



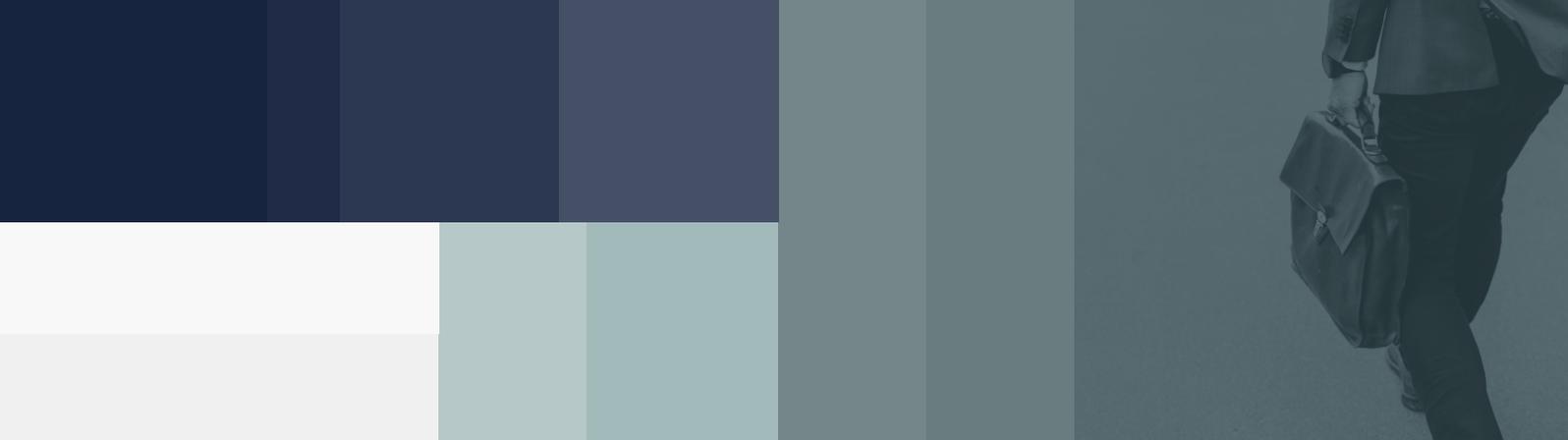
Employer Covenant Assurance Services

cbw.co.uk
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“The employer covenant is the extent of the employer’s legal obligation and financial ability to support the defined benefit pension scheme now and in the future. The covenant underwrites the risks to the scheme. A sound understanding of the covenant will therefore help trustees take investment and funding risks consistent with the ability of the employer to support the scheme.”

The Pensions Regulator

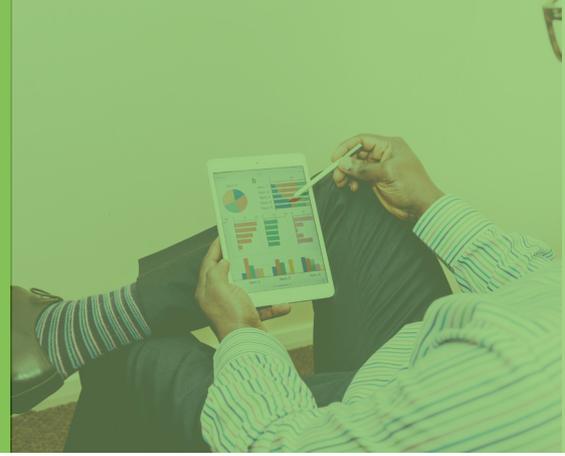


Employer Covenant Assurance Services

Guiding defined benefit pension scheme trustees through employer covenant

Trustees of defined benefit pension schemes have a responsibility to review their employer's covenant, as set out in The Pension Regulator's (TPR) Code of Practice, 'Funding Defined Benefits'. This is a daunting task as trustees must form an objective assessment of the employers' financial position and be well prepared when negotiating to ensure that any shortfall is eliminated as quickly as the employer can reasonably afford, without prejudicing their ability to trade.

It can be difficult for trustees to be confident that they have undertaken a sufficiently thorough exercise whilst operating within the reasonable financial and time constraints.



How Can We Help?

At CBW, we can assist pension scheme trustees and their advisers in dealing with covenant assessment issues. Our services fall into three categories: the covenant review, negotiating with the employer and follow-up services.

The Covenant Review

The scope of our work to assess employer covenant is structured around the circumstances of each assignment. The review is typically undertaken on a desk-top basis drawing on both publicly available information (e.g. Companies House filings, financial statements, credit reports, industry sector analysis etc) and non-public sources (e.g. management accounts). Where necessary, our team may meet with the employer's management team. Our review covers:

- Group structure
- Inter-company positions including any cross-guarantees
- Review of management forecasts and other management information
- Cashflow generation with a focus on exceptional or non-core items
- Dividend policy
- An assessment of the employer's ability to pay (or increase) deficit repair contributions

- The impact of any security charged against the company's assets
- Whether the scheme is being treated equitably with other stakeholders
- An insolvency analysis to detail how much value the scheme could recover in an insolvency of the employer
- Where relevant, options for the scheme to improve security

The output of this review is a report to the trustees of the key issues and recommended actions.

