

Employer Risk Management

LPP

Local Pensions Partnership

Why manage and mitigate employer risk in your fund?

Current and future spending cuts have a huge impact on public sector bodies, charities and admission bodies. There have been instances in LGPS funds of multi-million pound pension liabilities not being met and falling on other fund employers or Local Authorities, and the risk of further insolvencies remains high.

However, these risks can be managed, and if mitigated early, can reduce the possibility of substantial liabilities ultimately being unrecoverable.

The cost of assessing and monitoring your fund employers are insignificant compared to the potential loss of monies to the fund. Active and collaborative engagement with employers can include:

- Obtaining government letters of assurance/parent company guarantees in relation to pension liabilities of fund employers.
- Implementing first charge arrangements.
- Identifying those employers which pose a significant risk to your fund and then carrying out periodic assessments.

LPP – an expert team on hand to help

LPP specialist Employer Risk Management team provides experienced resources to help you minimise employer risk in your pension fund.

We currently provide covenant assessment and wider employer risk services to seven LGPS funds. Between them these funds represent public sector pension monies of around £21.3 billion (based on published data at 31 March 2018), and involve more than 1,200 employers.

We work with all relevant Government departments and advisors to reduce risk.

Our services

Services we can provide to your fund include:

- Undertaking sector-specific covenant checks to identify key covenant risks at an early stage. We work closely with you and your employers to ensure compliance with TPR Code of Practice 14, applicable to all public sector pension funds. Sectors we have a unique assessment methodology for include:
 - Social Housing Associations
 - Academies
 - Charities
 - Universities
 - Schools

Our services continued

- Implementing security and guarantees where key risks are identified to avoid re-classification of covenant category. This includes first charges on property, investments and other assets, such as art, and escrow accounts.
- Ensuring your legal documentation and admission agreements remain up to date so pension obligations can be enforced where appropriate.
- Advising your local pensions board and pensions committee on significant employer risks and recommending mitigation strategies to reduce these.
- Incorporating covenant decisions into asset and liability management (ALM) systems to enable better financial planning and cashflow projections for funds.
- Automating relevant financial data to enable detailed analysis of 'at risk' employers.
- Working with your scheme actuary to allow the fund to set differential discount rates to reduce the risk of liabilities falling on other fund employers or Council Tax payers. This enables employers with a lower covenant rating to repay monies at a faster rate, based on TPR guidelines.

- Managing employer exits from your fund via legal payment plans, thus allowing employers to exit without the crystallisation of liabilities. This prevents further liabilities accruing for bodies, such as charities, which will be unable to meet their cessation liabilities.
- In insolvency scenarios, working to ensure the best return for your fund and ensuring creditors voting rights are fully exercised.

Where legal support is required, we can work with your fund's chosen law firm or introduce a firm we regularly work with.

Focused on the broader risk picture

We operate unique monitoring systems, keeping us informed of key sector risks, including financial notices of concern from Regulatory bodies, monitoring alerts etc.

Moreover, we keep fully abreast of broader legislative changes, such as the new insolvency regimes within Social Housing and Further Education and understanding the impact these will have on security already pledged to your fund.

Contact

We would welcome the opportunity to discuss your employer risk management requirements and explain our services in greater detail. For further information please contact:

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About Local Pensions Partnership Ltd

LPP is a well-established pension scheme administrator in the public sector, servicing the pensions of around 590,000 members across nine Local Government pension schemes (LGPS), involving multiple employers, seven Fire schemes and one Police Scheme.

We help our clients and their members prepare financially for the years ahead, with our end-to-end pension services partnership covering Pension Administration, Asset and Liability Risk Management (ALM) and Investment Management and Advisory services. With sector-leading governance, a not-for-profit philosophy and client service at the core of our offer, our clients benefit from our active long-term stewardship of both assets, and risk and liabilities.