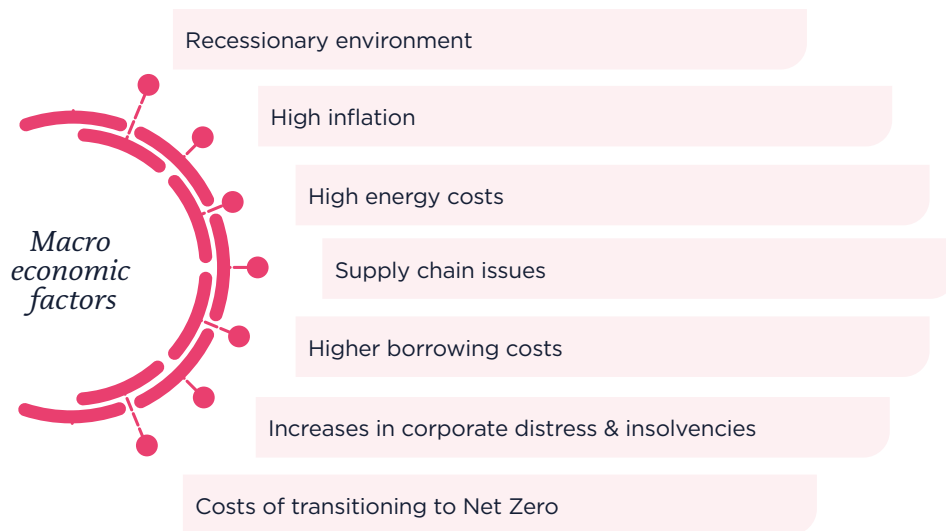




An update for trustees from LCP's award winning Covenant Services team

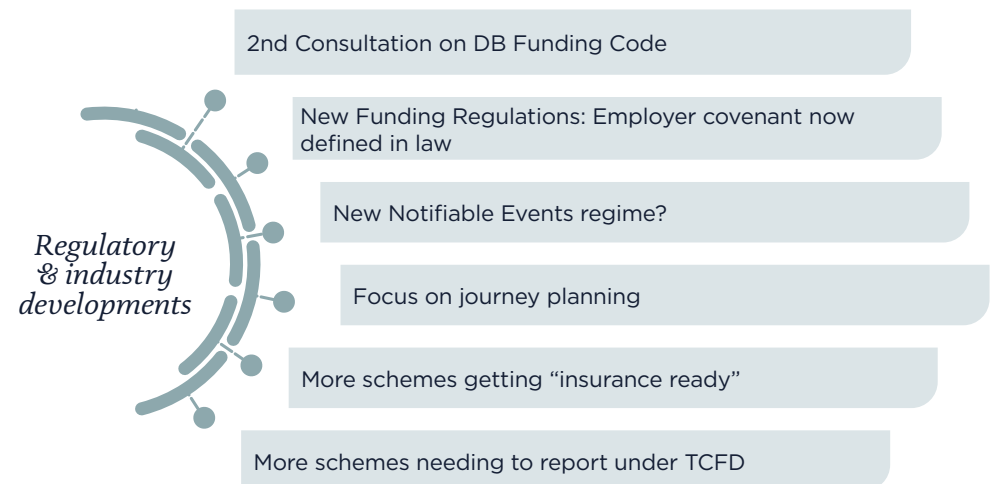
Winter 2023

Key areas of covenant risk to focus upon as we move into 2023



Macro-economic headwinds and the fall out from the September 2022 mini-budget have made it a time of change for many sponsors. Whilst a lot schemes are now better funded, some sponsors who were just about hanging on after the pandemic are now facing financial distress.

Jonathan Wolff FCA, **Partner & Head of Covenant Services**



TPR has now issued its second consultation into the new DB funding regime which provides details of how it will approach regulating schemes on their journey plan to their long-term objectives. It's clear that covenant is key to supporting scheme risks with a focus on future cash flows and new concepts such as covenant visibility, reliability and longevity.

