



employer covenant working group

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EMPLOYER COVENANT WORKING GROUP LAUNCHES GUIDANCE TO PROMOTE LEADING PRACTICE

LONDON 11 April, 2016: The Employer Covenant Working Group (ECWG) has today announced its formal launch together with the issuing of its first practical guide¹ for advisors, trustees and sponsors of defined benefit (DB) pension schemes. The ECWG has been established by some of the leading providers of covenant advice which includes many of the leading advisory firms in the pensions market.

Since the launch of the Pensions Act in 2004, the Pensions Regulator (**tPR**) has consistently raised the bar on its expectations of trustees and employers with DB schemes to comply with funding requirements. Over time practitioners have developed their own methodologies when appraising the covenant of employers. With this in mind, the ECWG has been formed to address the need for greater consistency, recognised leading practice and improved standards in covenant advisory work.

Chair of the ECWG, Gary Squires, who also heads AlixPartners' Pensions Advisory team comments:

“There are still 11 million people in 6,000 DB pension schemes in the UK. The 2015 Purple Book published jointly by the PPF and tPR discloses that these schemes collectively face a solvency deficit of some £800 billion at present. This funding gap ultimately needs to be filled by investment returns and employer contributions for a considerable time into the future. The Pension Protection Fund safety net covers well under half of this collective deficit and the vast majority of employers would not want their schemes and their members to have to rely upon its use.

“Given the scale of the challenge it's clear that there is a need for a consistent approach to addressing funding deficits and the members of the ECWG's work assisting trustees, scheme sponsors and regulators in considering an employer's ability to pay contributions into the future is vitally important to help secure the retirement of millions of people. “

¹ *Principles of covenant assessment for scheme valuations*, published by ECWG, 11 April 2016 (go to www.ecwg.co.uk (publications page)).

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About ECWG

The Employer Covenant Working Group (ECWG) is a group of leading industry experts formed to work in collaboration with trustees, scheme sponsors and regulators to address the issues facing DB pension schemes in respect of covenant advisory work. For more information about the group and its mission please visit www.ecwg.co.uk

ECWG is the trading name of the Employer Covenant Working Group Limited, a Company Limited by Guarantee Number 9915768.

Founding ECWG members are based at the following firms: AlixPartners, Aon Hewitt, BDO LLP,

BHP Chartered Accountants, CVR Global LLP, Deloitte LLP, FRP Advisory LLP,

Gazelle Corporate Finance Ltd, Grant Thornton UK LLP, KPMG LLP, Lane Clark & Peacock LLP,

Lincoln Pensions Ltd, Mercer Limited, PricewaterhouseCoopers LLP, Punter Southall Ltd, RPMI Limited,

RSM Restructuring Advisory LLP, Smith & Williamson LLP and Willis Towers Watson.