TPR's 2026 Annual Funding Statement: How covenant adds value across different scheme funding levels

Employer Covenant Practitioners Association

	Group 1A	Group 1B	Group 2	Group 3
Funding Level	Above 110% on low-dependency	Between 100% and 110% on low-dependency	Above technical provisions but below low-dependency	Below technical provisions
2026 AFS: TPR's recommended strategic focus	Finalising and implementing the end game	End game planning	Maintaining progress towards low dependency	Addressing the deficit
Key areas of value adding covenant support	• Monitor key covenant risks to ensure journey plans remain on track • **Run-on:** Strategic input and tailored covenant monitoring • **Insurance / Consolidator:** DD on counterparty, comparisons of existing covenant versus counterparty, gateway test assessment (consolidators)	• Monitor key covenant KPIs and risks to ensure journey plans remain on track • Strategic input into endgame planning and execution	• Tailored covenant monitoring suitable to the employer's financial strength and prospects • Early input into the endgame options that the covenant could support • Identifying and assessing suitable contingent assets (if needed)	• Tailored covenant monitoring suitable to the employer's financial strength and prospects • Focus on affordability in triennial valuations (to ensure deficits are repaid as quickly as affordable) • Identifying and assessing suitable contingent assets (if needed)

All of the above will need:

- covenant assessments to support in triennial valuations, albeit with detail at a more proportionate level the better funded the scheme. TPR expects risk considerations to include cyber incidents, climate change and macroeconomic uncertainty.
- careful consideration of the covenant where corporate events materially impact upon employer strength.