

Circular 9C/2020

16 October 2020

To: Chief Executives

At: Employing Authorities assessed as having a weak covenant

Dear Colleague

### **NILGOSC Employer Covenant Interim Monitoring 2020/21**

NILGOSC undertakes an assessment of employer covenants on a triennial basis as part of its risk management and funding strategy and monitors covenants between triennial assessments. The employer covenant refers to the employer's legal obligation and financial ability to meet scheme liabilities now and in the future.

The purpose of the employer covenant assessment is to assess the strength and reliability of each employing authority in the pension scheme to help determine if there is any risk that an employer may not be able to meet its pension liabilities. The covenant assessment therefore helps mitigate the risk of an employer's pension liabilities being spread across the other employers in the scheme in the event of default.

As you're aware, in the 2018/19 employer covenant assessment exercise your organisation was assessed as having a weak covenant and was treated separately from the main employer group for the 2019 valuation.

NILGOSC monitors those employing authorities assessed as having a weak covenant between triennial valuations and to enable this monitoring to take place you are required to submit additional information to NILGOSC in interim years.

The information required is detailed in the attached Employer Annual Update Form which must be completed and returned by e-mail to [covenant@nilgosc.org.uk](mailto:covenant@nilgosc.org.uk) **by Friday 27 November 2020** along with the documentation requested on the form.

Please note that, due to the nature of the information required and the purpose for which it will be used, it is essential that you, as Chief Executive, are satisfied that all relevant information has been provided and therefore it is requested that you review and sign the Annual Update Form prior to submission to NILGOSC. In light of current circumstances an electronic signature will suffice.

In addition to participating in the triennial Employer Covenant Assessment Exercises and the annual updates it is important that you alert NILGOSC to any of the following as soon as you are aware they are to take place:

1. Change in company structure, including takeovers and mergers
2. Change in nature of business or constitution
3. Change in funding basis
4. Change with respect to the guarantor in place for pension liabilities
5. Change in scheme membership, including restructuring and outsourcing
6. Change to employee terms and conditions which would impact on the pension scheme
7. Any other event that may affect continued participation in the fund

If you are aware of any significant events as noted in points 1-7 above, please communicate the relevant information to me by e-mail at [janice.houston@nilgosc.org.uk](mailto:janice.houston@nilgosc.org.uk).

I would like to thank you for your participation in this process and if you have any queries, please do not hesitate to contact me.

Yours sincerely

Janice Houston  
Investment Accountant  
Enc