

# The Changing Landscape Requires a New Approach

A Discretionary Model for Managing Defined Contribution Plan Investments

A publication of the SEI Defined Contribution Advisory Group

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New answers.®



# Introduction

Defined contribution (DC) plans are broken and plan sponsors know it. According to a recent poll conducted by SEI, nearly two-thirds (62%) of the plan sponsors surveyed said the purpose of their company’s DC plan was to provide the primary source of retirement income for their employees. However, more than half (53%) of that group feel DC plans were not initially built to be the primary retirement vehicle, and therefore, the plans need to be redesigned.<sup>1</sup>

We believe those plan sponsors are correct—a new paradigm for managing DC plan investments is necessary and should be expected. Unlike defined benefit (DB) pension plans, which were started as early as 140 years ago, 401(k)s and other types of DC plans are relatively young.<sup>2</sup> November 2016 will mark the 35th anniversary of when the Internal Revenue Service (IRS) proposed regulations opening the door for the creation of 401(k) plans. Due to the relative youth of these plans and the availability of DB plans, their viability as the sole source of retirement income has yet to be tested. However, we are in the midst of that completely changing, as DC plans are about to be tested in that critical role for American private-sector workers. A new discretionary investment management model is a logical next step in ensuring they pass this test.



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The success of the participant relies on, among other things, the structure of the DC program that the sponsor establishes. Discretionary investment management is an approach that enables plan sponsors to fulfill their fiduciary obligations while leveraging external expertise to build the best investment options possible. The word “fiduciary” is a constant discussion topic among industry experts, regulators, politicians and the press, and there are increased demands on plan sponsors and providers. The plan sponsor is the named fiduciary, and the Employee Retirement Income Security Act (ERISA) clearly outlines the responsibilities of the plan sponsor, yet ERISA also provides guidelines and boundaries for the delegation of fiduciary responsibilities.

The sponsors are adapting their offering to keep pace with the changing marketplace and accepting varying levels of fiduciary responsibilities. This paper provides an overview of how discretionary investment management can benefit DC plans. Hiring a discretionary investment manager, whose offering is flexible and focused on improving participant outcomes with minimal disruption, allows the sponsor to focus on strategic goals and more effectively navigate the changing DC landscape.



# A whole new world of DC plan management

The Pension Protection Act of 2006 (PPA) was passed 10 years ago, and the impact it has had on retirement savings for American workers is significant. Over the past decade, the implementation of PPA coupled with a variety of other transformative shifts has resulted in a significantly different environment for DC plan sponsors. Four major trends can be identified as reshaping the future of DC plan management:

## 1 DC plans surpass DB plans as the primary retirement savings vehicle in America

In 1981, more than 80% of all private sector workers were participating in a DB plan. By 1995, that number had decreased to below 30%. Subsequently, the number of workers participating in DC plans has continued to grow. By March 2015, 61% of private sector workers had access to a DC plan compared to only 18% having access to a DB plan.<sup>3</sup> What was once a supplemental retirement savings account is now the primary vehicle for funding the retirement of many American employees.

## 2 The shift to DC plans has resulted in plan sponsors experiencing intense scrutiny of fiduciary responsibility and liability issues

As the importance of DC plans to the retirement of American workers has increased, so has the level of responsibility for plan sponsors. The past 10 years have seen federal agencies issue regulatory changes, guidance and clarifications about the role of the plan sponsor as a DC plan fiduciary. Class-action lawsuits, mostly about fee transparency, use of company stock and overall investment selections have continued to arise. According to Groom Law Group, as of September 2015, nearly 40 lawsuits have been filed related to 401(k) plan fees alone.<sup>4</sup>

## 3 The proliferation of assets in target date funds and the ultimate dependency on the success of these products

PPA encouraged plan sponsors to attempt to increase participant involvement by creating protections for employers choosing to implement auto-enrollment features. In addition, PPA provided plan sponsors a “safe harbor” for the qualified default investment alternative (QDIA) for automatic-enrollment and participants who don’t make an investment election. Once target date funds were identified as a QDIA, they became the most used option and have since seen significant growth. Including mutual funds, collective investment trusts and pooled separate accounts, it’s estimated that total target date assets increased by 280% from 2010 to 2015 and are estimated to represent about 18% of all 401(k) assets.<sup>5</sup> According to Cerulli Associates, target date funds will capture nearly 90% of new contributions to 401(k) plans by the end of 2019.<sup>6</sup>

