

## Case Study A : *Employer Covenant Monitoring (FTSE100 Scheme)*

- Company A is a FTSE 100 sponsor of two UK defined benefit pension schemes, Schemes 1 and 2 (see structure below) which have different funding positions and structural positions within the group
- Lincoln International was appointed as financial adviser to the Trustees of Scheme 1, which has over £1bn of pension liabilities. As there was potential in this situation for inter-scheme conflict issues, the two schemes decided to appoint different covenant advisers
- Our role includes:
  - **Employer Covenant** : Providing a ‘reference’ view of the strength of employer covenant from which to monitor on an ongoing basis
  - **Updates** : Producing updates of our assessment to determine whether covenant has weakened / strengthened compared to the reference assessment
  - **Ongoing monitoring** : Involving:
    - Attending quarterly Trustee meetings to provide views on employer covenant matters
    - Providing the Trustee with updates on company news flow, share price, credit agency ratings and market valuations
    - Advising the Trustee on the covenant implications of any major proposed corporate initiative by the sponsor
    - Advising the Trustee on their relations with other group schemes (see structure below) , analysts and the press

### Illustrative issues:

- Lincoln (a) worked with the scheme lawyers to advise the Trustee on the implications of a proposal by the Company to move its tax domicile overseas and (b) advised the Trustee on the implications of debt refinancing by the Company
- Lincoln prepared a Memorandum of Understanding between Company A and the Trustee establishing appropriate parameters for information flow and the approach of the Trustee to certain corporate events