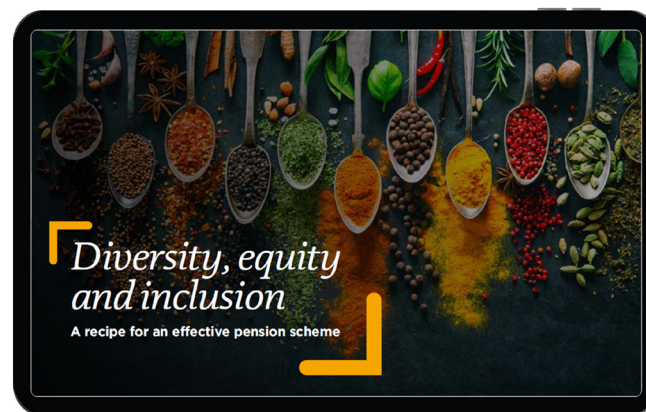
Helen Abbott FCA, **Partner**

Scanning the horizon – how we help our clients to stay one step ahead

We expect the industry landscape to continue changing. Our clients look to us to help them understand what these changes may mean for them.

LCP's covenant team provided the trustee board with a comprehensive report which was bespoke to the employer. It really got under the skin of the climate related risks facing the covenant, and how these may interact with both wider scheme risk and the journey planning considerations facing the trustee

Rachel Brougham, **Trustee Executive**,
BESTrustees



Cutting edge ESG advice

Helping our clients navigate the covenant aspects of the three pillars of “E” “S” and “G”.



Environment – The impact of climate change on pension schemes is fundamental across covenant, investment and funding. We help our clients easily understand this topic, by assessing the relevance of different climate risks to their scheme and sponsor under different climate pathways, timeframes and funding levels. [Click here for our climate flier](#) to find out more.



Social – LCP's [Diversity, equity and inclusion guide](#) shares our experiences with helping trustees and sponsors understand how DEI factors can influence covenant strength.



Governance – We run regular roundtable sessions with independent trustees and C-suite sponsor representatives, joining the dots on best practice approaches to managing new regulatory requirements and pension scheme risk. Find out about our [upcoming events here](#).

Financial risk reviews on bulk annuity providers

An increasing number of schemes are approaching the latter stages of their pensions journey and are looking to transact with an insurer.

This year we've worked closely with our clients and LCP's de-risking experts to develop a cost-effective approach to insurer due diligence advice.

This helps trustees and sponsors understand the financial strength of the insurer they transact with, the key risks that their specific counterparty faces and the Solvency II regime that stands behind these transactions.



Managing covenant risk is key to ensuring a scheme's journey stays the course

Francesca Bailey ACA, **Partner**

Strategic journey planning

We believe that delivering an optimal strategy requires collaborative thinking across advisors and stakeholders to a pension scheme. So together with our actuarial and investment colleagues, this year we've created our [Strategic Journey Planning](#) insight hub, providing trustees with the tools they need to design and manage effective journey plans. There's a wide range of example case studies and content available, including our annual [Chart your own course report](#) – delivering the latest insights into what's top of trustee “to-do” lists right now.

Delivering fair solutions for all stakeholders

Events of recent months mean many schemes are better funded than ever before. We understand that some sponsors are cautious of a “trapped surplus”. By using contingent funding solutions, win-win outcomes can be found for trustees and sponsors. For our practical guide to the various options and how they could help your scheme, head to our [Contingent Funding Handbook](#).

Fran Bailey and her team prepared and presented a comprehensive but accessible report on our potential buy-in counterparty. They impressed our Trustee Directors, demonstrating their in depth knowledge of the counterparty and the subject matter.

Group Financial Controller and Chair of Trustees of leading General Insurer

Get the right governance structure in place

Establish your ultimate objective and timescales

Analyse what could change your journey

Refine the steps you plan to take to reach your goals

Steer your journey dynamically and in a joined-up way

How can we help you?



