



New member segment for Citrus

Victor Products Case Study

Victor Products Ltd is the world's leading manufacturer of electrical connectors for the global coal mining industry and is a subsidiary of Federal Signal Corporation in the USA.

Victor's UK defined benefit scheme currently has over 500 members and assets of £40 million. In 2018 the trustees started to seek a replacement for their administration provider. During this selection exercise, the trustees decided it was the right time to carry out a more fundamental review of alternative options for the management of the scheme, working in partnership with their corporate colleagues in the USA.

THE CHALLENGE

Victor's objectives were to deliver a cost-effective and well-run scheme, and to address succession planning issues, acknowledging that key personnel involved in running the scheme were approaching retirement age. Several options were considered, including appointing a single service provider while continuing to run the scheme in its present form, as well as moving to a master trust.

The working party carried out a formal review of the options available, including an assessment of running costs, and the quality of the administration service, noting that member experience was a key factor, the range of investment solutions available, and looking further ahead to the support provided when the scheme is bought out and wound up.

Governance was also a key consideration for the working party. At outset, the expectation was that the scheme would continue in its present form, as a stand-alone scheme governed by its current trustees but possibly with new service providers. However, as they learned more about the benefits a master trust provides, this quickly emerged as the favoured model.

The Solution

It was clear that the Citrus DB master trust was the right solution for Victor Products for the following reasons:

- Clear long-term strategy – a clear long-term funding objective has been set for the scheme, aiming to secure members' benefits in the insurance market by a specified date, providing a strategic framework for future funding and investment decisions
- Integrated investment– the capital efficient investment strategy adopted by Citrus provides the prospect of higher expected returns and a reduction in risk, helping the scheme meet its long-term objective with less volatility
- A safe pair of hands – the experience and expertise of the Citrus Trustee Board provided the working party with assurance that their scheme will continue to be well run and in-line with best practice
- Succession planning – passing knowledge and responsibility to the Citrus Trustee Board provides greater continuity in the long-term, meaning less reliance is placed on key individuals
- Reduction in management time – the responsibility for running the scheme passes to the Citrus Trustee supported by its scheme secretarial team, leading to a reduction in management time from Victor
- Reduction in running costs – the ability of Citrus to share costs across a larger number of schemes will reduce the running costs of the scheme, offering the potential to redirect these savings into the scheme to improve the security of members' benefits
- One-stop solution for all services, including administration – the working party took great comfort from the expertise and support provided to the Citrus Trustee by its service provider, Hymans Robertson
- Regular reporting to the corporate team at Victor and in the USA – Citrus provides regular reporting to the corporate team using 3DAnalytics to let them track changes in the funding position and on their accounting assumptions

OUTCOMES

The timescale for the transition to Citrus has been set to meet Victor's requirements, with a go-live date of May 2020.

Citrus is pleased to have Victor Products onboard with this growth supporting the Citrus Trustee board's aim of extending the benefits of membership.

This demonstrates how a DB master trust can help other schemes in a similar position achieve their long-term ambitions and overcome the challenges currently faced by the management and Trustee in the day-to-day running of their pension scheme.

For further information please contact Lindsay Davies, Pension Scheme Manager on lindsay.davies@citruspensions.co.uk or call 0207 082 6371

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We chose the Citrus DB master trust as we were reassured our scheme will be in safe hands and the experienced Trustee board are very familiar with what is required to reach compliance in the UK.

The access to a wider range of investment assets, as well as the ability to aggregate with other schemes in the master trust for future risk transfer transactions was very attractive to us.

The transition process is clear and straightforward, and we have been kept updated on progress throughout.

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- Paul Wittig,
VP of Corporate Services at Federal Signal

