

# Useful sources of information for trustees

## when assessing and monitoring the employer covenant

Here are some typical sources of information that you can use when assessing and monitoring the various aspects of the covenant.

### 1. The employer's legal obligations to the scheme

- ▶ The scheme's trust deed and rules.

### 2. Funding needs and investment risk of the scheme

- ▶ The scheme's latest triennial valuation and annual funding updates.
- ▶ An analysis of the scheme's forecast cash flow requirements which may be prepared for an investment strategy review or as part of the actuarial valuation.
- ▶ An investment strategy risk analysis and fund performance updates.

### 3. The employer's current financial resources

- ▶ The balance sheet and supporting notes set out in the latest audited financial statements.
- ▶ More recent management accounts where the latest financial statements are not recent.
- ▶ Summaries of the terms of any drawn or undrawn financing facilities (including debt covenants).
- ▶ A schedule of intercompany balances showing the counterparties.
- ▶ A summary of contingent liabilities (eg guarantees, performance bonds, ongoing legal claims).

### 4. The employer's prospective financial performance

- ▶ Statements of profit and loss (or equivalent) and cash flows from the latest financial statements.
- ▶ Forecasts and future financial performance and cash flows.
- ▶ Explanations of key assumptions underlying the forecasts.
- ▶ Sensitivity analysis performed on the forecasts.
- ▶ Analysis of the accuracy of past forecasts including reconciliation for past variances.
- ▶ Details of planned material capital expenditure.
- ▶ Details of the employer's plans for sustainable growth, including all sources of funding and the impact on the employer's future cash flows.

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## 5. Medium-term and long-term outlook for the employer's markets

- ▶ Analyst reports for the employer and the industry.
- ▶ News articles.
- ▶ Industry periodicals.

## 6. Outcome for the scheme of employer insolvency

In addition to the information set out in sections 3 and 7:

- ▶ Details of any security provided over the employer's assets.
- ▶ Recent valuations of material assets owned by the employer.

## 7. Impact of the employer's wider group

- ▶ A chart setting out the ownership structure of the group.
- ▶ The group's consolidated financial statements.
- ▶ Information on the material trading relationships in the group that affect the employer, together with any formal trading or financing agreements.
- ▶ The employer's intra-group debt position and changes in this over time.
- ▶ Information on the group's capital structure and dividend policy.
- ▶ Details of any cross-guarantees or security provided by the employer in respect of group debt (which may be available from Companies House).