## 4

### The decoupling of asset management from recordkeeping

The paradigm for DC plan management moving forward will require greater transparency, more sophisticated investment options and an increase in shared decision-making between participants and plan sponsors. Ultimately, participants are dependent on plan sponsors and the decisions they make in regard to the investment options being offered. To create the highest level of flexibility within plan management, many plan sponsors are separating asset management from recordkeeping. This way, plan sponsors can make independent decisions about each one. In SEI's recent survey, nearly two-thirds (62%) of the plan sponsors polled agreed it's a good idea to separate asset management services from the recordkeeping function.<sup>7</sup>



# Why discretionary investment management for DC plans?

## The “institutionalizing” or “DB-ing” of DC plans

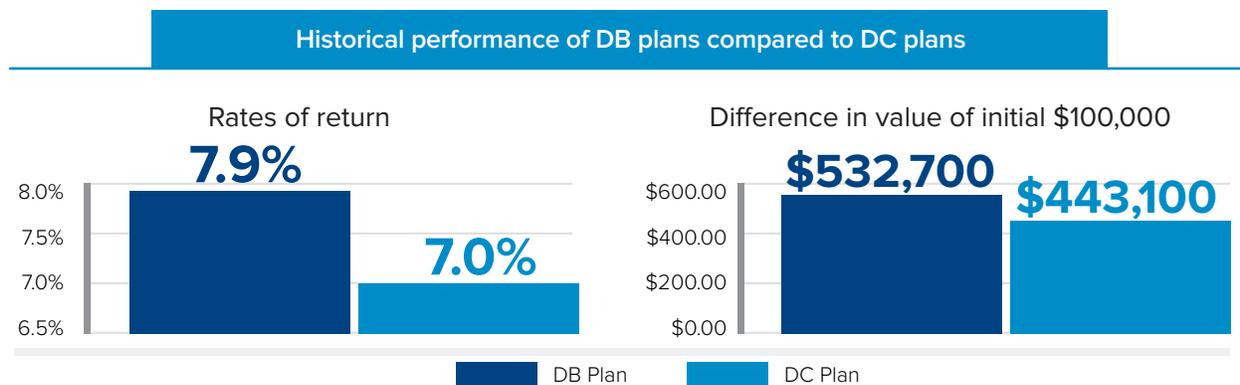
For the past decade, the implementation of institutional strategies has been widely viewed as a potential solution to many of the inadequacies currently identified in DC plans. This approach employs the best practices of institutional investing regarding implementation and managers and adopts governance practices used by institutions to ensure fiduciary accountability.

In the past five years, the DC Institutional Investment Association (DCIIA) has issued two separate research pieces on the institutionalizing of DC plans. According to the research, “the pros for institutionalizing seem self-evident:”

- › Clear options for participants
- › Improved transparency
- › Potentially better performance
- › Increased likelihood that participants will satisfy their retirement needs<sup>8</sup>
- › Lower fees

The institutionalizing of DC plans is a solution born of necessity. Participants are overwhelmed with choices in their plan lineups, often selecting brand-name mutual funds simply because they are recognizable. Many plan sponsors have implemented white-label or private-label options as a way to simplify their lineups and remove the influence brand names or past performance has on participant decisions.

Another aspect of institutionalizing DC plans is the application of historical best practices applied to managing investments for DB plans. This would include a more detailed approach for using sophisticated portfolios managed toward an objective or outcome. The investment performance of DB plans has historically been better than DC plans. Below are two charts highlighting the historical performance of DB plans compared to DC plans.



Source: Center for Retirement Research at Boston College, “Investment Returns: Defined Benefit vs. Defined Contribution Plans,” December 2015. Authors’ calculations based on U.S. Department of Labor (DOL), Form 5500 (1990-2012). Difference in value based on \$100,000 initial investment compounded over the period of 1990 to 2012.

As shown in the charts, DB plans had higher rates of return resulting in a greater growth of assets. While the reasons DB plans have performed better are influenced by a number of different factors, one difference is DB plans tend to have much more sophisticated asset allocations taking advantage of a greater variety of asset classes as well as multiple investment managers within an asset class.

The changing DC marketplace has led to a variety of terms that describe a discretionary investment manager.



### A discretionary investment manager helps plan sponsors meet their fiduciary requirements

Simply choosing brand-name funds, passively managed funds or funds provided by the recordkeeper are no longer automatically safe choices. Regulators require prudent management and diligent oversight of plan investments and fees, and sponsors have been the target of increased litigation based on unreasonable fees or lack of proper oversight in the management of the investment options offered to participants. Investment topics are becoming more complex and focusing on asset classes with unique characteristics, such as alternative investments and annuities that require additional education and expertise.

