

# Surrey Pension Fund

Pass through

Steven Scott FFA – Fund Actuary



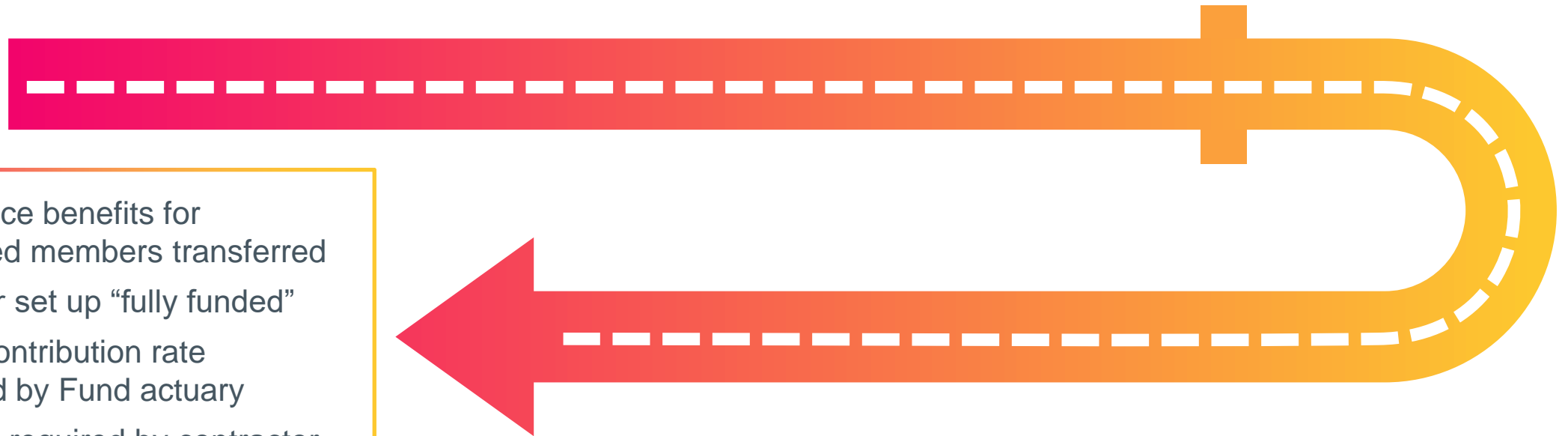
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# Current admissions approach

Joining the Fund

Periodic review



- past service benefits for outsourced members transferred
- contractor set up “fully funded”
- starting contribution rate calculated by Fund actuary
- indemnity required by contractor

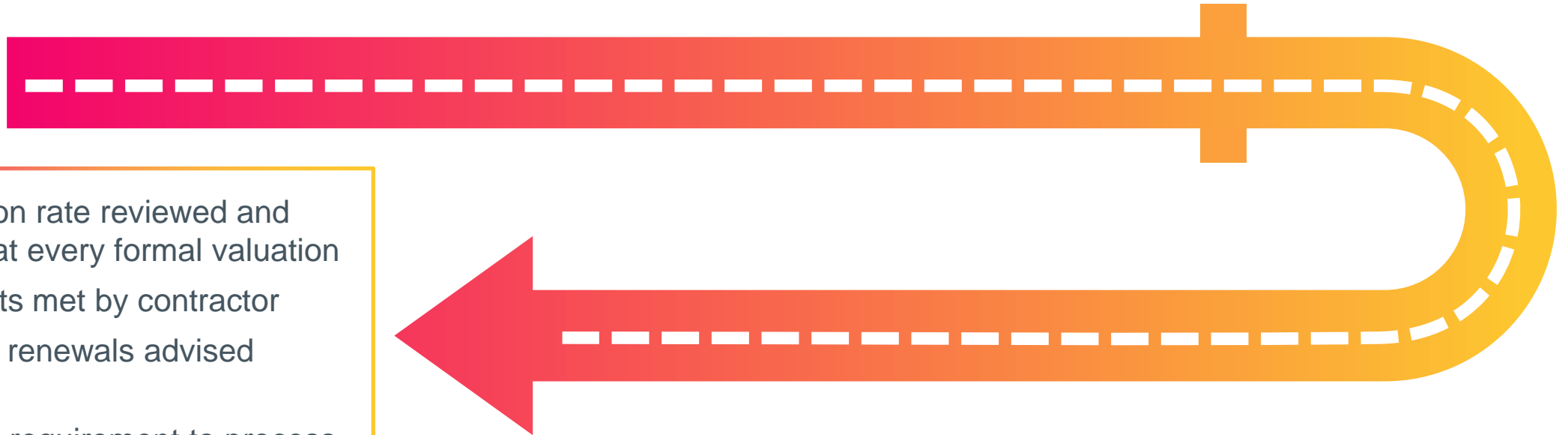
Exiting the Fund

**Pension risk passed to contractor during the period of admission**

# Current admissions approach

Joining the Fund

Periodic review



- contribution rate reviewed and adjusted at every formal valuation
- strain costs met by contractor
- indemnity renewals advised annually
- may have requirement to process accounts annually

