

Report for: ACTION
Item Number: 5



<b>Contains Confidential or Exempt Information</b>	NO - Part I
<b>Title</b>	Employer Covenant Assessment Working Group
<b>Responsible Officer(s)</b>	Nick Greenwood
<b>Contact officer, job title and phone number</b>	Nick Greenwood Pension Fund Manager 01628 796701
<b>Member reporting</b>	n/a
<b>For Consideration By</b>	Berkshire Pension Fund and Pension Fund Advisory Panels
<b>Date to be Considered</b>	24 March 2015
<b>Implementation Date if Not Called In</b>	n/a
<b>Affected Wards</b>	None
<b>Keywords/Index</b>	Pension Fund, Employers

### Report Summary

1. This report deals with the creation of an Employers Covenant assessment Working Group
2. It recommends that the Terms of Reference annexed to this report are approved and adopted
3. These recommendations are being made because assessing the strength of the covenant of Employers is good practice and required by The Pensions Regulator
4. If adopted, the key financial implications for the Fund is the potential reduction in bad debts once an Employer ceases to be an admitted body to the Fund
- 5.

### If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
Reviewing Employers' covenants and the value of bonds assists in reducing unrecoverable debts when an employer ceases to be an admitted body to the Fund	Immediate
Having a dialogue with Employers reinforces their	On-going

## 1. Details of Recommendations

### RECOMMENDATION: That:

- i. Panel creates an Employer Covenant Assessment Working Group
- ii. Panel adopts the terms of reference for this working group as set out in Annex 1.
- iii. The new admitted bodies covenant assessment policy as set out in Annex 2 is adopted.

## 2. Reason for Recommendation(s) and Options Considered

Panel agreed at its meeting on 19<sup>th</sup> January 2015 to create an Employers Covenant Assessment Working Group and requested Officers to draw up terms of reference.

The draft terms of reference are attached at Annex 1 for approval by the Panel.

Panel also requested Officers to formulate a policy regarding assessing the covenant of employers seeking admission to the Fund. This draft policy is attached at Annex 2 for approval and adoption.

Option	Comments
Create a Covenant Assessment Working Group	Recommended by Officers as a clear statement of intent to comply with The Pension Regulator's requirements
Do not create a Covenant Assessment Working Group	Not recommended as the formation of such a group was requested by the Chair of the Panel
Adopt the draft terms of reference	Recommended
Do not adopt the terms of reference	Not recommended since any working group requires terms of reference.
Adopt the New Admitted Bodies Covenant Assessment Policy	Recommended as it ensures that such bodies are aware of their commitments to the Fund
Do not adopt the New Admitted Bodies Covenant Assessment Policy	Not recommended.

## 3. Key Implications

Adoption of these recommendations clearly demonstrates the Panel's intention to comply with the Pensions Regulator's requirements.

## 4. Financial Details

### a) Financial impact on the budget

None

## 5. Legal Implications

With effect from 1 April 2015 the Local Government Pension Scheme is regulated by The Pensions Regulator and a requirement for the Fund to comply with the regulator's codes of practice.

## 6. Value For Money

Not applicable

**7. Sustainability Impact Appraisal**

None

**8. Risk Management**

These proposals enhance the Fund's risk management

**9. Links to Strategic Objectives**

Not applicable

**10. Equalities, Human Rights and Community Cohesion**

Not applicable

**11. Staffing/Workforce and Accommodation implications:**

None.

**12. Property and Assets**

None

**13. Any other implications:**

None

**14. Consultation**

Chairman and Vice Chairman of the Pension Fund Panel were consulted whilst drawing up these proposals.

**15. Timetable for Implementation**

Immediate

**16. Appendices**

Annex 1 and Annex 2 as attached to this report

**17. Background Information**

None