In 2013, DCIIA released a second paper on the institutionalizing of DC plans, highlighting the fiduciary aspects of making such a change. The paper specifically stated how “changing U.S. legal/regulatory environment and recent trends in new investment products mean that DC plans can now deliver better retirement outcomes for plan participants. Improved outcomes for plan participants should result in better fiduciary and risk management profiles for plan sponsors/plan fiduciaries. Given these responsibilities, all DC plan sponsors, regardless of the size of their plans’ assets, should—as part of their overall process of evaluating their plans—consider how their plans could benefit from institutionalization.”<sup>9</sup>

In line with this trend, a discretionary investment manager may provide a more beneficial experience for plan participants as well as help protect fiduciaries at the organization. Unlike traditional recordkeeping bundled arrangements, the discretionary model actually shifts aspects of fiduciary liability to a professional and reduces the list of responsibilities for the sponsor. In a discretionary investment management arrangement, the plan sponsor/investment committee’s list of responsibilities is shortened to the initial selection and ongoing measurement of the discretionary investment manager, maintaining an investment policy statement and reporting activity to the board.

## Hiring a discretionary investment manager can reduce plan sponsor/committee responsibilities

### Typical plan sponsor/committee activities

- › Select plan consultant/advisors
- › Create/update investment policy statement
- › Determine appropriate investment menu
- › Identify individual investment options
- › Monitor performance of each investment option
- › Monitor global investment markets and events
- › Determine right time to change investment options
- › Quickly react to market events
- › Address manager-related concerns
- › Evaluate fees for each investment option
- › Review participant usage of the investment menu
- › Ensure committee fiduciary training
- › Set quarterly meeting agenda and topics
- › Communicate committee activity to board

### Committee with discretionary investment manager

- › Select and monitor discretionary investment manager
- › Maintain investment policy statement
- › Report activity to the board

## Open architecture is a critical component

The process for institutionalizing DC plans would need to be similar to the process implemented by most traditional institutional investors. The foundation of that process tends to have no real limitations when it comes to what product types and what investment managers are used when building the menu of available investment options. This is often referred to as open architecture.

For many DC plan sponsors, the ability to do this is not something that currently exists in most plan management models. There has been a trend of plan sponsors with mega DC plans seeking an institutional investment implementation. These plan sponsors tend to have the internal resources required and enough assets in the plan to have the necessary buying power. In addition, many of those plans also have or had DB plans, meaning they have significant experience managing institutional investments toward a retirement outcome goal and may even use the same managers in both DB and DC plans.

A discretionary investment manager can often provide the ability and scale to build a DC investment lineup using an open architecture approach. Plan sponsors can often reduce expenses through institutional products such as collective trusts or unitized funds.<sup>10</sup> These products can also provide plan sponsors with a smooth implementation process. The discretionary investment manager will enable the plan sponsor to move away from proprietary or single-manager products and build custom funds using multiple, third-party money managers.

# How a discretionary investment manager helps plan sponsors and their participants

## Additional expertise allows for increased focus on participant outcomes

As DC plans are redesigned to be the primary retirement savings vehicle, the emphasis on participant outcomes continues to increase. Plan sponsors realize there is a legitimate threat, as 88% of those surveyed feel their business would be impacted in some way if their employees cannot stop working at retirement age (62 to 65).<sup>11</sup> Those impacts include increased healthcare costs, employee turnover and increased costs of higher salaried employees. While the future effect is real, allocating the time and resources to overhaul the DC plan to best focus on participant outcomes is not something all plan sponsors can currently prioritize.

Recognizing that plan sponsors and committees may be understaffed, stretched for time or simply lack the expertise to effectively manage and monitor complex investment portfolios, ERISA allows DC plan sponsors to formally delegate certain fiduciary responsibilities to professionals. Factors like investment complexity, increased fee pressure, litigation and the increased reliance on DC plans as the primary retirement savings vehicle place tremendous pressure on plan sponsors. Plan sponsors need to adopt a DC approach that is sustainable and flexible as the regulatory and investment environments continue to innovate and evolve at a rapid pace.

