

## **WILTSHIRE COUNCIL**

### **WILTSHIRE PENSION FUND COMMITTEE**

10<sup>th</sup> October 2024

---

## **Covenant Risk Review**

### **Purpose of the Report**

1. The purpose of this report is to present to Wiltshire Pension Fund Committee an update on the Covenant Risk Review being undertaken by the Fund.

### **Background**

2. The Employer Covenant Risk Policy (see Appendix 1) was agreed in May 2024. This set out the assessment and frequency of covenant reviews. A subsequent guide for Councillors was produced (see Appendix 2).
3. The Employer Funding and Risk Lead has completed the initial assessment of all employers in the Fund and identified potential employers whereby further information is required to ascertain the level of their covenant.

### **Considerations for the Committee**

4. The Employer Funding and Risk Lead has been working with the new actuaries Barnett Waddingham to draft the questionnaire to obtain all the relevant information from “high risk” employers, ahead of the formal 2025 Triennial Valuation. The questionnaire requested projected cash flow information, key employer information and key financial metrics for the employer.
5. Barnett Waddingham issued the questionnaire to all the “high risk” employers on 9<sup>th</sup> September 2024, giving a closing date of 11<sup>th</sup> October 2024. Given the date of the Pension Committee and the closing date, Barnett Waddingham/Fund Officers can give a verbal update on responses received to date.
6. Once the closing date has passed, Barnett Waddingham will liaise with employers around missing data or data issues in October plus liaise with the Fund regarding any differing contract information provided to what is currently held – for them to confirm any changes.
7. Barnett Waddingham will analyse the results and feedback findings to the Fund in November 2024. They will also present their findings at the Employer Forum to be held on 27<sup>th</sup> November 2024.
8. In December 2024, Barnett Waddingham and the Fund will agree the covenant strengths to initially use in the 2025 Triennial Valuation and include these in the Employer Scorecards at the end of 2024.

### **Environmental Impact of the Proposal**

9. There are no known environment implications from this report.

## **Financial Considerations & Risk Assessment**

10. Ultimately, the Covenant Risk Review is aimed at protecting the Fund and other Scheme Employers against unforeseen risks or losses, from another employer failing in their responsibilities. This will also feed into the 2025 Triennial Valuation, which sets employer contribution rates from April 2026 for 3 years.

## **Legal Implications**

11. There is currently no legal requirement to produce an Employer Covenant Risk Policy or conduct a Covenant Risk Review, but the application of this policy and review reduces the risk of significant legal costs needing to be incurred upon an employer ceasing unexpectedly or failing to maintain their liabilities in the Fund.

## **Safeguarding Considerations/Public Health Implications/Equalities Impact**

12. There are no known implications at this time.

## **Reasons for Proposal**

13. To ensure that employer covenants are reviewed for high risk employers.

## **Proposal**

14. The Committee is asked to note the Covenant Risk Review update and where necessary seeks from Officers and Actuaries such clarifications or further information as they require.

Matt Allen  
Employer Funding and Risk Lead

Report Authors: Matt Allen, Employer Funding and Risk Lead

---

Unpublished documents relied upon in the production of this report: None