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To: Chief Executives
At: Employing Authorities not
in Main Group

Circular 10B/2022
27 September 2022

Dear Colleagues,

NILGOSC Annual Employer Covenant Update 2022

NILGOSC undertakes an assessment of employer covenants on a triennial basis as part of its risk management and funding strategy and regularly monitors covenants between triennial assessments. The employer covenant refers to the employer's legal obligation and financial ability to meet scheme liabilities now and in the future.

The purpose of employer covenant assessment is to assess the strength and reliability of each employing authority in the pension scheme to help determine if there is any risk that an employer may not be able to meet its pension liabilities. The covenant assessment therefore helps mitigate the risk of an employer's pension liabilities being spread across the other employers in the scheme in the event of default.

As you're aware, an employer covenant assessment exercise was undertaken in 2021 and the information provided and assessments made by NILGOSC formed part of the March 2022 triennial valuation process. To enable NILGOSC to monitor covenants between triennial valuations, covenant update exercises are carried out on an annual basis.

To facilitate the annual employer covenant update exercise 2022, you are required to complete and return the attached Employer Annual Update Form along with a copy of your latest audited accounts.

Please note that, due to the nature of the information required and the purpose for which it will be used, it is essential that you, as Chief Executive, are satisfied that all relevant information has been provided and therefore it is requested that you review and sign the Annual Update Form prior to submission to NILGOSC. An electronic signature will suffice.

Please return the required information by e-mail to covenant@nilgosc.org.uk by **Friday 28th October 2022**.


In addition to participating in the Employer Covenant Exercises it is important that you alert NILGOSC to any of the following as soon as you are aware they are to take place:

1. Change in company structure, including takeovers and mergers
2. Change in nature of business or constitution
3. Change in funding basis
4. Change with respect to the guarantor in place for pension liabilities
5. Change in scheme membership, including restructuring and outsourcing
6. Change to employee terms and conditions which would impact on the pension scheme
7. Any other event that may affect continued participation in the fund

If you are aware of any significant events as noted in points 1-7 above, please communicate the relevant information to me by e-mail at janice.houston@nilgosc.org.uk.

I would like to thank you for your participation in this process and if you have any queries, please do not hesitate to contact me.

Yours sincerely



Janice Houston
Investment Accountant
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