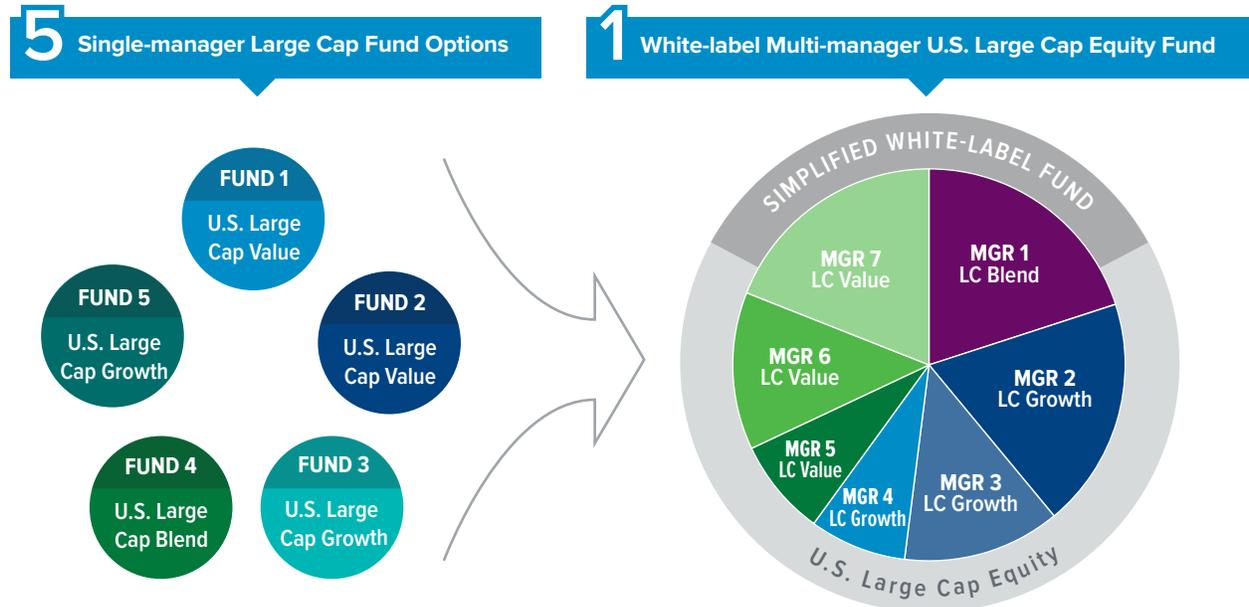
DC plan sponsors are hiring discretionary investment managers with an aim to improve participant retirement income results and reduce organizational risk associated with their plans. This discretionary trend is now increasingly being implemented in the mid- and small-plan market. Service providers have seen increased market growth in plan sponsors selecting ERISA 3(38) discretionary investment managers to assist in DC management. This is a fiduciary that assumes committee fiduciary functions, facilitates improved committee effectiveness and encourages focus on participant outcomes.

For plans without the budget or resources, using a qualified discretionary investment manager best enables institutionalizing of the DC plan. The discretionary investment manager will approach the stand-alone menu and target date options much like the management of a large DB plan. Multi-manager discretionary investment management arrangements can provide additional benefits, including favorable manager fee arrangements due to economies of scale, seamless manager changes with no disruption or blackout period and broad manager and strategy diversification.

## A simpler, more sophisticated and diversified core menu lineup

### Fewer lineup choices but more specialized and differentiated managers in an asset class

The following graphic is an illustration that contrasts the single-manager fund approach versus a multi-manager white-label approach:



Rather than have a participant choose across the menu of large cap options, one large cap fund is offered with several specialist managers managing the assets. If, for example, Fund 2 in the single-manager approach needs to change, the sponsor needs to go through a notification and blackout/map over process. In the white-label fund example, if Manager 2 needs to be changed, the discretionary investment manager makes the change and it's seamless to the participant but the plan sponsor investment committee is fully informed. The proper mix of active and passive management will be evaluated as well. This is the approach that DB plans have used for years and will lead to less confusion, fewer options and ideally better investment results.

## Target date funds customized for employees' retirement income goals

### Customize the target date funds based on the unique characteristics of the sponsor and its participant base

This approach can be used for target date as well, with the ability to customize the target date funds based on the unique characteristics of the sponsor and its participant base. The discretionary investment manager would have an active approach to the glidepath and enhance the diversification of asset classes across the target date series.

In 2013, the U.S. Department of Labor (DOL) issued a set of recommendations for plan sponsors choosing target date funds. The recommendations included: to inquire about whether a custom or nonproprietary target date fund would be a better fit for your plan, establish a process for comparing and selecting target date funds, understand the fund's investments and how these change over time, and review the fund's fees and investment expenses.<sup>12</sup>

### Flexibility in implementation

The common approach for using a discretionary investment manager is across the entire menu (lineup inclusive of the QDIA, including target date and stand-alone core investment options, such as U.S. Large Cap, U.S. Small Cap, etc.). However, certain plan sponsors have implemented a discretionary investment manager for target date funds only or just certain stand-alone core investment options.

