

Covenant is 20

Past lessons.

Present and future considerations

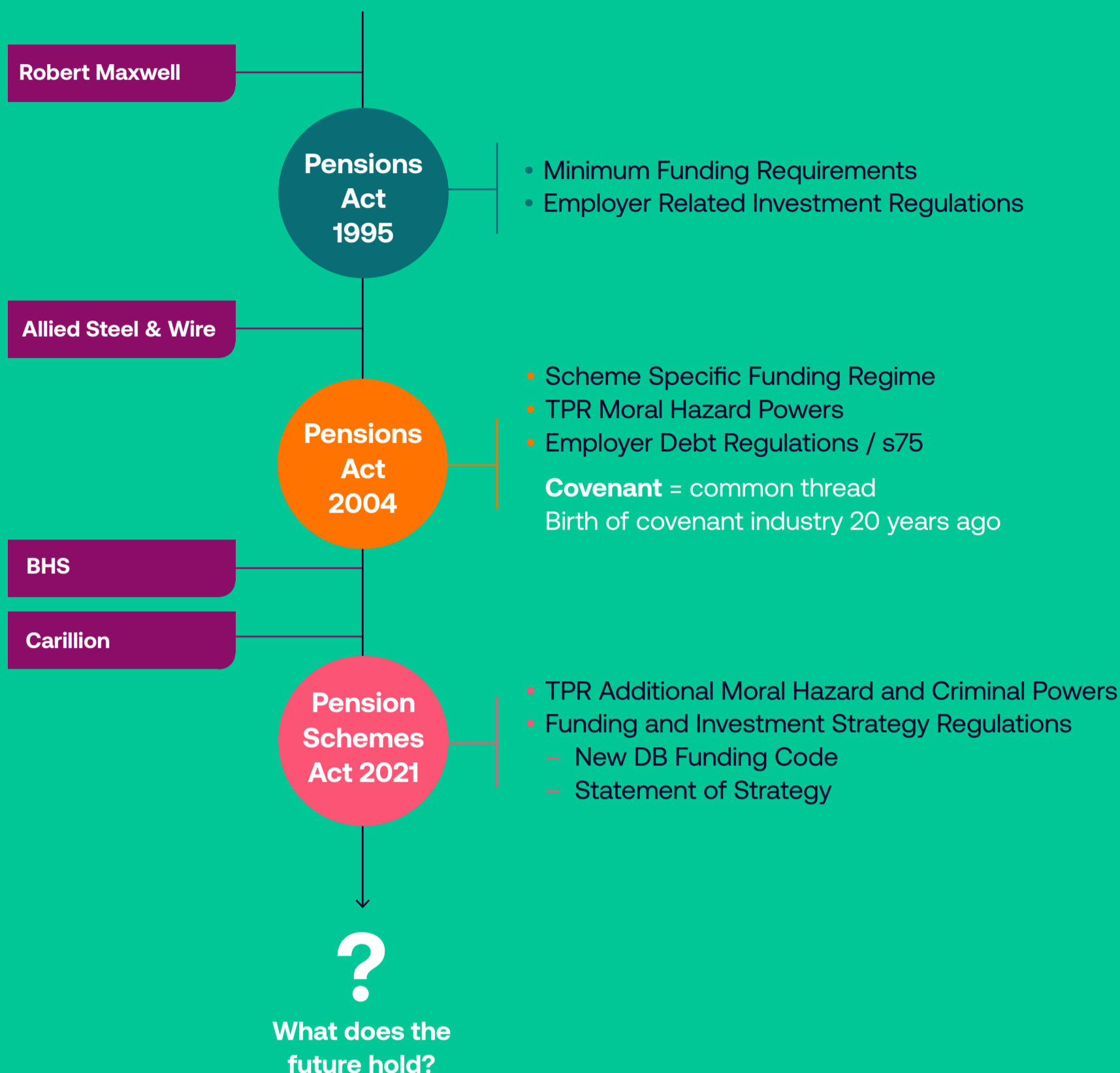


Covenant was born out of the Pensions Act 2004. 20 years on, covenant has been enshrined in law and is at the heart of the new Funding Code.

High-profile corporate insolvencies, where members have suffered a shortfall have driven many of the major regulatory changes over the years. A look back to the start of the covenant industry provides valuable lessons that we must remember if we are to provide members with the pensions they have been promised.

It is easy to be distracted by the mountain of regulation and governance requirements. We are here to help you focus on what really matters:

Healthy Scheme. Healthy Employer. Happy Members.



New Regulatory Requirements

- Legal requirement to consider employer covenant when setting Funding and Investment Strategy
- **Covenant:** Cash, Contingent Assets and Prospects
- **Journey Plan:** Significant Maturity, Covenant Reliability, Covenant Longevity, Maximum Supportable Risk
- **Recovery Plan:** Reasonable Affordability and Sustainable Growth
- All to be documented in Statement of Strategy

Looking forward

- Trustees now face more options with complex stakeholder dynamics – run-on versus buy-in, use of surplus, capital-backed journey plans, and consolidators
- New regulatory requirements come with significant documentation requirements
- AI / technology – a risk and opportunity

We can help...



Robustly meeting regulatory requirements for assessing covenant and factoring covenant into journey planning



Thoughtful evaluation of end-game and strategic options



Best practice assessment of covenant risks and downside protection



Optimising the balance of technology and personal touch / market leading experience

Our view

In 20 years covenant fundamentals haven't changed materially. It's still all about ensuring members receive the benefits they've been promised. The way we deliver covenant advice has evolved and will continue to do so, but this is not changing any time soon:

“Healthy scheme. Healthy sponsor. Happy members”



Emily Goodridge
Managing Director
e.goodridge@cardano.com



Felix Mantz
Senior Director
f.mantz@cardano.com



Christopher Heritage
Director
c.heritage@cardano.com

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