was soon launched.

OBSTACLES AND **OPPORTUNITIES**

One challenge in tapping the DC market opportunity is the fact that assets are highly concentrated in a few large plans. In fact, less than 1% of DC plans control over 70% of DC assets.[19] Despite the attractive mandate size, the institutional segment also contends with an abundance of competition, fee pressure, gatekeeper control and a lengthy sales process in addition to high asset concentration.

Continued growth of passive investing and the accompanying pressure on fees also make it increasingly challenging for active managers to compete in the DCIO space.

Given the sheer size of the U.S. retirement market, international competitors view it as an opportunity to expand outside their natural borders. Non-U.S. managers often face an array of additional challenges in establishing a presence as a DCIO provider, starting as early as product development and continuing all the way through to the sales process. Understanding the market, seeking the right business partners and building an effective distribution strategy are common hurdles experienced by non-U.S. managers.

Despite these hurdles, the U.S. retirement market offers tremendous opportunities to advisors, consultants, plan sponsors and investment managers. Innovation and demographics are converging to improve outcomes for future generations of retirees, presenting plan sponsors with the opportunity to adapt and better serve their participants. Asset managers are also in the position to make changes that can benefit their bottom lines and have a profound impact on the lives of countless retirees. By embracing complementary product innovations—asset allocation solutions, alternatives, open architecture, customization, and product packaging—retirement prospects will gradually improve, giving way to more confident futures.

Endnotes

[1] Rob Kozloeski, "Global retirement assets jump 15% to $46.73 trillion—Thinking Ahead Institute," *Pensions & Investments*, February 10, 2020.

[2] Employee Benefit Research Institute, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2016," September 10, 2018.

[3] Pew Research, "Baby Boomers are Staying in the Labor Force at Rates Not Seen in Generations for People Their Age," July 24, 2019.

[4] U.S. Census Bureau, "By 2030, All Baby Boomers Will Be Age 65 or Older," December 10, 2019.

[5] ISS Market Intelligence; Trading Economics.com, U.S. inflation rate 1914–2020, accessed April 2021.

[6] Investment Company Institute, "Quarterly Retirement Market Data, Fourth Quarter 2020," March 18, 2021.

[7] ISS Market Intelligence; Simfund Enterprise, December 2020.

[8] Alex Lynn, "Complex '40 Act funds Help Democratise PE," *Private Equity International*, March 15, 2021.

[9] ISS Market Intelligence; Simfund Enterprise, December 2020.

[10] Transamerica Center for Retirement Studies, "Retirement Security: A Compendium of Findings About U.S. Workers," 20th Annual Transamerica Retirement Survey of Workers, December 2020.

[11] Baby Boomers are those born between 1946 and 1964; Gen X, 1965–1980; Millennials, 1981–1996.

[12] Transamerica Center for Retirement Studies, "Retirement Security: A Compendium of Findings About U.S. Workers," 20th Annual Transamerica Retirement Survey of Workers, December 2020.

[13] Insured Retirement Institute, "Boomer Expectations For Retirement 2019," April 2019.

[14] Tanza Loudenback, "A surprising number of Millennials are saving for retirement, and they're making Gen X look bad," *Business Insider*, November 11, 2019.

[15] Pew Research, "Millennials Overtake Baby Boomers as America's Largest Generation," April 28, 2020.

[16] Insured Retirement Institute, "Millennials & Retirement 2020," January 2020.

[17] Wells Fargo, "Retirees Live a 20th Century Retirement in the 21st Century, Wells Fargo Survey Finds," October 18, 2019.

[18] Wells Fargo 2020 Annual Retirement Study Reveal, 2020.

[19] ISS Media 2020 *PLANSPONSOR* Recordkeeping Survey, 2020.

ABOUT SEI

After 50 years in business, SEI (NASDAQ: SEIC) remains 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 March 31, 2021, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers approximately $1 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including $384 billion in assets under management and $836 billion in client assets under administration. For more information, visit seic.com.

ABOUT SEI TRUST COMPANY

SEI Trust Company ("STC") is a non-depository trust company chartered under the laws of the Commonwealth of Pennsylvania, which provides trustee, custodial, operational and administrative services to various collective investment trusts. STC was formed in June 1989, is a wholly owned subsidiary of SEI Investments Company (NASDAQ: SEIC), and is regulated and examined by the Pennsylvania Department of Banking and Securities.

STC also serves as the Trustee and maintains ultimate fiduciary authority over the management of, and the investments made in the funds. Each fund is part of a trust operated by the Trustee.

ABOUT SEI'S INVESTMENT MANAGER SERVICES DIVISION

SEI's Investment Manager Services supplies investment organizations of all types with the advanced operating infrastructure they must have to evolve and compete in a landscape of escalating business challenges. SEI's award-winning global operating platform provides investment managers and asset owners with customized and integrated capabilities across a wide range of investment vehicles, strategies and jurisdictions. Our services enable users to gain scale and efficiency, keep pace with marketplace demands and run their businesses more strategically. SEI partners with more than 550 traditional and alternative asset managers, as well as sovereign wealth managers and family offices, representing nearly $30 trillion in assets, including 49 of the top 100 asset managers worldwide.* For more information, visit seic.com/IMS.

*Based on *Pensions & Investments*' Largest Money Managers 2019 ranking.

ABOUT ISS MARKET INTELLIGENCE

Founded in 1985, Institutional Shareholder Services (ISS) empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics and insight.

The ISS Market Intelligence (MI) division provides critical data, insight and workflow solutions to global asset managers, insurance companies, and distributors. Through its combination of proprietary integrated datasets, in-depth global research and trusted executive engagement, ISS MI delivers solutions that drive strategy and data-driven decision making across a wide range of financial products. ISS MI includes the industry-leading data platforms BrightScope, Financial Clarity, Flowspring, Local Market Share, Mortgage Clarity and Simfund, as well as an extensive set of global research and analytic services including 529 & ABLE Solutions, Investor Economics, Market Metrics and Plan For Life.

SEI Knowledge Partnership

The SEI Knowledge Partnership is an ongoing source of action-oriented business intelligence and guidance for SEI's investment manager clients. It helps clients understand the issues that will shape future business conditions, keep abreast of changing best practices and develop more competitive business strategies. The SEI Knowledge Partnership is a service of the Investment Manager Services division, an internal business unit of SEI Investments Company.

Connect with us

Twitter: @SEI_KP
LinkedIn: SEI Investment Manager Services

United States

1 Freedom Valley Drive
P.O. Box 1100
Oaks, PA 19456
+1 610 676 1270

777 Third Avenue
26th Floor
New York, NY 10017
+1 212 336 5300

Ireland

Styne House
Upper Hatch Street
Dublin D02 DY27
+353 1 638 2400

United Kingdom

1st Floor
Alphabeta
14-18 Finsbury Square
London EC2A 1BR
+44 (0)20 3810 7570

SEIInvestmentManagerServices@seic.com
seic.com/IMS

The Investment Manager Services division is an internal business unit of SEI Investments Company. This information is provided for education purposes only and is not intended to provide legal or investment advice. SEI does not claim responsibility for the accuracy or reliability of the data provided. Information provided by SEI Global Services, Inc.

© 2021

SEI New ways. New answers.®