# Frequently asked questions about using a discretionary investment manager

## Q Can we keep our existing recordkeeper?

A Yes, as it's important that recordkeeping be independent from the discretionary investment manager. Hiring a discretionary investment manager symbolizes a clear separation between investment management and the administrative and communication components of recordkeeping. The discretionary investment manager's primary focus is on designing and overseeing the plan's investments; however, they should work seamlessly with your recordkeeper to provide participants with investment communications, performance and strategy information.

## Q Can using a discretionary investment manager result in lower costs?

A Yes, since discretionary services are often provided by institutional managers, the costs may actually be lower than those typically seen with traditional mutual funds. This is more likely to be true if the plan works with a discretionary investment manager that has size and scale.

## Q What is the role of the plan sponsor when using a discretionary investment manager?

A When analyzing the investment management component of the delegated solution, the following functions should be retained by the plan sponsor and performed in partnership with the discretionary investment manager serving as a co-fiduciary:

- › Develop and document investment policy inclusive of plan design, QDIA, investment lineup and plan features
- › Monitor and maintain the investment policy
- › Ongoing measurement of the discretionary investment manager

## Q What are the responsibilities of the discretionary investment manager?

A The implementation of a discretionary investment management relationship means the plan sponsor hires a fiduciary to be responsible for the following functions, freeing the plan sponsor to focus on the strategy components:

- › Evaluate/select money managers
- › Monitor ongoing activities/performance of money managers
- › Replace money managers
- › Implement custom asset allocation solutions such as a QDIA
- › Set and manage the asset allocation strategy within white-label and target date investment options

## Q What is the plan sponsor's level of control over investments when using a discretionary investment manager?

A There is a misperception that plan sponsors lose some control when using a discretionary investment manager. The plan sponsor has complete control and should create an investment policy statement with the discretionary investment manager to include specifics, such as designated asset classes, active or passive investing styles or target date versus asset allocation funds. These decisions are more strategic in nature and can benefit from the plan sponsor's intimate knowledge of the employee population—decisions best left for the sponsor. A main purpose of using a discretionary investment manager is to delegate manager selection and oversight to experts with enhanced skills and resources.



## A discretionary investment manager is an ERISA 3(38) fiduciary

### What is the difference between an ERISA 3(21) and 3(38) fiduciary?

A discretionary investment manager is an ERISA 3(38) fiduciary. ERISA mandates what is described as the “prudent expert standard,” which states that a fiduciary must “manage a portfolio with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.” When a plan sponsor partners with a financial services provider to help meet this standard, they should carefully evaluate whether the provider is recognized as an ERISA 3(21) or an ERISA 3(38) fiduciary.

“The difference between a 3(21) investment advisor and a 3(38) investment manager can be described as the difference between someone in the back seat (i.e., the investment advisor) of a car giving directions to the driver (i.e., the plan sponsor) and someone who has the keys and actually has the responsibility to drive the car (i.e., the 3(38) fiduciary).” — Unscrambling Fiduciary Confusion, August 2012

### Investment Advisor — ERISA 3(21) Fiduciary

According to ERISA section 3(21), an investment advisor to a qualified retirement plan does not have discretion over plan assets directly, but may exercise a certain level of influence and must meet a fiduciary standard of care. Investment advisors give investment advice and recommendations to plan sponsors who may choose to accept or reject it. The plan sponsor retains the responsibility to appoint and monitor the investment advisor, and ultimately, makes the investment decisions.

### Investment Manager — ERISA 3(38) Fiduciary

According to ERISA section 3(38), an investment manager to a qualified retirement plan has discretionary control to hire and fire other investment service providers relevant to its scope of responsibility. For example, the 3(38) fiduciary will monitor and replace investment managers as it deems necessary and appropriate in its sole discretion. The plan sponsor retains the responsibility to appoint and monitor the 3(38) fiduciary, but does not ultimately make the investment decisions.

# Selecting a discretionary investment manager to help with your DC plan

In order to effectively evaluate the DC discretionary investment management arena, the plan sponsor must address the responsibilities of plan management. Various roles and responsibilities can be outsourced to a host of service providers, and the ultimate decision of what specific functions to outsource should be determined by the plan sponsor based on their expertise, resources and plan strategy. When plan sponsors are determining which discretionary investment manager is the right fit, the following are some considerations for each step in the process.