Negotiation Support

Following the initial review, we assist trustees in negotiating with the employer to implement their decisions. Due to the obvious sensitivities, this can be a challenging environment and our team is experienced in bringing parties together to reach a conclusion. Where required, we can deal directly with TPR.



Distressed Employers

As a team of accountants and insolvency practitioners, we have the expertise to consider potential restructuring options where a sponsoring employer is in distress. We are experienced in working with stakeholders to take positive action to prevent the position deteriorating further.

As part of our work in these distressed scenarios, we provide trustees with an independent assessment of the potential recovery to the scheme on a winding-up of the employer so that all options can be considered. We understand the need for close liaison with the scheme solicitors, TPR and, where relevant, The Pension Protection Fund.

Follow-up Services

Following the valuation process's conclusion, we can provide a covenant monitoring service, which is typically a 'light-touch' review to give trustees assurance on any changes to the employer's financial circumstances. This work is tailored to meet the trustees' specific requirements.

Other Services

We undertake a wide variety of other pension service offerings. These include:

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- De-risking solutions
 - Cash flow reviews of sponsors
 - Independent auto-enrolment reviews



Why CBW?

Acting Fast

We provide a speedy service to trustees and can commence work as quickly as necessary.

Experienced

Our team of accountants and insolvency professionals have undertaken work in a variety of situations and industry sectors.

Flexibility

We can adapt our work scope to fit the requirements of the trustees given the specific circumstances. Some trustees will only want a brief 'light-touch' review on their sponsors, while others will want ongoing comprehensive advice – we can provide both.

Value

Value for money comes first by ensuring that the precise requirements of the trustees are understood and by providing a bespoke service offering.

Proactive Engagement

We take pride in providing clear and precise communications to deal with the key issues and facts. We actively engage with all parties and are experienced at having robust discussions when assisting trustees with their negotiations with employers.

International Reach

There may be instances where the sponsoring employer, its group or its operations are based overseas. Carter Backer Winter is a member firm of DFK International, the 7th largest association worldwide of independent accounting firms and business advisers. Currently, DFK International has 220 member firms based in 95 countries. This means that we have the international reach to obtain local support in foreign jurisdictions, as required.

Our Experience

Our team have undertaken a variety of assignments, including:

- Many employer covenant assessments as part of a triennial valuation process or as part of a financial restructure
- Acting for a variety of scheme trustees including some that required TPR engagement
- Providing covenant advice and assistance to scheme trustees and their advisers as part of an assessment of a Deferred Debt Arrangement

Key Contacts

Jonathan Reason



Senior Insolvency Manager
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Jonathan is a Fellow of the Association of Certified Chartered Accountants and joined CBW in June 2020.

He has worked in restructuring and insolvency since 2004 and has considerable experience advising stakeholders including lenders (both secured and unsecured), directors and shareholders, on a wide variety of assignments. He also advises charities and has particular experience in care homes, day nurseries and education.

Jonathan also undertakes financial and business reviews on behalf of funders and provides pre-insolvency advice to directors, often helping to avoid the need for a formal insolvency procedure.

In recent years, Jonathan has specialised in undertaking pension employer covenant reviews either for trustees, as part of the triennial valuation process or as part of a restructuring.

Jonathan also represents creditors at physical meetings ensuring that the creditors' interests are voiced and, where relevant, proposals or modifications are presented and implemented.

Joseph Colley



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Joe, a licensed insolvency practitioner, has considerable experience advising clients in financial distress, having guided stakeholders through successful restructuring assignments on both a solvent and insolvent basis.

He has worked with both corporate and not-for-profit organisations across a broad spectrum of sectors and has acted as an advisor for a number of secured lenders, undertaking cash flow monitoring, due diligence and business review assignments. Joe has led many complex administration assignments including appointments over a recruitment group, a property developer and several care home groups.

He advises stakeholders in relation to winding down operations and placing corporate vehicles into voluntary liquidation (either solvent or insolvent). He is a Certified Chartered Accountant and an Insolvency Practitioner. Joe is Chairman of the Member Services Committee for the Insolvency Practitioners Association (IPA).

John Dickinson



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John is a Licensed Insolvency Practitioner.

Prior to joining CBW in 2011, John previously held positions at Bridge and Mercer & Hole, where he led the development of their rescue, recovery and insolvency departments in London.

John has worked full time in Corporate Recovery and Insolvency for over 25 years and has experience in all aspects of insolvency, both corporate and personal.

He brings an objective and sympathetic approach and works to find a pragmatic solution to complex and often apparently insoluble problems.

He has worked with companies and individuals across all business sectors, as well as advising board members he frequently advises investors in distressed businesses.

John also acts for creditors wishing to recover assets and has been active in court appointed receiverships in high profile fraud cases. He has given expert witness testimony on reported cases.



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