



Financial Reporting Council

Technical Actuarial Standard 300: Pensions

version 2.0 – Exposure Draft

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Contents

	Page
Introduction	2
Provisions	4
Glossary of defined terms used in TAS 300	12

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Introduction

Purpose

- 1.1. Technical Actuarial Standard 300: *Pensions* (TAS 300) promotes high quality **technical actuarial work** in relation to pensions, supporting the **reliability objective**:

To allow the **intended user** to place a high degree of reliance on **actuarial information**, practitioners must ensure the **actuarial information**, including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.

Scope and compliance

TAS 300 is applicable to the following **technical actuarial work** in the **geographic scope** of FRC technical actuarial standards:

- **Technical actuarial work** concerning **pension scheme** funding and financing.
- **Technical actuarial work** concerning the derivation of **actuarial factors** to be used in calculations which have a direct effect on the benefits for individual members of a **pension scheme** or the financial position of a **pension scheme**.
- **Technical actuarial work** concerning an **incentive exercise**.
- **Technical actuarial work** concerning any modifications, proposed or agreed, to a **pension scheme** which might affect members' accrued benefits or the security of their accrued benefits.
- **Technical actuarial work** in connection with a **bulk transfer** of assets and liabilities to another **pension scheme**, an **insurer** or a **superfund**.
- **Technical actuarial work** in connection with assessing the capital adequacy of a **superfund**.
- The calculation of a deficiency of assets in accordance with section 75(5) of the Pensions Act 1995.

TAS 300 is not applicable to **technical actuarial work** carried out in relation to **collective money purchase schemes**. Any **technical actuarial work** in relation to **collective money purchase schemes** should apply the provisions of TAS 310.

- 1.2. TAS 300 v2.0 applies to **technical actuarial work** in scope and completed on or after DD MM 20YY.

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- 1.3. Work in the scope of TAS 300 is also in the scope of TAS 100. This standard should be read in conjunction with Technical Actuarial Standard 100: *General Actuarial Standards* (TAS 100). Each of the provisions in TAS 300 must be followed where they are relevant to the work.
 - 1.4. In applying judgement to the application of this Standard, it is important to be guided by the **reliability objective**.
 - 1.5. Practitioners are encouraged to have regard to the relevant guidance that accompanies the TASs and, in particular, the guidance on proportionality, to inform how they will comply with this Standard.
 - 1.6. TAS 300 must be applied by all members of the Institute and Faculty of Actuaries (IFoA) carrying out work under its scope. Wider adoption is encouraged and other relevant regulators and contracting parties may require entities and individuals who are not members of the IFoA to comply with this Standard.
 - 1.7. **Actuarial information** that is **material** must include a statement by the practitioner confirming compliance with TAS 100 and TAS 300. Any **material** caveat, qualification or limitation in that statement must be justified to the **intended user**. The evidence demonstrating compliance must be available to the **intended user**, if requested.

General Provisions

- 1.8. This standard consists of provisions which use defined terms 'must' and 'should'. The provisions which use the term 'must' set out mandatory requirements. The provisions which use the term 'should' set out regulatory expectations. Practitioners must have regard to these regulatory expectations; divergence may be acceptable but **material** deviations must be justified. The justification must demonstrate how compliance with the relevant provisions has been achieved despite not meeting regulatory expectations.

Provisions

1 Provisions for all work in scope of TAS 300

Data

- P1.1. If there is any uncertainty, arising from legislation or scheme documentation, in how the benefits are calculated, practitioners must ensure the data sought for any exercise include any known relevant legal opinions in the possession of the client in relation to the **pension scheme**.
- P1.2. Practitioners must ensure the **data** sought for any exercise includes information about any relevant practice concerning discretionary benefits.

Assumptions

- P1.3. **Material** assumptions used by practitioners must, where relevant, reflect the membership, benefit structure and financial features of the **pension scheme**.

Communications

- P1.4. Practitioners' **communications** must include an explanation of any known **material** uncertainty, arising from legislation or the scheme documentation, in how benefits are to be calculated and how this uncertainty has been treated in the work.

