



Financial Reporting Council

# Feedback Statement and Impact Assessment

## Technical Actuarial Standard 300: Pensions

December 2023

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# Executive Summary

1. The Financial Reporting Council (FRC) consulted in May 2023 on revisions to Technical Actuarial Standard 300: Pensions. The FRC received 21 written responses to our consultation, which were supplemented by stakeholder outreach discussions. Submissions from consultancies and professional services firms formed the majority of responses. This executive summary draws out the key areas in which feedback was provided and highlights the main changes made to the exposure draft of TAS 300 v2.0 in response to that feedback.

## General observations

2. Many respondents gave support for the FRC's decision to retain the principles-based approach and none suggested an alternative approach.
3. Most stakeholders were generally supportive of the policy direction of the proposed changes and the need to expand on the existing provisions in Technical Actuarial Standard 300: Pensions v1.0 as published in December 2016. However, there were a number of requests for clarity in drafting and the feedback shows that the FRC's expectations were not fully understood. In finalising the standard, the FRC has made a number of amendments to address these points. These are further described in the rest of this section.

## Scheme funding and financing

4. The FRC proposed a change to the description of the scope of work in relation to scheme funding and financing to clarify that TAS 300 applies whether the work is performed for pension scheme trustees or for a sponsoring employer, without an expansion in scope. Many respondents interpreted this to cover work which is not in scope of TAS 300 v1.0, but their feedback also confirmed that practitioners already interpret TAS 300 v1.0 as applying to work performed for both pension scheme trustees and sponsoring employers. The FRC has therefore reverted to the description in TAS 300 v1.0 of the Scope in relation to scheme funding and financing.

## Factors for individual calculations

5. The FRC proposed to add P3.2 to require practitioners to consider when would be the appropriate time to review actuarial factors. In addition, the FRC proposed that practitioners seek to arrange for the factor review to be undertaken at a time which would allow decisions on factors and funding to be made together, unless there is justifiable reason not to do so.
6. Respondents generally recognised the benefit of carrying out an actuarial factor review and a funding valuation in conjunction with each other, to avoid unduly constraining future decisions to change factors where the change has not been funded for. On the whole, respondents supported carrying out the two exercises together where it is appropriate, but cited various reasons why it may not always be appropriate. Respondents expressed the view that it is not appropriate for TAS 300 to imply that there is a preferred point in the valuation cycle for the review to take place, i.e. at the same time as the funding valuation. The FRC has

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amended P3.2 to require that practitioners must provide advice on the appropriate timing of a review of actuarial factors, including the appropriateness of undertaking the review when a Scheme funding assessment is being undertaken.

7. The FRC proposed to add P3.4 to require practitioners to consider a comparison of the proposed commutation basis with all other relevant bases, and included bases against which the comparison should be made. Respondents generally supported comparing commutation factors with other relevant actuarial bases. Respondents however viewed that it should be left to the practitioner to decide which comparator bases are relevant and gave examples where the bases specified are not relevant and another comparator basis which could be relevant. The FRC agrees that practitioners should form their own judgement as to which bases are relevant comparators but also considers it useful to refer to particular bases so that it is clear that practitioners must consider their relevance. The FRC has amended P3.4 to reflect this.

### Bulk transfers

8. Many respondents commented on whether the requirements in Section 5 ought to apply to certain exercises which do not fall within the definition of bulk transfer, in particular insurance buy-ins. The FRC intended the requirements in Section 5 to apply to technical actuarial work performed to inform decisions by the intended user which could lead to a bulk transfer which severs the link with the sponsoring employer. The FRC expects this to include the case of a practitioner working on an insurance buy-in who is aware that this is part of a larger project with an ultimate objective of buyout, or has reason to believe that the buy-in is at least reasonably likely to lead to buyout later. Given the feedback, the FRC has amended the wording in the Scope section which refers to bulk transfers to clarify this.
9. The FRC intended the scope of Section 5 on bulk transfers to cover technical actuarial work performed by those advising potential ceding trustees and employers but not technical actuarial work performed by those working for receiving arrangements, but feedback shows that this was not clear. The FRC has therefore amended the wording in P5.1 to P5.4 to clarify this.
10. Respondents were generally supportive of practitioners being required to consider credible alternatives when advising on bulk transfers, but the wording in P5.1a was subject to misinterpretation. The FRC has therefore amended P5.1a when finalising the standard to make clearer that it is for practitioners to use their judgement over which alternatives, if any, to the potential bulk transfer are to be considered.
11. Technical actuarial work in relation to bulk transfers often relies on third-party input and the reliability of the actuarial information will depend on the quality of that input. Many respondents commented that they cannot provide advice, or assess the reasonableness of input from third parties, outside their range of competence. The FRC recognises that practitioners will generally not be able to verify the completeness and accuracy of input from third parties and agrees that practitioners should not be giving advice in areas outside their competence. However, the FRC considers that practitioners should, where possible, take steps to satisfy themselves that input from third parties on which they have relied is reasonable and should be able to understand the implications of the third-party input on the actuarial

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information which they are producing. The FRC has amended P5.2 when finalising the standard to reflect this.

