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Lincoln International Calls on the Pensions Regulator to Tighten Guidance on Covenant Advice and Alerts Trustees to Dangers of Ignoring Independent Advice

Lincoln International Pensions Advisory, a leading independent provider of employer covenant advice to sponsors and trustees of UK defined benefit pension schemes, has submitted its response to the Pensions Regulator (“tPR”) Consultation on Monitoring Employer Covenant, which closed today.

Commenting on the guidance, Alex Hutton-Mills, Director in Lincoln International’s Pensions Advisory team, said:

“Lincoln International welcomes the updated tPR guidance, which is a timely reminder to pension trustees that assessment of the employer covenant is as important as funding or investment policy. The pension promise is only as good as the employer standing behind it but we often find covenant assessment is given less priority than either funding or investment.”

Hutton-Mills also called on tPR to tighten the guidance in specific areas:

“In our response today, we recommend some changes to reinforce the guidance and make it even more helpful to trustees. We believe the various explanations of covenant given in the guidance are inconsistent and we have suggested alternative language to improve trustee understanding.

The guidance’s focus on legal obligations is too narrow, in Lincoln International’s view, ignoring many situations where schemes receive material payments from wider group entities despite there being no legal obligation to do so – this “broader covenant”, which is often the case in multinational groups, should not be ignored.

Furthermore, in the final guidance, we urge tPR to highlight to trustees their legal right to request forward-looking information from employers to help them with assessing the covenant.”

Finally, Hutton-Mills warns trustees of the dangers of not using specialist covenant advisers:

“Obtaining covenant advice is no different to obtaining funding or investment advice - trustees should ensure that they obtain appropriate independent covenant advice or risk tPR scrutinising the trustees’ rationale for not doing so.”

For more information please contact Alex Hutton-Mills on (0)20 7022 9880:

The Pensions Regulator’s guidance document can be accessed on the Regulator’s website: <http://tinyurl.com/tpr-employer-support>

About Lincoln International

Lincoln International Pensions Advisory Limited (“LIPAL”) provides independent employer covenant and related financial advisory services to sponsors and trustees of UK defined benefit pension schemes. LIPAL is part of the global firm, Lincoln International LLC. We advise trustees and sponsors in relation to pension schemes with combined assets of over £30bn including household names such as Aviva plc and Smiths Group plc.

Lincoln International LLC specialises in merger and acquisition advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With 10 offices in Asia, Europe and North America, and strategic partnerships with leading institutions in China and India, Lincoln International has strong local knowledge and contacts in the key global economies. More information about Lincoln International can be obtained at: www.lincolninternational.com