## Step 1 Evaluation

With significant growth in investment delegation, many firms are offering discretionary investment management. As a plan fiduciary, it's important to carefully research the provider and understand their capabilities and expertise. The first step consists of preparing an evaluation of providers, typically done through a request for proposal process along with on-site interviews and presentations. There are several key criteria to consider and questions to ask during the evaluation:

### Experience

- › How long has the firm been offering discretionary investment management services?
- › How large is their client base in assets and number of clients?
- › Can they show an actual track record for their discretionary management services?
- › Do they have a history of executing investment decisions or is their experience limited to providing consulting advice?

### Resources and expertise

- › How large is their investment team?
- › Do they have a platform/technology and daily access to thoroughly monitor managers and risks across the portfolios?
- › Do they have expertise in managing retirement plans?

### Scope of services

- › Do they offer a comprehensive array of asset classes?
- › Will they work with existing vendors?
- › Will they provide education to the committee?
- › Can they provide reporting against plan and participant goals?
- › Can they offer unitization capabilities or have experience in this capacity?

### Custom approach

- › Can they create custom investment structures (unitized funds and collective investment trusts)?
- › Can they design and implement core menu strategies tailored to your plan demographics?
- › Can they customize the glidepath for the target date series?
- › Do they have a heritage in building outcome-based portfolios and a liability management perspective?

## Flexibility

- › Will the provider take discretion over the asset allocation and investment manager decisions?
- › Are they willing to provide core menu strategies, target date strategies and a simplified asset class approach?

## Accountability and alignment

- › Are they willing to be a discretionary fiduciary?
- › Will they act in the best interest of the participants?
- › Are they transparent and can they explain potential conflicts of interests clearly?
- › Do they understand plan goals and objectives?
- › Do their resources and expertise align with your corporate philosophy and approach to retirement?

## Step 2 Contracting

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After due diligence in the selection of the provider, the next step is the contracting phase of the arrangement. The contract should clearly outline responsibilities, with the discretionary investment manager acknowledging in writing their role as an ERISA 3(38) fiduciary. The transition and implementation process should be defined, outlined and tracked via key milestones with a focus on participant communication and education.

## Step 3 Investment implementation options

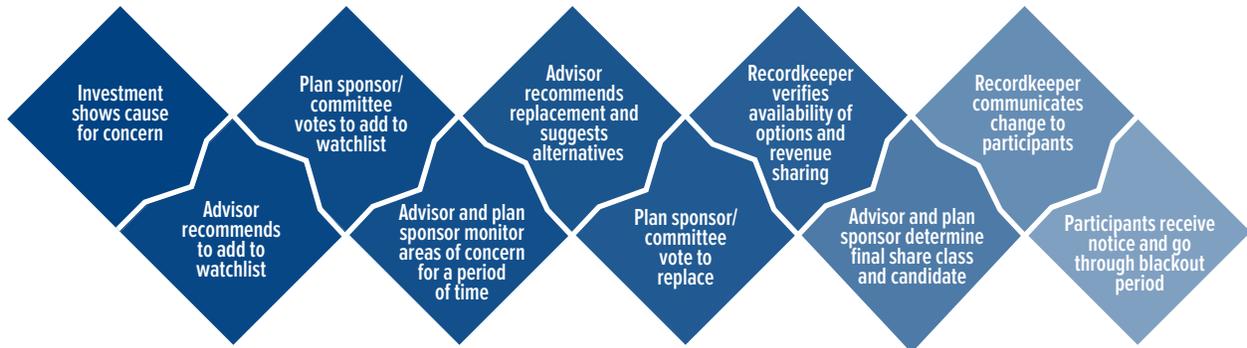
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Upon hiring a discretionary investment manager, there will be a series of decisions the plan sponsor will need to make with the guided advice of the new provider. The first decision is the usage of off-the-shelf investment vehicles or custom investment strategies. Custom investment options allow unique plan demographics to be incorporated into the investment offering and much more control over investment structures, strategies offered and fees. There is also increased control and the potential for improved participant outcomes with a custom offering.

Custom investment implementations used to be reserved for only large plans. However, a custom investment menu is becoming more common even for smaller plans. Recordkeepers, custodians, trust companies and education providers are all adapting their systems, capabilities and offerings quickly to support the growth of custom offerings. Hiring a discretionary investment manager that has experience in custom portfolio implementations is critical to the success of the implementation.

If the custom decision is made, the next decision is the vehicle implementation for the new investment lineup. A discretionary investment manager that offers investing through a collective trust, unitized fund or institutional mutual fund can provide plan sponsors with a smooth implementation process and an investment structure that is flexible for the changing investment management and regulatory landscape. Within this structure, manager changes can be done within the investment vehicle and would be seamless to the participant. On the contrary, for platforms where participants are investing directly in mutual funds, future changes would typically involve participant communication, mapping and plan blackouts.