Provisions for specified work

2 Scheme funding and financing

Assumptions

- P2.1. Practitioners' **communications** must include sufficient information to enable the **intended user** to understand the level of prudence in the assumptions and the resulting **actuarial information**.
- P2.2. Practitioners' **communications** must include an explanation of, and reason for, any **material** change in the level of prudence from the previous exercise.
- P2.3. Practitioners' **communications** must explain how the discount rates used, or proposed for use, compare with the return that can be expected from assets invested according to any stated investment strategy, including any anticipated changes in that strategy.
- P2.4. Practitioners' **communications** must explain how the return on assets assumed in a **recovery plan** compares with the return that can be expected from assets invested according to any stated investment strategy, including any anticipated changes in that strategy.

P2.5. Where relevant, practitioners' **communications** must state if and how the assumptions used, or proposed for use, take account of employer covenant.

Statutory duties

P2.6. Practitioners' **communications** must contain sufficient **actuarial information** to support the **governing body** in fulfilling its statutory duties in relation to funding and financing.

Risk assessment and future evolution of the scheme

P2.7. Practitioners' **communications** to the **governing body** must include sufficient **actuarial information** to enable the **governing body** to understand the **material** risks to the **pension scheme** in relation to its funding or financing and the future evolution of the **pension scheme**. The information provided must include:

- a. an indication or description of future cash flows including their timing;
- b. projections of the **funding level**, or a description of how the **funding level** is expected to change over an appropriate time period(s) with an explanation of the choice of the time period(s); and
- c. an indication or description of the volatility of the future **funding level** and the major causes of the volatility.

P2.8. Practitioners' **communications** to the **governing body** must contain sufficient **actuarial information** to support the **governing body** in:

- a. understanding how funding and investment risks (and their interaction), or a change in employer covenant, could affect the **governing body's** funding and investment objectives; and
- b. managing a funding and investment strategy to achieve these objectives.

P2.9. If decisions on **actuarial factors** are not being made concurrently with decisions on funding and financing following a **Scheme Funding assessment**, practitioners must state in their advice on the **Scheme Funding assessment** how **actuarial factors** and any future changes in **actuarial factors** have been allowed for, and the potential impact on funding and financing of the **pension scheme** of a future review of **actuarial factors**.

Reports of record

P2.10. The **Scheme Funding report**, or equivalent report produced on the completion of a **required funding assessment** for **pension schemes** not subject to Part 3 of the Pensions Act 2004, must be written so that an **informed reader** can understand the financial position of the **pension scheme**, including its development since the previous assessment and how it might change in the future.

P2.11. The **Scheme Funding report** must contain the information in Appendix A. This information is **material**; however, the level of detail is a matter for judgement and information about

complex matters should not be excluded on the grounds that it might be too difficult for some readers to understand.

P2.12. The equivalent report produced on completion of the **required funding assessment** for a **pension scheme** not subject to Part 3 of the Pensions Act 2004 must contain the information in Appendix A suitably interpreted for that scheme.

3 Factors for individual calculations

P3.1. Practitioners reviewing **actuarial factors** for a **governing body** or other decision-making entity must provide advice on:

- a. the circumstances in which the **actuarial factors** being reviewed should be reviewed again; and
- b. how the period of time until the subsequent review should be decided, with justification being required for a recommended period of more than three years between reviews.

P3.2. Practitioners advising a **governing body** or other decision-making entity must consider when would be the appropriate time to review **actuarial factors**. Practitioners should, subject to the rules of the **pension scheme**, seek to arrange for the review to be undertaken when a **Scheme funding assessment** is being undertaken so that decisions on **actuarial factors** can be made together with decisions on funding and financing.

P3.3. Practitioners reviewing **actuarial factors** must consider the items listed below which are relevant:

- a. the financial impact of changes which are being considered to the **pension scheme's** existing **actuarial factors** on the funding of the **pension scheme**;
- b. whether, and if so how, to allow for demographic features or benefits which differ to a **material** extent between groups of members;
- c. the impact of the proposed change to the **pension scheme's** existing **actuarial factors** on the benefits of members exercising options, for example by considering the impact on an appropriate range of example **pension scheme** members;
- d. the rationale for differences between assumptions used for different **actuarial factors**;
- e. the rationale for differences between assumptions used for **actuarial factors** and assumptions used for the **Scheme Funding assessment**; and
- f. the implications of changes in market conditions.