Why LCP?

Our growing team of experts, our understanding of the corporate landscape and our innovative and pragmatic approaches mean that we are offering our clients first class solutions at a time of economic uncertainty and regulatory change.

Ongoing support



Covenant reviews to inform triennial valuations



Affordability reviews

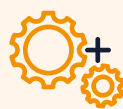


Covenant monitoring support



Considering current approaches to covenant risk against the requirements under the new DB Funding Code

Event-driven advice



M&A activity



Refinancings



Corporate and scheme related restructurings



Distressed employers and short term cash flow assessment

Specialist advice



Advice on sponsor exposure to climate change



Counterparty risk assessments / Insurer due diligence to support insurance transactions



Governance support (particularly in light of PSA 21)



Trustee training

What our clients tell us sets us apart

Integrated risk specialists

Unmatched regulatory experience

Collaborative style

Long-term approach

Intuitive and jargon free reporting

Cost effective and concise

The quality of advice provided by LCP's covenant team is excellent – taking a proportionate approach to considering covenant strength and sponsor longevity risks and integrating these conclusions with specific funding, investment and journey plan recommendations for the scheme.

Colin Richardson, **Client Director, Zedra Governance**

Our sponsor was facing severe liquidity constraints. The Trustee needed robust covenant advice to support informed decision making in very challenging timescales. LCP managed the process well, quickly engaged with the employer to collect the information they needed, kept us updated and delivered a comprehensive and clear report which assisted quick decision making.

Louise Webb, **Client Director, Punter Southall Governance Services**

An overview of our senior team

To find out more about LCP's Covenant Services team and read our latest insights, please visit us [here](#).



Jonathan Wolff FCA

Partner & Head of Covenant Services

jonathan.wolff@lcp.uk.com

020 3824 7301

Jon heads up LCP's Covenant Services team having joined the firm in 2016. He is a qualified accountant, has more than 15 years' experience in covenant advisory and has a background in corporate restructuring. Jon undertook a secondment to TPR as a Business Analyst in 2013.



Helen Abbott FCA

Partner

helen.abbott@lcp.uk.com

020 3314 4997

Helen joined LCP's Covenant Services team in 2020 from TPR where she was Lead Business Analyst carrying out the full range of covenant work. She maintains a keen interest in regulatory developments and supporting clients to adapt to these changing requirements. Helen has over 15 years' experience in covenant advisory and a background in restructuring.



Francesca Bailey ACA

Partner

francesca.bailey@lcp.uk.com

020 7432 3084

Fran leads on the development of how covenant fits into LCP's integrated risk advice. Alongside her role helping clients understand their covenant risks in the context of their longer term pension strategy, she also runs LCP's insurer financial risk review offering. She is a chartered accountant, and was Highly Commended in the Consultant of the Year category at the 2021 Rising Star Awards.



James Silber ACA

Principal

james.silber@lcp.uk.com

020 3824 7264

James joined the team in 2022 having spent 8 years in the employer covenant department at a Big 4 restructuring practice. He has provided covenant advice for several of the UK's largest pension schemes and also brings experience of complex distressed restructuring deals. James was seconded to TPR as a Business Analyst in 2017.



John Parnis England ACA

Senior Consultant

john.parnisengland@lcp.uk.com

020 7432 0670

John is a covenant advisor who leads assignments and is also an expert in assessing how climate risks and opportunities impact upon a scheme's covenant and ultimately upon journey plans. He also has significant experience advising both trustees and corporate sponsors on a range of covenant issues.

Awards

The strength of our people and the quality of our service delivery has resulted in a host of industry awards in recent years. We are particularly proud that this year the LCP Covenant Services team won **Sponsor Covenant and IRM Adviser of the Year** at the Professional Pensions awards.



At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy, financial wellbeing and business analytics.

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