### **Superfund capital adequacy**

12. Some respondents asked for clarity over the type of actuarial work to which the requirements in Section 6 apply. The FRC has therefore amended P6.1 in finalising the standards to clarify that the requirements in Section 6 apply to technical actuarial work performed by those advising potential ceding trustees and employers and to technical actuarial work performed by those working for superfunds.

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# Introduction and background

1. The Financial Reporting Council (FRC) is the UK's independent regulator responsible for issuing and maintaining actuarial standards. The FRC keeps the Technical Actuarial Standards (TASs) and other actuarial standards under regular review and aims to reconsider each TAS in detail at least once every five years. Technical Actuarial Standard 300: Pensions<sup>1</sup> (TAS 300) was issued in December 2016, becoming effective 1 July 2017.
2. The FRC published a Call For Feedback<sup>2</sup> in May 2022 as part of the post implementation review of the sector-specific TASs, including TAS 300. This was followed by the publication of a position paper<sup>3</sup> in February 2023 summarising the responses to the Call For Feedback.
3. In May 2023, the FRC issued a consultation paper<sup>4</sup> titled 'Technical Actuarial Standards for Pensions', which included an exposure draft of the proposed revised standard TAS 300 v2.0 and an exposure draft of the proposed Technical Actuarial Standard 310 v1.0 relating to Collective Money Purchase Pensions. The consultation closed on 4 August 2023.
4. This paper provides, in respect of TAS 300, a summary of the feedback received and sets out the FRC's response, summarising amendments to the exposure draft in response to the consultation, and the impact assessment. The final version of TAS 300 v2.0 is issued alongside this paper.
5. The FRC is considering the responses received in relation to TAS 310: Collective Money Purchase Pensions and will issue a separate feedback statement and impact assessment in due course.

<sup>1</sup> <https://www.frc.org.uk/getattachment/d47aecc1-89a7-40af-8bfe-6ac095be6d2a/TAS-300-Pensions-Dec-2016.pdf>

<sup>2</sup> <https://www.frc.org.uk/getattachment/8a9f4b01-567e-4481-af45-042519318b10/-;.aspx>

<sup>3</sup> <https://www.frc.org.uk/getattachment/c96be997-9b61-47b7-838c-06c20dfd5e5c/Post-Implementation-Review-of-Technical-Actuarial-Standards-February-2023.pdf>

<sup>4</sup> <https://www.frc.org.uk/getattachment/20fd922a-c145-4bd2-8d5d-7acd6a2c6539/-;.aspx>

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# Explanation of Key Changes

1. The key changes to TAS 300, as set out in the consultation paper, relate to:
  - Revision to provisions to rectify known gaps in the quality of actuarial work in relation to actuarial factors for individual member calculations.
  - Revision to provisions relating to bulk transfers in light of increased buyout activity and the new regime around pension superfunds.
2. In addition, the FRC revised TAS 300 in relation to structure, syntax and the inclusion of a Glossary in line with TAS 100 v2.0.
3. Following the consultation, the FRC has made a number of amendments to the final standard TAS 300 v2.0 to address the feedback received. The key amendments include:
  - Clarification of the scope of TAS 300 in relation to technical actuarial work on scheme funding and financing, bulk transfers and superfund capital adequacy.
  - Amendments to P3.2 and P3.4 to provide clarity over the FRC's expectations of practitioners when exercising judgement in relation to their advice around the timing of actuarial factor reviews and comparisons between commutation factors and other bases.
  - Amendments to P5.1 to provide clarity over the FRC's expectations of practitioners when exercising judgement in relation to the credibility of alternatives to a bulk transfer.
  - Amendment to P5.2 to provide clarity over the FRC's expectations of practitioners when relying on third-party input relating to a bulk transfer.
4. A full list of the amendments is set out in Appendix 1.
5. Technical Actuarial Standard 300 v2.0 will be effective for all technical actuarial work in scope issued on or after 1 April 2024.