P3.4. Practitioners reviewing **commutation factors** must consider a comparison of the proposed **commutation factors** with all relevant bases. Where the review is carried out for a **governing body** or other decision-making entity, relevant bases include an estimate of the

cost of purchasing an insured annuity, the cash equivalent transfer value (CETV) basis and any long-term funding objectives of the **pension scheme** set by the **governing body**.

- P3.5. Practitioners providing advice to a **governing body** on setting **cash equivalent transfer value (CETV) factors** must consider whether, and if so how, to allow for any expected future changes to the **pension scheme's** investment strategy, including de-risking transactions.

Communications

- P3.6. Practitioners' **communications** when advising a **governing body** or other decision-making entity must include sufficient information to enable the **governing body** or other decision-making entity to understand the financial implications of adopting the **actuarial factors** to be used in the calculation of members' benefits. The information provided must include the items listed in P3.3, where these are **material**. Practitioners' communications when advising another party must include the items listed in P3.3 where these are relevant and **material**.
- P3.7. Practitioners' **communications** on **commutation factors** when advising a **governing body** or other decision-making entity must include the comparisons set out in P3.4 and the rationale for differences between the assumptions underlying the **commutation factors** and the assumptions underlying the other relevant bases.
- P3.8. Practitioners' **communications** on **CETV factors** must include how any expected future changes to the **pension scheme's** investment strategy, including de-risking transactions, have been allowed for.
- P3.9. Practitioners' **communications** on **CETV factors** must ensure that the **governing body** is made aware that an alternative method to using the **best estimate assumptions** is available.

4 Incentive exercises and scheme modifications

- P4.1. In carrying out **technical actuarial work** in relation to incentive exercises or scheme modifications, practitioners must consider the following:
- the impact on different classes of members' benefits of adopting alternative assumptions;
 - any changes in the **material** risks to the benefits of the different classes of members;
 - any **material** changes to the cash flows to members resulting from the **incentive exercise** or **scheme modification**; and
 - the potential change in the value of the benefits of the different classes of members.

Communications

P4.2. Practitioners' **communications** must include sufficient **actuarial information** to enable the **governing body** or other decision-making entity to understand how different classes of members might be affected by an **incentive exercise** or **scheme modification**. The information provided must include the items listed in P4.1.

5 Bulk transfers

- P5.1. In carrying out **technical actuarial work** in relation to **bulk transfers**, practitioners must consider the following:
- credible alternatives to the potential transaction for the long-term provision of members' benefits. This includes, where relevant, a **bulk transfer** to a **superfund** or an **insurer** and retaining the liabilities within the existing **pension scheme** with potential additional funding and/or security;
 - any **material** impact on the protection provided for members' benefits in the event that the benefits are unable to be paid as intended;
 - any changes in the **material** risks to the benefits of the different classes of members; and
 - any changes to the **governing body's** ability to make decisions which affect the level of members' benefits.
- P5.2. Practitioners providing advice on a **bulk transfer** must use as much relevant information as is sufficient and must make use of support from third parties where they judge it necessary in order to obtain sufficient relevant information. Practitioners who have relied on input from a third party should consider the reasonableness and supporting evidence for the third-party input.
- P5.3. Practitioners carrying out **technical actuarial work** in relation to a potential **bulk transfer** to a **superfund** must, when advising on the affordability of a buyout of the **pension scheme**, at the time of providing the advice and in the foreseeable future, use assumptions in relation to buyout pricing which reflect current and anticipated future market conditions and **insurers'** practice.
- P5.4. Practitioners providing advice on a **bulk transfer** to a **superfund** must ensure that **models** used are calibrated appropriately to reflect the time horizon of projections.

Communications

P5.5. Practitioners' **communications** must include sufficient **actuarial information** to enable the **governing body** or other decision-making entity to understand the range of options available for the long-term provision of members' benefits, and how different classes of members might be affected by a **bulk transfer**. The information provided must include the items listed in P5.1.

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- P5.6. Practitioners' **communications** should state any third-party assumptions, **data** or methodology on which they have relied.
- P5.7. When performing **technical actuarial work** for the purpose of enabling an **intended user** to form a view on the likelihood of members receiving full benefits following a **bulk transfer** to a **superfund**, practitioners' **communications** must ensure that the **intended user** is made aware of all risks and other factors relevant to this view including the change in the covenant.
- P5.8. When advising on whether a **bulk transfer** to a **superfund** meets the TPR gateway tests¹ for such a **bulk transfer**, practitioners' **communications** must include an explanation of the uncertainty in the **actuarial information**.

