

CYNGOR SIR POWYS COUNTY COUNCIL.

Pensions and Investment Committee

30th September 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Review of Fund Employer Covenants

REPORT FOR: Information

1 Introduction

- 1.1 In line with national guidelines, best practice, the need for LGPS Pension Funds to manage risk in relation to the funding covenant of each Fund employer and the continued entry of new employers into the Fund; a review of individual employer covenants has been completed. The last review was done in 2013. The Appendix to this report sets out the results of each assessment and the action (where relevant) required.

2 Background to Fund Employer Covenant Assessments

- 2.1 Best practice guidance (issued by both the national LGPS Scheme Advisory Board and the Pensions Regulator) indicates that each Fund employer may be placed within a risk category having been assessed against the following criteria:
- 2.2 Low Risk:
- Local authorities
 - Any body with a local authority acting as a guarantor
 - Any body with significant funding from a local authority, central government or Welsh Government.
- 2.3 Medium Risk:
- Non low risk Scheduled bodies with no statutory underpin but with satisfactory evidence of financial security
 - Admission body with small deficit or surplus of assets over liabilities.
 - Admission body with sound financial position and significant reserves.
- 2.4 High Risk:
- Admission body with some of the following:
 - No external funding guarantee or reserve
 - Potentially limited lifespan or fixed contract term

- No active contributors and/or is closed to new members
 - Relies on voluntary or charitable sources of income
- 3 Having assessed each Fund employer against the above criteria, where required the Fund should consider the following to reduce risk exposure:
- 3.1 Low Risk:
- No further action required
- 3.2 Medium Risk:
- Where possible, seek a third party guarantor eg a local authority, central government or Welsh Government
 - Require the purchase and maintenance of an indemnity / bond to cover possible termination deficits
- 3.3 High Risk:
- Where possible, seek a third party guarantor eg a local authority, central government or Welsh Government
 - Require the purchase and maintenance of an indemnity / bond to cover possible termination deficits
 - Require contingent deficit recovery plans which should include contractually agreed asset allocations.
- 4 Committee is asked to note the contents of this report.

Recommendation:			Reason for Recommendation:		
To note the contents of the report.			Best practice		
Person(s) To Action Decision:					
Date By When Decision To Be Actioned:					
Relevant Policy (ies):		N/A			
Within Policy:	N/A		Within Budget:		N/A
Contact Officer Name:		Tel:	Fax:		Email:
Joe Rollin		01597 827641	01597 826290		joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	