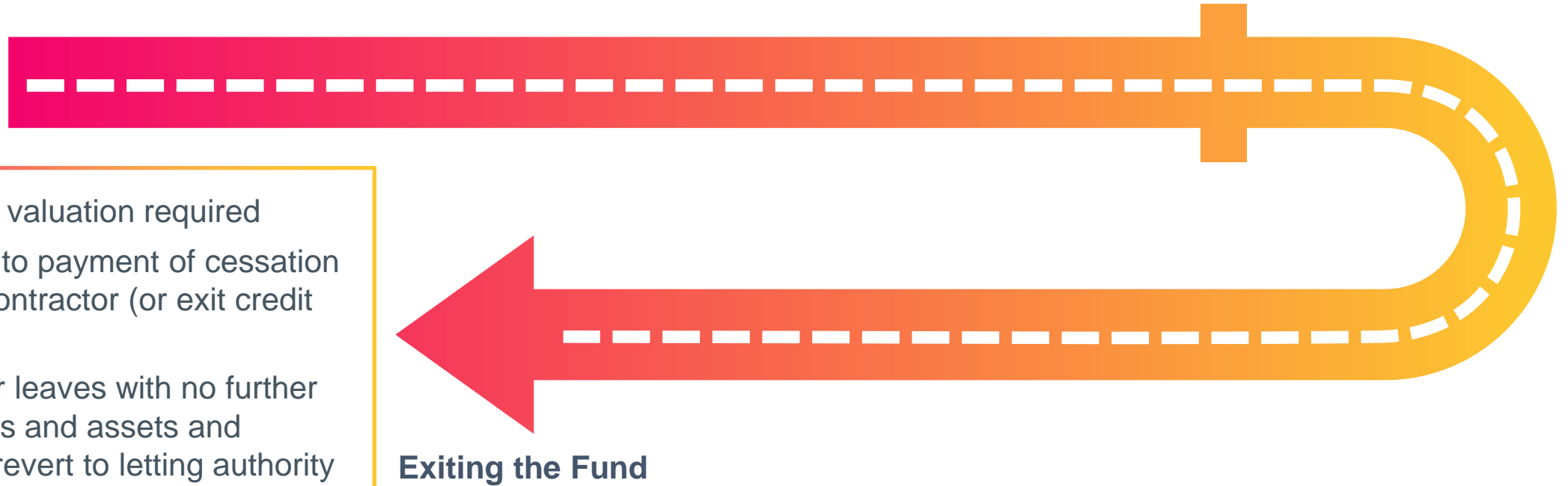
Exiting the Fund

**Pension risk passed to contractor during the period of admission**

# Current admissions approach

Joining the Fund

Periodic review



- cessation valuation required
- may lead to payment of cessation debt by contractor (or exit credit by Fund)
- contractor leaves with no further obligations and assets and liabilities revert to letting authority

**Pension risk passed to contractor during the period of admission**

# Pass-through approach

Joining the Fund

Exiting the Fund



- assets and liabilities retained by letting authority during participation period
- contribution rate equal to primary rate of letting authority
- no indemnity required

- employer meets cost of augmentations, including unreduced ill health retirement (non-ill health)

- no cessation valuation required

**Most pension risk retained by letting authority during the period of admission**

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# Benefits of pass-through



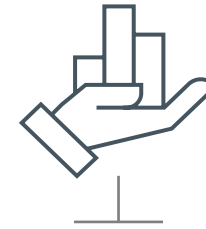
**Letting authority**

- easier to understand pension responsibilities
- avoids exit credits
- negotiate better contract terms
- clearer and more consistent tendering



**Contractor**

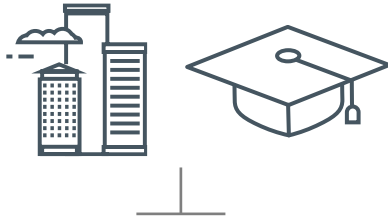
- bears less pension risk
- certainty of contributions
- no potential cessation debt to pay at contract end
- no bond requirement



**Administering authority**

- easier administration
- reduced administrative costs
- reduced time costs

# Risks of pass-through



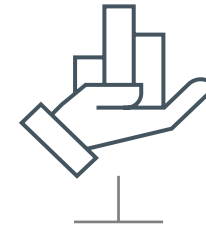
**Letting authority**

- assets and liabilities remain on accounting balance sheet
- loss of potential cessation debt at contract end



**Contractor**

- loss of potential exit credit at contract end
- potential for overpaying pension costs during contract



**Administering authority**

- introduction and maintenance of clear policy
- not mandatory, so benefits may not be realised if traditional admission process followed



# Thank you

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