6 Superfund capital adequacy

- P6.1. Practitioners performing calculations for the purpose of assessing the capital adequacy of a **superfund** must use **models** which are calibrated appropriately to reflect the time horizon of projections and have sufficient regard to extreme events.

Communications

- P6.2. Practitioners' **communications** when advising on **superfund** capital adequacy must include an explanation of the uncertainty in the **actuarial information**.

¹ <https://www.thepensionsregulator.gov.uk/en/trustees/wind-up-or-transfer-your-scheme/db-superfunds/superfund-guidance-for-prospective-ceding-trustees-and-employers#1ca9473bf57544489b1e086622d7fc78>

Appendix A: Information to be included in the Scheme Funding report

The Scheme Funding report must include the following material information:

- a. information required by statute;
- b. a description of the governing body's funding objectives and investment strategy;
- c. a description of the effect on members' benefits had the pension scheme been wound up at the effective date of the Scheme Funding assessment;
- d. an explanation of any difference between the technical provisions and the value of the liabilities calculated on the solvency basis; and
- e. a description of how the funding level on the solvency basis and on the technical provisions basis are expected to develop over the future.

Data and information

- f. summary membership data including average ages;
- g. a summary of the benefit provisions or a reference to a summary of benefit provisions which has already been provided to members; and
- h. a statement of assets.

Methodology and assumptions

- i. a description of the methodology used; and
- j. a summary of the key assumptions including a comparison with those used in the previous Scheme Funding assessment.

Experience

- k. a summary of experience since the previous Scheme Funding assessment including membership changes, contributions paid and investment returns;
- l. a summary of significant events, including changes to benefits, that have taken place since the previous Scheme Funding assessment;
- m. an explanation of the reasons for changes in the funding level from the previous Scheme Funding assessment; and
- n. quantification of any significant change in the funding level analysed by causes including changes in assumptions and the experience of the pension scheme.

Results and decisions

- o. a summary of the results of the calculations; and
- p. if it is available, the contribution plan agreed as a result of the Scheme Funding assessment.

Risk and uncertainty

- q. a description of the risks to the financial position of the pension scheme and any actions taken to mitigate them; and
- r. an analysis of the sensitivity of the results of the calculations to changes in key assumptions.

Glossary of defined terms used in TAS 300

must	Statements using the word 'must' set out mandatory requirements.
should	Statements using the word 'should' set out regulatory expectations and are intended to assist in compliance with mandatory requirements. Deviation may be acceptable but material deviations will need to be justified. The justification must demonstrate how compliance with mandatory requirements has been achieved despite not meeting regulatory expectations.

Terms in **bold** in the text of this TAS 300 are used with the definitions set out below. These terms may also be used in the other TASs with the same meaning.

actuarial factor	A number calculated using actuarial techniques and used to place a value on a benefit or to convert a benefit from one form to another.
actuarial information	The output of technical actuarial work , including output from a model designed for direct use by the intended user .
best estimate assumptions	In relation to assumptions used for cash equivalent transfer value factors , the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008 1050) specify that the aim of best estimate assumptions is that, taken as a whole, they lead to the best estimate valuation.
bias	A disproportionate weight in favour of or against something.
bulk transfer	A connected transfer of the benefits of two or more members of the same pension scheme to another pension scheme , insurer or superfund . The bulk transfer may be with or without the consent of the transferring members. The bulk transfer results in cessation of the ceding scheme's liabilities for the transferring members' benefits.

