

**MINUTES OF THE
COVENANT COMMITTEE
9.00 WEDNESDAY, 8 DECEMBER 2021
AS A TEAMS MEETING**

Present:	Samantha	Pitt (Chair)	Law Debenture Pension Trustees
	Bob	Alsop	Crowe U.K. LLP
	Nikki	Ayriss	LCP
	Crevan	Begley	Broadstone Corporate Benefits Limited
	Adrian	Bourne	Willis Towers Watson
	Paul	Brice	Grant Thornton UK LLP
	Atul	del Tasso-Dhupelia	PricewaterhouseCoopers LLP
	Fred	Emden	Society of Pension Professionals
	Jane	Evans	Ernst & Young LLP
	Chris	Handley	Barnett Waddingham LLP
	Andrew	Horner	Buck
	Peter	Hughes	Travers Smith LLP
	Paul	Jameson	Penfida Limited
	Jacqui	Woodward	Punter Southall Pension Solutions Limited
In attendance:	Laura	Santamarina	Society of Pension Professionals
	Fan	Jia	PWC (observer)

1. APOLOGIES AND WELCOME

Apologies were received from Matt Brown, Ryan Cox, Daniel Gerring, Ian Steward and Carla Smidt. Paul Jameson was attending in the absence of Arabella Slinger.

2. MINUTES OF THE COMMITTEE MEETING HELD ON 10TH NOVEMBER 2021 (CIRCULAR 2909)

Within Circular 2909 it was noted that Samantha Pitt was in attendance for the first half of the meeting. With this amendment, the minutes were agreed.

3. MATTERS ARISING

1) Draft response to TPR New Enforcement Policies consultation (to follow)

The Committee noted that members are to provide all comments on the draft response to TPR by Wednesday 15th December 2021.

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2) To note SPP response to PPF Levy consultation

The Committee noted that a response to PPF Levy consultation had been submitted.

4. ESG RISK IN COVENANT, DISCUSSION AND PUBLICATION TIMELINE

- Following the previous meeting some of the group had taken forwards actions relating to the ESG risk in covenant discussion (including intended paper and event). It was noted that there is some overlap with work being completed by the Employer Covenant Practitioners Association (“ECPA”) who are in the process of preparing a paper where there could be some overlap..
- ECPA paper
 - The ECPA are currently drafting their own climate change paper, with the lead author also being a member of the SPP Covenant Committee. The idea that the Committee collaborate with the ECPA was discussed.
 - The general consensus was that collaboration between the Committee and the ECPA was a sensible idea to maximise interaction with users, given the cross-over of content.
 - ECPA are around 80% complete in their drafting of the climate change paper with the target to publish in January 2022. The paper aims to raise covenant issues around climate change to users across the wider pensions industry (eg. Trustees, Actuaries, etc). The intended angle of the paper is to combine theoretical ideas with pragmatic examples.
 - ECPA to confirm if they are willing to share the paper in draft to the Committee for review and comments prior to publishing (no issues are anticipated but the wider ECPA will need to be consulted before confirmation is given). The SPP confirmed they would endorse the principle of co-ordinating between the Committee and the ECPA.
 - It was noted that the ECPA paper will make clear that the focus is on climate change which is only one part of the “E” within ESG.
- Progress made in planning for SPP ESG Risk in Covenant paper
 - Given the content and progress made by the ECPA (see above), discussions have occurred to divide up the ESG sections across the two papers for informative purposes: with the ECPA focusing on climate aspect of the Environmental factors, and the SPP Committee focusing on the Environmental factors, excluding climate, Social and Governance aspects.
 - The Committee confirmed they would also be willing to share their paper to the ECPA in draft format for review and comments prior to publishing.
 - The intended timeline of publishing the paper was set as the first quarter of 2022, with respective work loads and other items considered (eg. The event discussed at point 5 below). Updates will be provided at the next two meetings (13 January 2022 and 9 February 2022) to assess progress, purpose of the report and length.

5. ESG RISK IN COVENANT, 2022 EVENT

- The SPP, subject to confirmation from ECPA, are willing to stage an ESG Risk in Covenant event in a short timeframe once the paper is drafted and finalised. This event is likely to focus on the climate aspects, mirroring the ECPA paper, but this is to be considered in

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more detail in January's meeting. The target was for this event to be during the first half of February 2022 with the invite being extended to ECPA and SPP members and chaired by an SPP Covenant Committee member.

- A further event can then be planned with a target of April 2022 (to be considered in more detail once a skeleton draft of the paper is available - to be reviewed and discussed at January 2022's meeting). This is likely to cover the other aspects of ESG not covered in the first session.

6. FINAL CODE OF PRACTICE 12 (INCLUDING THE EMPLOYER RESOURCES TEST)

• **Materiality in Employer Resources Test – clarity required**

- The Committee raised the question over how the Pensions Regulator's ("TPR") lawyers interpreted the Employer Resources Test, in particular the reference to materiality in the context of a scheme's s75 deficit.
- The Committee discussed the relativity of each scheme's funding position and how this can trigger the test under a change of employer whether material or not.
- One member disclosed that a TPR representative had attended a recent APL conference and responded to questions on the impact of the materiality test. The TPR representative had confirmed that materiality would not be applied as feared as that would cause a disproportionate number of cases with a short headroom of triggering the test. The Committee agreed it would be helpful if this clarification could be shared more widely.
- The Committee will draft questions to TPR to confirm this understanding in writing.

7. FUTURE MEETING WITH COLIN BICKLE ("CB"), TPR, TOPICS & TIMING

- The Committee discussed the timing of inviting CB to a future meeting, as well as potential topics to cover.
- The Committee raised that May 2022 could be opportune given the other commitments of the Committee.
- It was agreed that Jane Evans would connect CB and Fred Emden and Fred Emden would check Colin's availability for May 2022.

8. IMPACT OF COVID / BREXIT

There was nothing to update.

9. EVENTS UPDATE AND POLLING SUGGESTIONS

Fred Emden spoke of a number of SPP events due to take place in the first quarter of 2022, including:

- Mitchells & Butlers case study – with two lawyers from Gowlings and a representative from Mercer to discuss the case in January 2022;
- Rising inflation and interest rates and impact on pensions,
- Early career professionals session led by future leaders group (horizon scan across DB and DC) by end of March 2022; and

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- What does 'S' in ESG mean to you across the pensions industry.

10. ANY OTHER BUSINESS

There was nothing to update.

11. DATE OF NEXT MEETING

The Committee amended that its next meeting was now due on 13th January 2022 at 9.00, anticipated to be as a Microsoft Teams meeting.

12. MINUTE TAKER FOR NEXT MEETING

Daniel Gerring.

15th December 2021

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