

Covenant Assessment Services



Restructuring and Recovery
Real people, real solutions



**Defined benefit pension scheme
Employer covenant reviews and related services**

Covenant Assessment Services

Baker Tilly's Covenant Assessment Services (CAS) group is a well-established and highly-respected team of professionals, offering independent and bespoke reviews of the sponsoring employer's covenant.

Our CAS group offers UK-wide coverage to trustees of DB schemes of varying shapes and sizes. We have acted for £billion-plus multi-employer schemes, down to single employer schemes with assets of £10 million and below. Whatever the scale, the same quality of input and output is assured.

Our CAS group is an integral part of Baker Tilly's highly respected national pensions group, which draws together our pensions

expertise and services across the firm. Nationally, Baker Tilly is one of the largest firms of auditors to occupational pension schemes and has been recognised as specialists for many years.

We are delighted that the quality of our services has been, and continues to be, recognised not only by our clients but also by our pensions industry peers, in the form of a number of coveted awards.

Bruce Mackay,
Head of Covenant
Assessment Services



Covenant Review
Provider

What our clients and fellow professionals think...

“ “ We were careful when we chose our covenant assessment provider, wanting a firm with which we felt comfortable. Baker Tilly have not disappointed. They have been practical, approachable and, above all, have communicated their advice in a thoughtful, clear and concise manner – an approach which is certainly appreciated by the trustees. ” ”

Ron Vizard, Chairman of the Trustees,
Project Highfield

“ “ Baker Tilly bring technical expertise and commercial understanding to the financial aspects of employer covenant work in a way which complements our legal services. ” ”

Mark Poulston, Pensions Partner,
DWF LLP (scheme lawyer)

“ “ We and our clients have found Baker Tilly’s input valuable on several occasions on transactional support matters, covenant analysis exercises and governance reviews. The work is professionally done and well communicated – and the people are nice to deal with too. ” ”

François Barker, Head of Pensions Group,
Hammonds LLP (scheme lawyer)

“ “ I have twice been asked by clients to find a supplier at short notice. Both times, Baker Tilly have acted within very tight timeframes and delivered trustees clear, concise answers. ” ”

Ian Ellis, Principal and Senior
Consulting Actuary, Buck Consultants



Phil Dakin
(Guildford)

How can we help?

Six reasons why you might commission an independent employer covenant review by Baker Tilly...

1 To enable the trustees to satisfy The Pensions Regulator's guidelines – the regulator has said it is essential for the trustees to form their own objective assessment of the employer's financial position, prospects and willingness to continue to fund the scheme's benefits.

2 Scheme Specific Funding review – testing the employer's financial durability and its ability and willingness to meet its financial commitments to the scheme including negotiation of a suitable recovery plan. We are able to look, if applicable, at the wider group position and potential for access to security and/or other contingent assets to strengthen the scheme's position.

3 Ongoing monitoring of the covenant – always required but particularly closely during difficult trading conditions for the sponsoring employer, when the strength of the covenant could change quickly.

4 A one-off corporate transaction or event – likely to have a significant impact on the strength of the covenant offered to the scheme.

5 To alleviate possible conflicts of interest – are all trustees objective enough or too close to the employer to carry out an objective review of the covenant?

6 Reducing the risk – that trustees face in terms of potential personal liability for a fund's shortfall in the event the sponsoring employer fails.



Guy Mander,
Partner (Birmingham)



Left to right:
Mark Oldfield (London),
Stephen Leach (London),
Phil Dakin (Guildford)

Outputs

Our conclusions on the strength of the employer covenant are graded using an indicative five-level scale ranging from strong to weak. The grading of the covenant strength then feeds into our guideline matrix of relevant actions recommended for implementation, including:

- Setting funding and investment risk parameters (in conjunction with scheme actuaries)
- Negotiating and agreeing affordable contribution levels and a deficit recovery period
- Requesting and obtaining formal security or other contingent assets
- Establishing the level and focus of monitoring activity required on an ongoing basis.

We believe in providing a joined-up approach for our clients, seeking to work closely with the scheme actuaries and solicitors to provide practical, consistent recommendations of real value.

Where relevant, our reviews can support trustees or employers in relation to regulator clearance applications.

Pricing

To assist the trustees in making their choice of covenant assessment provider, we will give competitive fee estimates at the tender/proposal stage, firming this up where appropriate with a fixed or capped fee quote once the scope and depth of the review is finalised.

Why Baker Tilly?

- A leading, experienced, award-winning provider of covenant review advice
- Bespoke independent covenant reviews, carefully tailored in scope and depth according to circumstances
- A dedicated team with a strong and relevant track record
- Resourceful and competitively priced – the right service at the right price
- A truly partner-led service, offering accessibility to partners and senior staff at all times
- A collaborative, constructive approach – exploring ideas and solutions not mere issues diagnosis
- Access to extensive global expertise across the Baker Tilly International network, as appropriate

About Baker Tilly

Baker Tilly is a leading independent firm of accountants and business advisers that specialises in providing an integrated range of services. We provide our growing and established business clients with audit, accountancy, personal and corporate taxation, VAT, management consultancy, corporate finance, IT advisory, restructuring and recovery and forensic services. The firm has national coverage through its network of offices and is represented internationally through its independent membership of Baker Tilly International.

Our Pensions Group

- Has an established reputation amongst pension professionals, culminating in being voted as 'Pension Scheme Accountant' at the 2009 UK Pensions Awards and Pension & Investment Provider Awards (PIPA)
- Devotes considerable resources to maintaining, developing and sharing the group's substantial technical expertise in all appropriate disciplines
- Understands the pensions industry and has gained appropriate pensions specific qualifications
- Keeps clients aware of key developments by means of regular trustee briefings, seminars and the firm's annual conference
- Works with the pensions industry through membership of organisations including the National Association of Pension Funds (NAPF) and the Pensions Research Accountants Group (PRAG)
- Is a proud sponsor of PensionChair, a dedicated network for chairs of pension trustees and the PMI's Accounting Specialist Industry Sector (SIS) partner.

The group currently works with a large number of schemes of all sizes including those of major listed companies and household names. In all, the firm acts for more than 1,000 occupational schemes.

Like the CAS team, Baker Tilly's national pensions group is also a multiple award winner:



Covenant Assessment Services key contacts:

London

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Restructuring and Recovery experts also in:

Crawley, East Anglia,
Edinburgh, Glasgow,
Hereford, Hull, Milton Keynes,
Peterborough and Newcastle.

Baker Tilly offices also in:

Basingstoke, Brighton,
Bromley, Chelmsford,
Chester, Ipswich, Lerwick,
Liverpool, Saltaire, Stoke on
Trent, Tunbridge Wells and
Warrington.