

## SURREY COUNTY COUNCIL

## PENSION FUND COMMITTEE



DATE: 16 DECEMBER 2022

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE &amp; COMMERCIAL

SUBJECT: 2022 VALUATION

**SUMMARY OF ISSUE:**

This report provides an update on the progress of the 2022 triennial valuation.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee approve the draft Funding Strategy Statement, included as Annexe 1, subject to employer consultation.

**REASON FOR RECOMMENDATIONS:**

The Pension Fund Committee needs to be aware of the activities and outputs of the triennial valuation as this informs employer contribution rates and the investment strategy of the Fund. This is consistent with the Fund's strategic funding objectives.

**DETAILS:****Background**

1. The Fund actuary, Hymans Robertson, carries out a triennial valuation of the Fund's assets and liabilities. The primary and secondary contribution rates for all employers in the Fund and the accompanying investment strategy are derived from this valuation.
2. Work is underway for the triennial valuation on 31 March 2022 (effective 1 April 2023). Officers will work with Hymans to progress the work on the valuation and report regularly on progress.

**Q3 activities**

3. Progress is being made on all Q3 activities. Preliminary work has been undertaken by the Actuary on possible rates for the larger employers in the fund.

**Stabilisation mechanism remains appropriate**

- 3.1 The results of the modelling exercise suggest the current funding strategy and long-term stabilisation mechanism remain appropriate for the long term secure employers.

**Contribution increases are not required**

- 3.2 For rates that will be paid from 1 April 2023 to 31 March 2026, the Fund is in a positive position and contribution rate increases are not required for the long term secure employers.

4. The draft Funding Strategy Statement is provided as the Annexe to this paper.

**Funding Strategy Statement provided for review**

- 4.1 The Funding Strategy Statement has been reviewed with a view to finalisation, issuance and consultation in the new year.
- Hymans has updated the document to restructure this as a new 'core' FSS. This is shorter than the current iteration removing a lot of supplementary explanation and repetition. The restructuring results in a document which is easier for employers to follow.
- The core and satellite documents comprising the entire FSS will form the basis of the employer consultation early in calendar 2023.

**SAB Statement on Employer contributions**

5. At its meeting on 10 October 2022 the Local Government Pension Scheme Advisory Board discussed emerging results from the current round of triennial local fund valuations. They issued a statement advising caution around employer contribution rates and emphasising the importance of stability. [https://lgpsboard.org/images/Other/October2022\\_SAB\\_statement\\_on\\_employer\\_contributions.pdf](https://lgpsboard.org/images/Other/October2022_SAB_statement_on_employer_contributions.pdf)
6. Our Fund Actuary takes its professional responsibilities very seriously and they adhere to all relevant actuarial standards and has regard for the wider Regulatory environment. They have carefully considered all the factors referred to in the SAB note (and many others) in order to reach the recommendations for employer contribution rates which align with the Fund's appetite for risk and long term funding objectives while reflecting each employer's specific circumstances.

**Timetable**

7. The key areas of activity for the 2022 actuarial valuation are set out in the table below.

	Timing (financial quarter)	Area
1	Q1 2022/23 and prior	Pre-valuation work: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Data cleansing</li> <li>• Valuation training (10 December 2021)</li> </ul>
2	Q2 2022/23	Actuarial assumptions review Data cleansed and submitted to actuary Funding Strategy Statement review
3	Q3 2022/23	Whole fund funding level report Set contribution rates for major employers
4	Q4 2022/23	Employer results issued to employers Funding Strategy Statement consultation Employer Forum  Final valuation report signed off by 31 March 2023
5	1 April 2023	New employer contributions start to be paid

## **CONSULTATION:**

8. The Chairman of the Pension Fund Committee has been consulted on this report.

## **RISK MANAGEMENT AND IMPLICATIONS:**

9. Any relevant risk related implications have been considered and are contained within the report.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

10. Any relevant financial and value for money implications have been considered and are contained within the report.

## **DIRECTOR OF CORPORATE FINANCE COMMENTARY**

11. The Director of Finance, Corporate and Commercial is satisfied that relevant, material financial and business issues and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

12. There are no legal implications or legislative requirements.

## **EQUALITIES AND DIVERSITY**

13. There are no equality or diversity issues.

## **OTHER IMPLICATIONS**

14. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

15. The following next steps are planned:
  - a) Officers to work with the fund actuary to progress the valuation;
  - b) The draft Funding Strategy Statement will be finalised and issued for consultation in early 2023; and
  - c) Further updates to be brought to the Committee, including the final version of the FSS at the next appropriate meeting.

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### **Contact Officer:**

Sara Undre                      Employer Manager  
Paul Titcomb                    Head of Accounting and Governance

### **Consulted:**

Pension Fund Committee Chairman

### **Annexes:**

Annexe 1: Draft Funding Strategy Statement

### **Sources/background papers:**

None

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