cash equivalent transfer value factor	An actuarial factor used to place a value on benefits for the purpose of determining the amount of a cash equivalent transfer value.
collective money purchase (CMP) scheme	A pension scheme meeting the criteria set out in paragraph 1(2) of Part 1 the Pension Schemes Act 2021.
communications	Actuarial information which meets the reliability objective and is provided to an intended user to assist the intended user in making informed decisions.
commutation factor	An actuarial factor used to convert a pension to a lump sum at retirement in the normal course of events. This excludes factors used to commute the whole pension on grounds of triviality, ill-health or other specific circumstances.
data	Facts or information usually collected from records or from experience or from observation. Examples include membership or policyholder data , claims data , asset and investment data , operating data (such as administrative or running costs), benefit definitions, and policy terms and conditions.
funding assessment	An exercise which involves comparing values of the liabilities and assets or determining contribution requirements.
funding level	The ratio of the value of assets to the value of liabilities.
geographic scope	The intended geographic scope of the TASs is limited to technical actuarial work done in relation to the UK operations of entities , as well as to any overseas operations which report into the UK, within the context of UK law or regulation. This definition of scope applies regardless of the location or domicile of the person carrying out the work.
governing body	The trustees of an occupational pension scheme , the administering authority of a section of the Local Government Pension Scheme or for

a scheme subject to the Public Service Pensions Act 2013, the scheme manager and/or responsible authority.

incentive exercise

An invitation or inducement provided to a member to change the form of their accrued defined benefit rights in a UK registered **pension scheme**, which meets both of the following tests:

- one objective of providing the invitation or inducement is to reduce risk or cost for the **pension scheme** or sponsor(s); and
- the invitation or inducement is not ordinarily available to members of the **pension scheme**.

informed reader

Someone who understands, or is capable of understanding with readily available advice, the financial issues involved in a particular **pension scheme**. An informed reader is not necessarily the **intended user**.

insurer

An undertaking or group of undertakings effecting or carrying out contracts of insurance or reinsurance.

intended user

A person or group of persons whose decisions **communications** are intended (at the time they are provided) to assist.

material

Matters are **material** if they could, individually or collectively, influence the significant or relevant decisions that could be taken by an **intended user**. Assessing whether a matter is **material** is a matter for judgement and therefore subjective, requiring consideration of the objectives underpinning the **technical actuarial work**, the expectations and experience of the **intended user** and other considerations, such as the significance of resulting commercial or practical implications.

model

A simplified representation of some aspect of the world.

The **model** produces a set of outputs from inputs in the form of **data**, assumptions and parameters. Inputs and outputs may be qualitative or quantitative.

The **model** is defined by a specification that describes the matters that should be represented, the inputs, and the relationships between the inputs and the resulting outputs.

The **model** is implemented through a set of mathematical formulae and algorithms (e.g. a computer program).

pension scheme

An occupational or personal pension scheme established under UK legislation or other arrangement to pay pensions established under UK pensions legislation.

prudence

The application of margins for adverse deviations to assumptions or methodology in order to allow for uncertainty in the underlying **data** and other information, assumptions, or methodology. The application of such margins gives rise to assumptions that contain intended **bias**. Certain regulators may prescribe the use of prudent assumptions (for example, the Pensions Regulator requires the triennial valuation to be based on prudent assumptions).

recovery plan

The plan to eliminate a deficit under section 226 of the Pensions Act 2004.

reliability objective

To allow the **intended user** to place a high degree of reliance on **actuarial information**, practitioners must ensure the **actuarial information**, including the **communication** of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.

required funding assessment

A **funding assessment** which is carried out to comply with legal requirements. Legal requirements include those in a **pension scheme's** governing documents.

scheme modification

A change to the accrued benefits of a **pension scheme**.

technical actuarial work

Work performed for the **intended user**:

- (i) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or
- (ii) which the **intended user** could reasonably regard as **technical actuarial** work by virtue of the manner of its **communication**.

superfund

A model of **pension scheme** that allows for the severance of an employer's liability towards a defined benefit **pension scheme** and one of the following conditions applies:

- the scheme employer is replaced by a special purpose vehicle (SPV) employer. This is, to all intents and purposes, a shell employer and is usually put in place to preserve the scheme's PPF eligibility
- the liability of the employer to fund the scheme's liabilities is replaced by an employer backed with a capital injection to a capital buffer (generally created by investor capital and contributions from the original employers).

Scheme Funding report

The report required by section 224(1) and defined as an "actuarial valuation" in section 224(2) of the Pensions Act 2004.



Financial Reporting Council

**Financial
Reporting Council**

8th Floor
125 London Wall
London EC2Y 5AS
+44 (0)20 7492 2300

www.frc.org.uk

Follow us on
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or **Linked** .