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# Summary of Responses

## Responses to the public consultation

1. The FRC received 21 written responses relating to TAS 300, 17 of which were not confidential and have been published on the FRC website. The table below summarises the number of responses by respondent type and a list of respondents is set out in Appendix 2.

Category of Respondent	Number
Professional and industry bodies	3
Consultancies / professional services firms	13
Individuals	1
Pension schemes/providers	2
Government bodies	2
Total	21

2. In addition, 6 outreach meetings were held with stakeholders during or after the consultation period, and the FRC hosted a public webinar on 31 May 2023.
3. In this section we summarise the points raised in written submissions and provide comment on the FRC's position.

### **Question 1: What are your views on the proposed changes to the scope of TAS 300? Are there any other areas of pensions work that you consider to be inadequately covered by TAS 300 and should be included?**

4. 18 out of 21 respondents answered this question.

#### **Collective money purchase pension schemes**

5. All respondents who commented on the proposed exclusion of technical actuarial work in relation to collective money purchase (CMP) pension schemes from TAS 300 were supportive of this proposal.

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## Scheme funding and financing work

6. Many respondents commented that the work falling under Section 2 relating to scheme funding and financing would be significantly expanded by changing the scope from work:
- “required by legislation to support decisions on funding, contribution requirements or benefit levels” or “for an employer concerning a Scheme Funding assessment for which there is a statutory or contractual requirement for the governing body to reach agreement or consult on the matter with the employer”

to work:

- “concerning pension scheme funding and financing”.

Respondents suggested that the proposed change would bring into the scope of Section 2, for example, work on employers’ financial statements, Pension Protection Fund (PPF) levies, Guaranteed Minimum Pension equalisation and defined contribution (DC) pensions.

7. Most respondents suggested that the scope of Section 2 should be unchanged from that described in TAS 300 v1.0, which is limited to work on actuarial valuations for funding purposes, carried out in accordance with the relevant legislation. Respondents agreed that the same requirements should apply to those advising employers as to those advising trustees, but suggested that this was already achieved by the wording of the scope in TAS 300 v1.0.
8. Two respondents referred to Appendix A of TAS 300, which lists the information to be included in a Scheme Funding report. One suggested that this has no place in a TAS and both suggested that it was inappropriate for it to be mandatory rather than subject to proportionality.

## Bulk transfers and superfund capital adequacy

9. One respondent explicitly supported the separation of technical actuarial work on incentive exercises and scheme modifications (Section 4) from technical actuarial work on bulk transfers (Section 5). No respondents disagreed with this.
10. Several respondents commented on the scope of Section 5 on bulk transfers and Section 6 on superfund capital adequacy, making a range of points:
- Two respondents explicitly supported including work on superfunds while a further two suggested superfunds be excluded from the scope of TAS 300 unless and until there is more relevant experience. Most others appear to be comfortable with including work on superfunds as they gave detailed comments on Section 5 without suggesting that such work be excluded.
  - Many respondents noted that the proposed definition of bulk transfer would exclude work relating to insurance buy-ins, and pointed out that often these are a prelude to a full buyout where the link to the sponsoring employer is removed. These respondents suggested that the advice provided by a practitioner in relation to a buy-in, where it

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constitutes a step towards an eventual buyout, should be subject to requirements similar to those which apply to advice on a buyout, as a decision to buy-in is unlikely in practice to be reversed later.

- One respondent suggested that Section 5 ought to apply to buyouts and transfers to superfunds, but not to transfers between traditional DB schemes. This respondent suggested further that transfers with consent be excluded from scope.
- Some responses suggested that it may not be clear whether the provisions in Section 5 apply to practitioners working for a superfund or insurer receiving a bulk transfer and whether the provisions in Section 6 apply to those working for superfunds, those advising ceding trustees and employers, or all of these.

### Other comments

11. A few respondents suggested that particular areas be made the subject of non-mandatory guidance to accompany TAS 300. We refer to specific instances at relevant points in this paper.
12. One respondent commented that there are some areas of work, for example in DC pensions, that appear not to be in scope of TAS 300, and stated that consideration of what is in scope can cause difficulties and detracts from the main consideration of what needs to be covered in advice provided by the practitioner. This respondent noted that it is critical that there be clarity over scope, in particular when the Government's proposals for the Audit, Reporting and Governance Authority have been implemented.
13. One respondent referred to the wording at the beginning of paragraph 1.7 in the exposure draft "Actuarial information that is material must include a statement by the practitioner confirming compliance ...". This respondent suggested that the paragraph should begin with the words "Communications containing ..." so that internal working papers would not all have to be compliance stamped.

