# Surrey Local Pension Board
# 19 October 2016

# Employer Accounting Valuations

**Recommendations:**

The Board is asked to **note** the content of this report.

**Detail:**

1. The majority of employers in the Surrey Pension Fund include as part of their annual statement of accounts a representation of their membership of the Local Government Pension Scheme. This will typically include a balance sheet element, so the deficit/surplus attributable to each employer at the accounting date and an income and expenditure statement element showing an estimation of the cost of member benefits accrued for the financial year.

2. An accounting valuation is for the benefit of the individual employer and their stakeholders. The Fund does not use accounting valuations for the setting of contribution rates.

3. Accounting valuations are performed by the Fund actuary in conjunction with the data provided by the Fund. There are three main reporting dates for employers

    1) As at 31 March: Borough, district, county councils and police authority, housing associations, local authority trading entities and some charities.
    2) As at 31 July: Further education colleges, private schools and universities.
    3) As at 31 August: Academies and private schools.

4. In the financial year 2015/16 the actuary produced 116 employer accounting valuations.

5. The assumptions used in accounting valuations are determined by reference to one of two accounting standards either International Accounting Standard 19 or Financial Reporting Standard 102. They are in the most part deliberately prescriptive to allow for a comparison between different employers with different actuaries. For example FRS102 states that *"The entity shall determine the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds."*

6. This is markedly different to the funding valuation where there the discount rate is influenced by the range and type of investments for the Fund. The Fund would expect to achieve a higher investment return that that of high quality corporate bonds over the long term.

7. The one area where each employer has significant control over their actuarial assumptions is with regard to the salary increase assumption and can request bespoke assumptions to be included within their valuation.

8. The actuarial fees for each report is initially charged to the Fund and then recharged back to the individual employer. The actual cost for each report will vary according to whether or not there are any unfunded pensions to value, whether the employer chooses bespoke actuarial assumptions, and the number of reports requested at the same time.

9. This cost does not include any time or expense incurred by the Administering Authority.

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**Sources/background papers:** None