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30<sup>th</sup> January 2023

### **Surrey Pension Fund Results of Actuarial Valuation at 31<sup>st</sup> March 2022**

I am pleased to report that the Pension Fund Actuary has presented the initial report on the funding position of the Surrey Pension Fund at 31<sup>st</sup> March 2022. The triennial actuarial valuation is used to determine the contribution rates required for the next valuation period; from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2026. The new contribution rate is applicable from 1<sup>st</sup> April 2023.

The Funding objectives are as follows:

- To ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are affordable and stable.
- To reflect the different characteristics of scheme employers in determining contribution rates.
- To ensure administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To take reasonable measures to reduce the risk to all employers of any employer defaulting on its pension obligations.

To help to meet these objectives, the Fund has developed a covenant risk categorisation system to determine the level of assurance required for individual employer funding targets. This approach seeks to better reflect the differing characteristics of employers within the Fund and reduce the risk of an employer defaulting upon their pension obligations.

The risk categories are outlined as follows:

- Category 1 – a tax-raising or precepting employer; an employer with a guarantee from a tax-raising employer or an academy, whether they be a pooled multi-academy, an umbrella trust or are a single academy trust (MAT/UT/SAT)

- Category 2 – an employer with a satisfactory third-party guarantee, that can provide satisfactory security to the Fund or that can evidence a covenant that the Fund deems satisfactory through financial or other information, and a willingness and ability to pay scheme contributions as appropriate through an independent assessment approved by the Fund.
- Category 3 – stand-alone employers with no guarantee and with an insufficient covenant strength.

As an employer participating in the Fund, you have been categorised as a group 1 employer. Surrey Pension Fund has set up a Town and Parish Council pool which all Town and Parish Councils are eligible to participate in.

The main aims of the pooling arrangement are to:

- manage volatility in employer contribution rates between Triennial Valuations.
- provide a means of grouping employers with similar characteristics to share membership experience and smooth out the effects of costly but relatively rare events such as ill-health retirements or deaths in service; and
- minimise the risk of cross subsidy between Pool Members for any events under an employer's control.

The pooled rate will be recalculated at each subsequent Triennial Valuation with the next revision taking place as part of the 2026 Triennial Valuation. In the event that a Parish or Town Council chooses not to participate in the pooling arrangement a separate actuarial valuation will be undertaken to establish an individual employer contribution rate as part of the formal 2022 valuation.

The primary rate is the percentage of pay required to meet the cost of future pension benefits earned by the active members within the scheme.

The secondary contribution rate is to take account of how the assets and estimated liabilities may evolve over time and to ensure that the past service liabilities are fully funded over the deficit recovery period with the level of assurance required.

Please also note that the contribution rates reflect the minimum amount due. If you wish to make additional payments, then please advise us before doing so.

A copy of the Funding Strategy Statement for the Surrey Pension Fund has been sent to you via email. This reflects the discussions between employers, officers, members and the Fund actuary during the valuation process. This document now enters a period of consultation, and we welcome feedback. The deadline for responses is 17th February 2023.

I hope your funding position is clear but, **if you decide to opt-out of the pool** or have any queries, please contact the Customer Relationship Team at [crt pensions@surreycc.gov.uk](mailto:crt pensions@surreycc.gov.uk).

Yours sincerely

**Sara Undre**

**Employer Manager**