

▶ A Pension Solution Built to Support a Global M&A Strategy

Organization: Worldwide printing company

Asset Size: \$1.4 billion comprised of U.S. and Canadian defined benefit and U.S. defined contribution plans

Solution Provided: Single strategy across all retirement plans, including investment management and advisory services as well as trust and custody, recordkeeping and education services

Key Benefits:

- A consolidated approach to global pension plan management allowing focus on merger-and-acquisition strategy
- Fiduciary protection and time savings through SEI's disciplined Manager-of-Managers approach
- A comprehensive yet manageable 401(k) fund lineup that delivers style purity and diversification
- An integrated enrollment process and proactive participant education campaigns

Marrying multiple retirement plans under one corporate umbrella has become a significant consolidation challenge for large companies growing through merger-and-acquisition (M&A) strategies.

In the case of this global printing company, a comprehensive pension solution was needed to accommodate a merger that was underway. And the printing company was interested in developing a strategy to integrate retirement plans for future acquisitions.

The first step toward building a \$1.4 billion integrated investment program was to award a \$100 million Canadian defined benefit (DB) plan to SEI Investments (SEI) in 2001.

The printing company was intrigued with SEI's leading Manager-of-Managers investment process that tailored an asset allocation consistent with plan objectives as well as corporate objectives. And SEI was ready to demonstrate the time and cost efficiencies inherent in its integrated Manager-of-Managers process and show how it could help support the printing company's aggressive M&A strategy.

SEI's intimate, responsive service and advice models were able to quickly assess the printing company's situation and develop a strategic direction for the assets. Even though the previous provider was a manager-of-managers firm, it was SEI's unique approach to pension management that solidified the Canadian DB plan.

Because SEI's program includes "pure" building blocks for each investment class, SEI can deliver a more tailored, customized asset allocation and investment strategy leading to improved diversification and more consistent performance.

SEI's Manager-of-Managers process is made up of best-of-breed money managers who are tightly monitored to minimize risk and style drift. Time-saving features such as identifying, hiring and replacing managers, as well as automatic portfolio rebalancing, translated into immediate efficiencies for the printing company. And real-time, integrated reporting enabled the company to view the plan in a more strategic manner.

"As a leading integrated global provider, SEI was able to deliver the kind of service model required by this fast growing global company," says Paul Klauder, Vice President of SEI Investments Management Corporation. "SEI's comprehensive, integrated approach to plan and asset management allowed the company to better manage planned acquisitions and control costs."

A BIGGER DB CHALLENGE

The second, and larger, pension challenge SEI had the privilege of tackling was a \$400 million frozen cash balance plan the printing company inherited in an acquisition. The old legacy plan had been slated for termination and annuities were to be purchased with the assets, which were mostly in cash investments. But the Department of Labor placed a moratorium on cash balance terminations.

SEI helped the company by providing advice, compliance assistance and redeploying the assets into the capital markets. Once the termination was reversed, SEI was able to develop and implement a more viable strategy that put the \$400 million portfolio, consisting mostly of cash investments, into seven diversified Manager-of-Managers asset portfolios. The result was a fully global, diversified portfolio that matched specific liabilities and helped minimized risk.

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— Paul Klauder
Vice President of SEI Investments
Management Corporation

Furthermore, SEI developed a common investment philosophy and process that tied the U.S. DB plan with the Canadian DB plan, which fell under a different regulatory environment. With consolidated reporting, the printing company was able to strategically view the plans together and make better decisions accordingly.

“The printing company was looking for a global partner who could help effectively manage multiple plans and asset pools in multiple countries,” says Klauder. “SEI demonstrated their ability as a global strategic partner, bringing the expertise to manage the pieces of a program so the company can focus on growing its business.”

THE 401(K) CHALLENGE

In the spring of 2003, the printing company turned to SEI for \$900 million in 401(k) assets. In essence, the printing company wanted to turn three 401(k) plans serviced by three different providers into one platform managed by a single provider. At the heart of the matter was a growing fiduciary concern over whether the participants’ best interest was being served.

“One of the more visible issues had to do with one of the former provider’s approach to fund options,” says Klauder. “They had flooded participants with a supermarket-of-funds approach. The printing company felt there was too much emphasis on chasing hot brand-name funds, too much choice among similar style funds, and not enough education. For example, there were three small-cap options and participants were confused on how to determine the appropriate fund and allocations for their accounts.”

In addition, the printing company was concerned with the under-performance of their many retail funds versus their respective benchmarks. It became apparent that the trend toward more options and brand-name funds wasn’t a viable solution and that better integration of education and fund choices was critical to the success of the defined contribution (DC) plans.

Having experienced SEI’s best-of-breed approach with their DB plans, the company felt Manager of Managers would be a better DC application for participants. Now, participants only have one small-cap option and because seamless diversification and manager monitoring are all done automatically, they have the confidence and education to know they will remain in the small-cap space in the right proportion.

“Through SEI’s comprehensive global retirement solution, the printing company was able to gain immediate control of their various retirement programs without having to spend the time or resources managing the individual pieces of the process,” says Klauder. “SEI’s leading Manager-of-Managers program combined with our integrated advisory, fiduciary protection and trust and custody services, will give this client the ability to improve efficiency and control costs. It has allowed the company to focus on its wider M&A strategic initiative.”