### FRC response

#### Scheme funding and financing work

14. As set out in paragraph 2.5 of the consultation paper, the FRC proposed a change to the description of the scope of work in relation to scheme funding and financing to clarify that TAS 300 applies whether the work is performed for pension scheme trustees or for a sponsoring employer. The feedback received suggested that the description of the scope of work already used in TAS 300 v1.0 is sufficiently clear in this respect.
15. The FRC has therefore made amendments to the exposure draft to revert to the description of the scope in relation to scheme funding and financing in TAS 300 v1.0.
16. The FRC will consider Appendix A of TAS 300 as part of its review of Section 2 on scheme funding and financing when legislation and regulations have been finalised.

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## Bulk transfers and superfund capital adequacy

17. We address the scope of Section 5 on bulk transfers and Section 6 on superfund capital adequacy under Question 7.

### Other comments

18. The FRC noted the comment on practical considerations relating to whether a piece of technical actuarial work is in scope of TAS 300. As this is raised in only one response, the FRC considers the definition of scope of TAS 300 to be sufficiently clear, but will continue to consider whether issuing guidance would assist practitioners in the application of the standard.
19. The glossary defines "Actuarial information" as "The output of technical actuarial work ...". "Technical actuarial work" is defined as "Work performed for the intended user ...". The FRC considers that the standard is sufficiently clear that the requirement for a compliance statement applies only to the output which is communicated to the intended user.

## **Question 2: Do you agree our intention to defer any changes to requirements under scheme funding and financing until there is greater legislative certainty? Do you have any other specific concerns in relation to provisions on scheme funding and financing that you believe require addressing over a shorter period?**

20. 17 out of 21 respondents answered this question.
21. All responses were supportive of deferring any changes to the requirements in Section 2 until the Government has issued final legislation and The Pensions Regulator (TPR) has finalised its Code of Practice. Many respondents pointed out that it would create additional compliance costs if changes have to be made to their standard documents and processes more than once, and requested that any changes required to comply with TAS 300 coincide with any changes required by legislation and regulation.
22. A minority of respondents commented on further aspects of the requirements in Section 2:
- A few respondents commented that some of the provisions in Section 2 are unnecessary as they are covered by TAS 100 v2.0. Some noted that P2.1 and P2.2 use "must" whereas the corresponding provisions of TAS 100 v2.0 use "should".
  - One respondent asked whether the "liability driven investment crisis" of late 2022 warrants the introduction of relevant provisions in Section 2 of TAS 300 or whether this is adequately addressed through other regulatory channels.

### FRC response

23. There is widespread support for deferring consideration of revising the requirements in relation to scheme funding and financing until there is certainty on future legislative requirements and a revised Code of Practice is in place. The FRC considers that the points

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raised by the minority responses have not brought out issues which are so pressing that they require consideration ahead of the full review.

24. In particular, we comment further in respect of the use of “must” and “should” within TAS 100 v2.0 and TAS 300. Matters which are in scope of the sector-specific TASs are also in scope of TAS 100 v2.0. The sector-specific TASs provide particular applications in the relevant sector to clarify our expectations of practitioners in meeting the reliability objective. The FRC considers it appropriate that certain provisions in TAS 100 v2.0 be designated as “should”, as there may be alternative approaches that can meet the reliability objective but that, when considered in the specific application to pension schemes, the equivalent provisions are designated as “must”, as alternative approaches would not be acceptable.
25. The FRC has finalised TAS 300 v2.0 with Section 2 as set out in the exposure draft.

**Question 3: What are your views on the proposed changes to TAS 300 in relation to the frequency of review of actuarial factors? What are your views on the proposed changes to TAS 300 in relation to the timing of review of actuarial factors?**

26. 18 out of 21 respondents answered this question.

**Frequency of review**

27. Most respondents are supportive of the addition of P3.1 and in particular having three years as the normal maximum period between reviews, but with the flexibility to extend this where it can be justified.
28. Many respondents also agreed that a practitioner advising on a review ought to set out a recommendation for when factors are next revisited and the rationale for this, together with information about the circumstances which could lead to a need for review sooner.
29. A minority of respondents disagreed with the requirements of P3.1 in respect of the frequency of review as follows:
- One respondent stated that three years should be the maximum, with reviews being more frequent for a scheme which is approaching buy-in or buyout.
  - One respondent commented that, unless commutation factors are updated monthly, trustees will be unable to comply with their responsibility under trust law to reflect relevant, that is up-to-date, considerations.
  - One respondent suggested that TAS 300 should not include any reference to a particular timescale as this would create too much rigidity and that flexibility is needed so as not to prevent or discourage an early or out-of-cycle review.
  - One respondent asked for clarity over how detailed the practitioner’s advice should be on when the factors should be reviewed.

