

Staff and Pensions Committee

Assessing Employer Covenant in the Pension Fund

14 December 2020

Recommendation(s)

1. The Staff and Pensions Committee are asked to comment on and approve the pension fund's policy and approach to assessing the covenant of employers in the Pension Fund.

1. Executive Summary

- 1.1 The Pension Fund should have a considered approach to the viability of scheme employers. The wide ranging and significant impact of Covid on employer organisations raises the profile of this requirement.
- 1.2 Appendix 1 identifies the different categories of scheme employers in the Pension Fund and how the potential exposure and risk to the Pension Fund can be reduced.
- 1.3 The Local Pension Board discussed this report at its meeting on 20th October 2020.

2. Financial Implications

- 2.1 The failure of a scheme employer to meet its financial commitments to the pension fund could have an impact on the liabilities for other scheme employers.

3. Environmental Implications

- 3.1 None.

4. Supporting Information

- 4.1 The benefits of employer assessment are:
 - Demonstrating good governance and risk assessment;

- Providing management information to prioritise and engage with higher risk employers;
- An action plan to ensure employer covenants are in place and fit for purpose;
- Allowing increased engagement with employers and helping the Pension Fund understand issues faced by employers, and
- Reducing the financial risk exposure of other scheme employers.

5. Timescales associated with the decision and next steps

5.1 The review includes an action plan which schedules activity over the next 9 months.

Appendices

1. Appendix 1, Assessing Employer Covenant

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Kaur & Gifford