## Common DC investment fund change process (estimated)



60-360 days

- > Generally 60 days to maximum 1 year
- > 10 steps
- > Blackout period

## Discretionary investment manager change process



30-45 days

- > Generally 30 days to maximum 1-1/2 months
- > 4 steps
- > No blackout period

*Common DC manager change timeline example based on SEI's estimates. Discretionary investment manager change timeline is an estimate based on SEI's best-case-scenario manager transitions over the last 5 years where assets were transferred from one manager directly to the corresponding replacement manager or allocated to existing managers. It does not represent the research process associated with identifying and approving a manager, transitioning the assets and implementing a replacement manager. The timeline will vary depending on circumstances and may be longer than that shown above. Hypothetical scenario, for illustrative purposes only.*

## Participant investment election reset and education

Critical to the success of an investment change to a DC plan is communicating with and educating employees. Assuming plan sponsors are hiring a discretionary investment manager to build the core lineup and/or create custom target date funds, there will be a significant change to the overall investment lineup. Many plan sponsors often take advantage of this change as a catalyst to conduct what is commonly referred to as a re-enrollment, or a process to allow participants to make investment elections or default to a QDIA if no election is made. This will help the plan sponsor increase overall participation, and ultimately, try to improve the investment experience of their participants. This process will require education and communication for participants, and the discretionary investment manager will assist in that process.

A discretionary investment manager should work with the recordkeeper to understand the existing communication tools and protocol and agree on how best to integrate the custom investment content. The discretionary investment manager should also participate in ongoing educational strategy sessions and partner in content development as appropriate.

### Step 4 Ongoing monitoring of your discretionary investment manager<sup>13</sup>

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Plan sponsors must still exercise due diligence in properly documenting and monitoring their partnership with a 3(38) fiduciary to ensure that they are fulfilling their own fiduciary duty. A few key steps recognized by the DOL for dutifully monitoring a discretionary investment manager are listed below:

- › Evaluate any notices from the service provider about possible changes to compensation and other information from the time the provider was hired or when the contract was renewed
- › Review the service provider's performance
- › Read any reports given by the provider
- › Check fee charges for accuracy
- › Ask about policies and practices (such as trading, investment turnover and proxy voting)
- › Follow up on participant complaints

# Conclusion

Plan sponsors should strive to offer a best-in-class DC plan for their employees. Some plan sponsors feel that “the current investment offerings are fine.” Is “fine” really the end goal? Proactive sponsors should be taking advantage of the multitude of ways they can improve the overall investment lineups with the goal of better outcomes for participants.

The world of DC plan management has clearly changed. More so today than in the past, plan sponsors have significant and real accountability for making the right decisions on behalf of their participants. More and more participants are being automatically enrolled into plan lineups chosen and designed by the plan sponsor. The focus on retirement outcomes has increased complexities and the investment management and plan management processes must be designed to meet these outcome needs.

The institutionalizing of DC plans is a concept many within the industry believe is a long-term solution. Using a discretionary investment manager to build the plan lineup through an open architecture investment approach creates a flexible plan management model that we believe better equips plan sponsors moving forward. Future changes then become simpler and less frequent. In many ways, the flexibility provided by a discretionary investment manager creates an opportunity for plan sponsors to have this implementation be the last major change needed for the DC plan.

**For more information, contact SEI at  
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# About the SEI Defined Contribution Advisory Group

The SEI Defined Contribution Advisory Group is responsible for development and enhancements to SEI's Defined Contribution Solution. The group of professionals is focused on product development and thought leadership with respect to plan design, target date strategies and custom investment options. Their mission is to ensure SEI clients receive the optimal plan and investment solutions to meet their unique objectives.

The group works closely with the Client Portfolio Management Team and is composed of analysts, ASAs, CPAs, CFAs, enrolled actuaries, FIAs and FSAs. You can find insight and interviews with some of these professionals through media outlets, such as: *PLANSPONSOR*, *PLANADVISER*, *Pensions & Investments*, *Employee Benefits News*, *Retirement Income Journal*, *CFO Magazine*, *CNBC*, *Forbes*, *USA Today*, *Bloomberg News*, *Crain's*, *MarketWatch*, *Reuters*, *Financial Times*, and *Dow Jones*.

