



Marty J. Schwenner

VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Magnetek

Sharing Access to Data, Systems Speeds Process

Company: Magnetek
Headquarters:
Menomonee Falls, WI
Website:

www.magnetek.com

No. of employees: 500

Nature of business:

Magnetek specializes in the development, manufacture, and marketing of digital power and motion control systems for material handling, people-moving, alternative energy, and mining applications.

Key executives:

Peter M. McCormick,
president and CEO

Marty J. Schwenner, *vice president and chief financial officer*

Ryan Gile, *vice president and controller*

Scott S. Cramer, *vice president, general counsel, and corporate secretary*

Key solution providers:

United HealthCare, *health*
Dental Delta, *dental*
Aflac, *voluntary benefits*

In 2003, Magnetek was navigating a challenging financial and regulatory market. Magnetek's stock price had experienced a significant decrease due to several one-time factors. Also, Magnetek was looking to maximize its opportunities for growth by ramping up research and development, as well as increasing the size of its sales force.

"Our core competencies lie in the design and manufacture of power and motion control systems, not in actively managing financial asset portfolios," said Marty J. Schwenner, vice president and chief financial officer for Magnetek. "That is not where our organizational strengths lie, but there is an entire industry of proven value-added partners who are focused on financial and investment management."

Magnetek found the expenses related to its pension plan a critical problem. In the past, the plan had provided positive earnings, thereby helping the organization's bottom line, but those earnings had now turned into an expense. To manage the cost of running the plan, Magnetek decided to freeze benefit accruals, resulting in an immediate decrease in the plan's liabilities. This provided the company with immediate financial relief; however, this also meant an \$18 million pension contribution in 2008.

Magnetek wanted its pension plan to be easy to manage, meet investment goals, and adhere to regulatory obligations. The company had previously handled much of its investment management work internally. After undergoing a rigorous search process, Magnetek decided to shift to an outsourced investment management model and hired SEI Investments.

In the new model, SEI took on fiduciary responsibility for researching, selecting, and monitoring investment managers that fit the ongoing strategies set forth by Magnetek's pension committee. This allowed Magnetek's finance staff to focus on the organization achieving its short- and long-term goals, while knowing the plan is run and managed properly.

Magnetek further enhanced its position by hiring The Savitz Organization to provide pension actuarial services. This hiring allowed Magnetek to let both SEI and Savitz manage the plan in a timely and efficient manner, since SEI and Savitz share access to data and systems.

"Previously, the pension had been managed in a vacuum outside of corporate finance objectives. If the goal was to make sure that the pension did not negatively impact corporate finance, the two had to become aligned," said Schwenner.

The result was a custom funding strategy that required pension contributions of \$4 million per year for a span of three years, starting in 2006. This strategy was designed to improve the plan's funded status and would build up the credit balance over the course of the 10-year time frame, thus removing the \$18 million contribution spike in 2008.

Magnetek has been successfully managing its pension plan since making these proactive vendor changes and has increased the use of asset/liability tools. Magnetek has a pension plan that efficiently syncs with its corporate goals and requirements. The increased speed and effectiveness of the SEI/Savitz model allows the board and financial officers at Magnetek the ability to facilitate changes as markets and new pension relief legislation is adopted while also achieving its corporate objective of growing and expanding its business. ■

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