

▶ SEI Solution Brings Flexibility and Portfolio Optimization to Large Manufacturer

Company Profile:

- Largest supplier of iron products to steel companies in North America
- Company restructured over past five years; all non-critical positions were reviewed
- Recently mandated assets into both real estate and private equity investments

SEI Solution: Provided a customized investment model including a comprehensive pension finance analysis and a proactive manager monitoring program.

Key Benefits:

- Offered the flexibility to maintain 20% of existing manager commitments, while still benefiting from an integrated model
- Eliminated the need to hire additional staff to manage complexities of the plan
- Delivered the ability to better predict and manage plan's impact on corporate financial statements

With over \$700 million in pension and VEBA assets and having recently undergone a major consolidation, this large manufacturer was struggling with the appropriate business model for managing its pension responsibilities. The current consultant had helped the Company to achieve an outside point of view along with manager recommendations, but did not help with implementation of the strategies or provide ongoing support to monitor portfolio assets.

The Company re-evaluated its model with an eye toward cutting costs because it was unable to hire staff to support the complexities of the plan. In addition, it had recently allocated assets into three areas, real estate funds, private equities, and an all-cap public equities fund, which it wanted to keep in place. All of these elements were equally critical to the overall health of its pension plan. Just as important was the need to find a provider who could objectively analyze its portfolio while at the same time provide much needed investment oversight and administrative services.

Finally, given the materiality of the pension plan on the corporate sponsor, the Company was concerned both with the volatility of cash contributions and SFAS #87 pension expense.

SEI'S FLEXIBLE "BEST OF BREED" PLATFORM

The combination of manager monitoring and integrated reporting for the Company's various investment pools sparked a further look at SEI's pension solution. Through an extensive modeling process incorporating the Company's current plan data, SEI was first able to highlight several options for restructuring the plan to minimize costs without sacrificing the investment objectives of the plan and its participants. SEI then created investment portfolio scenarios that directly tied to the corporation's financial objectives.

The Company liked the flexibility of the SEI investment model, which created an opportunity to incorporate a very lucrative and important recent acquisition of a small iron manufacturer. Through SEI's modeling process, the organization benefited from SEI's ability to review the acquisition objectively and provide guidance to the board around the tender offer. SEI also had the technology and resources to monitor the growth of this acquisition. At the request of the large manufacturer, SEI's investment team provided ongoing due-diligence on the acquisition and developed an appropriate exit strategy. With the SEI process in place, as the investment grows it is rebalanced appropriately to fit into the organizations' overall asset allocation and adheres to the set investment policy.

Similarly, SEI analysts worked on developing an in-depth analysis of the large manufacturer's real estate and private equity investments. The analysts met with the respective fund management teams and presented an initial report to the company trustees. Through this process, SEI analysts conducted on-site visits to develop a full qualitative review on the management team and provide a fact-based opinion set for the board to discuss. Analysts also performed historical holding analyses that included a detailed look at the managers' risk characteristics.

“It was clear to the client that no other provider had been able to provide the level of expertise and industry knowledge that our professionals could provide. Furthermore, our investment management model was able to provide the trustees with a consistent and efficient process that was needed on an ongoing basis. Our disciplined process, combined with their desire to outsource, resulted in a successful strategic partnership.”

— Paul Klauder
Vice President of SEI Investments Management Corporation

SEI provides a quarterly report on the respective investment managers and proactively monitors the assets on an ongoing basis. Approximately, 20% of the portfolio was retained through current managers. With the SEI model in place, the outside managers' risk characteristics and compliance standards are monitored monthly.

The series of administrative complexities facing the Company were great, given the multiple outside providers and various sources of information being provided at varying times. SEI consolidated this information and provided detailed reporting on all assets, including asset class and individual asset level returns, and delivered the information through a web-based application for the Company's staff to access.

A Closer Look at Investment Oversight Provided		
	Non- SEI Assets	Assets Managed by SEI
Holdings and Characteristics Based Analysis	■	■
Compliance Review	■	■
Qualitative Monitoring	■	■
Risk Management	■	■
Fact Based Opinion	■	■
Peer Group Analysis	■	■
Total Plan Review	■	■
Manager Selection		■
Manager Termination		■
Manager Replacement		■
Co-fiduciary		■

Source: SEI research

FIGURE 1

A DEDICATED TEAM

Along with addressing current investment and administrative needs, the manufacturer was frustrated with the consultant model and the reactive approach it felt was in place to monitor its portfolios.

The SEI solution provided a diversified, specialized team of analysts to offer:

- Objective analysis
- Expertise across all asset classes
- Proficiency in manager due diligence
- State-of-the-art analytical tools and manager databases

A dedicated team focused on outside investments, helped the Company make educated fiduciary decisions on non-SEI managers and it alleviated the need for ongoing manager selection, implementation, and termination.

EFFICIENCY, FLEXIBILITY, AND CONTROL

Understanding the complexities of this organizations' pension plan, management structure, and investments, enabled SEI to offer a customized solution that met their changing need.

Today, this large manufacturer enjoys the benefits of an investment model that is efficient in overseeing its investments and in keeping its overall pension plan in line with corporate goals within the requirements of ERISA. With SEI's model in place, the Company has more time and resources to focus on achieving its corporate objective of growing and expanding its business.