## Key Contributors



**Alfred Pierce, CPA**  
**Vice President and Managing Director**  
**Institutional Group — Advisory Team**

Al Pierce serves as the Managing Director for the Advisory Team, which is responsible for delivering ongoing advice to institutional clients worldwide. He manages SEI's delivery of integrated investment strategy, funding policy, asset allocation and plan design advice to SEI's clients.

Before joining SEI in 2003, Al spent 15 years at Wachovia Securities working in corporate finance, mergers and acquisitions and capital-raising activities. Additionally, he has worked for PricewaterhouseCoopers in public accounting.

Al has been in the industry since 1987, and is recognized as an expert in designing liability driven investing (LDI) strategies, asset allocation models and managing the impact investment decisions have on organizational finances. He has presented at a variety of industry events and has been interviewed by numerous media outlets, including: *Reuters*, *Dow Jones*, *Financial Times*, *Pensions & Investments*, and *Investment Management Weekly*.



**Joel Lieb**  
**Director of Defined Contribution Advice**  
**Institutional Group — Advisory Team**

Joel Lieb serves as Director of Defined Contribution Advice for SEI's Institutional Group, and is responsible for client recommendations and thought leadership on solutions for the defined contribution market. He works with corporate, 457(b) and multiemployer clients on plan design and investment implementation. Joel is responsible for research and thought leadership related to SEI's Defined Contribution Solution and monitors the efficacy of services being offered.

Joel has 25 years of investment industry experience and has experience designing and implementing CIT operations for retirement plans in collaboration with SEI Trust Company. He has also served on the Investment Committee for SEI Trust Company.



**Jacob L. Tshudy, ASA, CFA, MAAA**  
**Director of Defined Contribution Investment Strategies**  
**Institutional Group – Advisory Team**

Jake Tshudy serves as Director of Defined Contribution Investment Strategies for the Advisory Team where he is responsible for development of defined contribution investment strategies, LDI strategies, development and maintenance of proprietary models and communication of economic and tactical views.

Jake has nearly 20 years of investment experience. In his preceding role, Jake worked as the Head of Research and Development in the Portfolio Strategies Group of SEI's Investment Management Unit. His responsibilities included generation of capital market assumptions, maintenance and development of the SEI term structure model, individual asset class research and analysis of strategic and tactical allocation processes. Jake is an associate of the Society of Actuaries, a member of the American Academy of Actuaries and a CFA charterholder of the CFA Institute.



<sup>1</sup>SEI poll, "2016 DEFINED CONTRIBUTION OUTLOOK: Do DC Plans Need to Be Redesigned?" January 2016. The poll was completed by 231 executives, representing DC plans ranging in size from \$25 million to over \$5 billion. Of the respondents, 47 are current clients of SEI.

<sup>2</sup>Employee Benefit Research Institute, ebri.org, "History of Pension Plans," <https://www.ebri.org/publications/facts/index.cfm?fa=0398afact>.

<sup>3</sup>Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the U.S.," March 2015.

<sup>4</sup>Groom Law Group, "401(k) Fee Litigation," <http://www.groom.com/resources-920.html>, October 6, 2015.

<sup>5</sup>Brightscope, "Latest Trends in Target Date Funds," April 2015.

<sup>6</sup>Cerulli Associates, "Retirement Markets 2014: Sizing Opportunities in Private and Public Retirement Plans," November 2014.

<sup>7</sup>SEI poll, "2016 DEFINED CONTRIBUTION OUTLOOK: Do DC Plans Need to Be Redesigned?" January 2016.

<sup>8</sup>Defined Contribution Institutional Investment Association (DCIIA) paper, "Institutionalizing DC Plans: Reasons Why and Methods How," 2011.

<sup>9</sup>Defined Contribution Institutional Investment Association (DCIIA) paper, "Institutionalizing DC Plans: A Starting Point For Addressing Fiduciary Issues," pages 1-2, 2013.

<sup>10</sup>A white-label unitized fund is not a mutual fund, but is a custom investment structure where the underlying investments are combined together and valued in one single Net Asset Value (NAV). The unitization can be performed by either a custodian, a recordkeeper or a third-party administrator.

<sup>11</sup>SEI poll, "2016 DEFINED CONTRIBUTION OUTLOOK: Do DC Plans Need to Be Redesigned?" January 2016.

<sup>12</sup>U.S. Department of Labor, Employee Benefit Security Administration, "Target Date Retirement Funds—Tips for ERISA Plan Fiduciaries," February 2013.

<sup>13</sup>U.S. Department of Labor publication, "Meeting your Fiduciary Responsibilities," <https://www.dol.gov/ebsa/publications/fiduciaryresponsibility.html>, February 2012.

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