

COVID-19 implications for pension scheme contributions

Corporate Survey

April 2020

Mercer Limited



Suspending/reducing contributions in light of COVID-19

Background

This is a challenging time for employers and many are experiencing a cashflow strain. Following tPR guidance we have seen our clients investigating the suspension or reduction of deficit funding contributions.

Background:

In the wake of the COVID-19 pandemic, **Mercer called on the Pensions Regulator (tPR) to be clearer** about how it will exercise its powers in relation to the payment of contributions for defined benefit schemes.

tPR has since responded and **signalled its intention to be more flexible** by issuing statements on COVID-19 including funding guidance which recognised that employers may request a change to funding arrangements in the short term.

Mercer's CEO has also written to the Chancellor, Rishi Sunak MP, calling for **further guidance and action to support employers.**

Focusing directly on employer contributions, Mercer consultants have been asked to confirm:

What have employers asked for – specifically time period, suspension or reduction, deficit/future accrual/expenses included and was a contingent asset offered as security?

Have the Trustees agreed and if so, what was agreed?

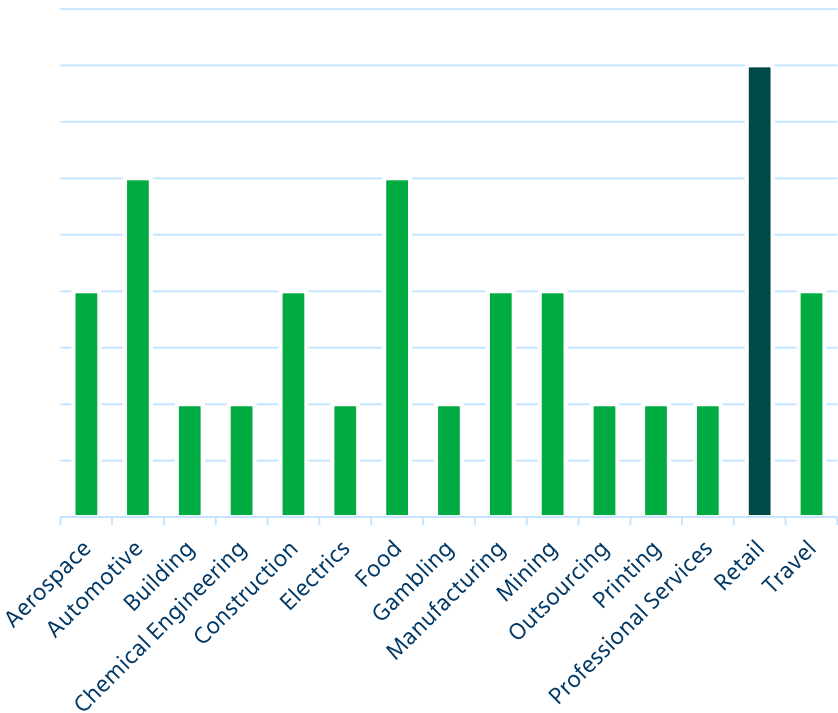
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Key findings

- ▶ We are advising clients across a range of sectors on this key issue. Clients in the **retail sector** were the most common **but clients across all sectors are affected.**
- ▶ The requests ranged from a time period of **3 months** to **12+ months.**
- ▶ **89%** of clients asked for a suspension of contributions and **11%** asked for a reduction in contributions
- ▶ **15%** requested to suspend all contributions, **67%** requested to suspend deficit contributions only and **15%** requested to suspend deficit contributions and expenses

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Sector overview



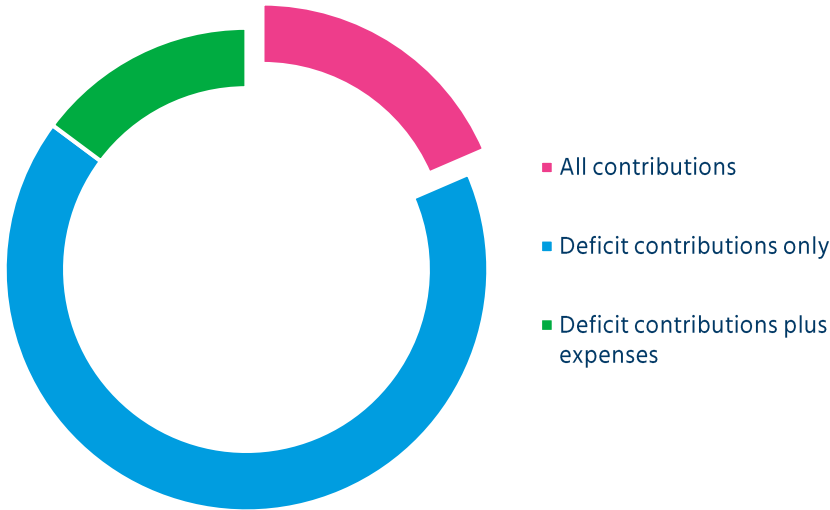
- ▶ Only 1 client offered a security as part of the discussion on reducing or suspending cash contributions
- ▶ **44%** of Trustees have agreed to the request. The others are requesting information or taking legal advice. **7%** have rejected the request.
- ▶ **89%** of the requests were initiated by the Company. **11%** were jointly initiated by the Company and Trustees.

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How long were contributions suspended?

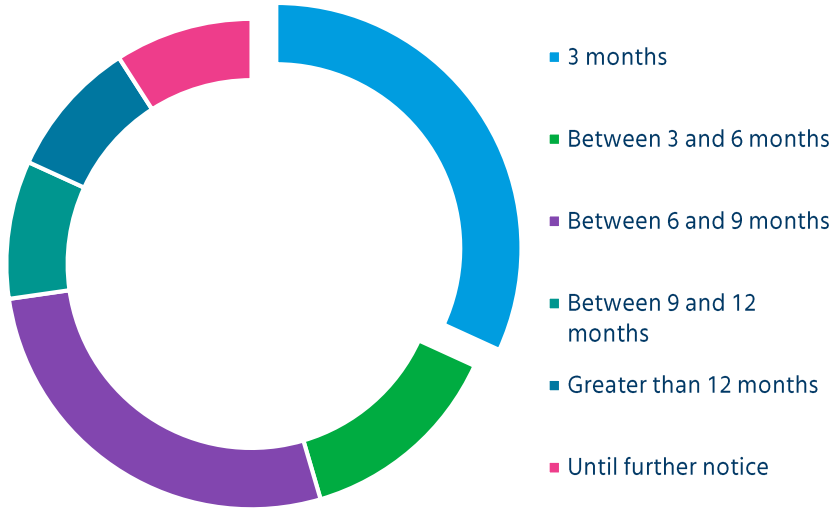
67%

of Companies asked for the suspension and/or reduction of deficit contributions only, whilst 15% asked for deficit contributions plus expenses and an additional 15% asked for all contributions.



20%

of Trustee boards accepted when Companies asked for greater than three months relief from payments. 3 months was the most common time period requested.



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