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## Timing of review

30. Most respondents commented on P3.2, relating to the timing of factor reviews relative to funding valuations. Respondents generally recognised the benefit of carrying out the two exercises in conjunction with each other, to avoid unduly constraining future decisions to change factors where the change has not been funded for. On the whole, respondents supported carrying out the two exercises in conjunction where it is appropriate, but cited various reasons why it may not always be appropriate.
31. A three-year period between factor reviews, with which most respondents are comfortable as the norm, fits naturally into the valuation cycle, but respondents expressed the view that it is not appropriate for TAS 300 to imply that there is a preferred point in the cycle for the review to take place, i.e. at the same time as the funding valuation.
32. A number of respondents were supportive of P2.9 which requires practitioners to state in their valuation advice how actuarial factors and any future changes in actuarial factors have been allowed for, and the potential impact on funding of a future factor review.
33. Two respondents noted that there is no reason to limit the application of P2.9 to cases where the factor review and actuarial valuation are not concurrent, and that it would always be relevant in a scheme funding assessment to state how actuarial factors have been allowed for.
34. One respondent suggested that there ought to be an explicit reference to materiality in P2.9 as it may be disproportionate to comment on factors which are seldom used.
35. One respondent expressed the view that a TAS is not the appropriate place to seek to direct the frequency or timing of when users seek actuarial advice. This respondent commented that the proposed provisions sought to define, interpret or amend legislation or existing powers.
36. Some respondents drew attention to the fact that it is generally not for the actuarial practitioner to decide when a factor review is to be carried out. However, most agreed that actuarial practitioners should provide advice on this.

## FRC response

### Frequency of review

37. There is broad support for the introduction of P3.1 and the FRC has finalised this provision as set out in the exposure draft. The minority comments suggested either a more prescriptive approach or that the requirement as set out is too rigid. The FRC considers that the requirement gives sufficient room for practitioners to apply judgement in the wide range of circumstances in which factor reviews are carried out. The FRC notes that P3.1 neither prevents trustees from being provided with monthly updates if the trustees feel that this is appropriate nor prevents practitioners from alerting them to this possibility.

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## Timing of review

38. As set out in paragraph 2.19 of the consultation paper, the FRC recognises that the timing of a factor review is unlikely to be in the practitioner's control. It is a matter for whoever has responsibility for this under the scheme's rules, although the practitioner may be in a position to influence the decision-maker. The FRC proposed that practitioners should seek to arrange for the factor review to be undertaken at a time which would allow decisions on factors and funding to be made together, unless there is justifiable reason not to do so.
39. Feedback suggested that practitioners have found it unclear what they are expected to do to comply with the requirement in the second sentence of P3.2 as set out in the exposure draft. In some cases, respondents took the FRC to be assuming that practitioners have control over the timing of a factor review.
40. The FRC had intended that practitioners advise the relevant stakeholders of their consideration of the appropriate timing of the factor review so that the decision-maker can make an informed decision.
41. Given that respondents in general were supportive of carrying out the two exercises in conjunction where it is appropriate, the FRC has amended P3.2 as set out in the exposure draft to require that advice on the timing of the factor review covers the appropriateness of carrying this out at the same time as the funding valuation.
42. The FRC agrees that the requirement in P2.9 is applicable whether or not a factor review has been carried out at the same time as the valuation. However, where the review has been carried out at the same time, the FRC would expect this to be referred to in the practitioner's advice on the valuation and so did not consider it necessary to amend this provision.
43. The FRC considers that there is no need for an explicit reference to materiality in P2.9 because, in accordance with TAS 100 v2.0, communications must exclude information that is not material and would obscure material information, other than where inclusion is a regulatory requirement.

### **Question 4: Do you consider the proposed changes to Section 3 would enable decision-makers to reach a fully informed view in setting actuarial factors?**

44. 16 out of 21 respondents answered this question.

## Non-actuarial considerations and the role of actuarial advice

45. Many respondents pointed out that the relevant considerations for those making decisions at a review of actuarial factors may include non-actuarial matters. Examples given include the scheme's rules, legislative requirements, funding level, covenant strength, current factor levels, intergenerational fairness, administration, member communications, sponsor preferences, benefit design and the practicality of systems updates. Some respondents suggested that the provisions of TAS 300 ought to refer to these while others took the view that it is sufficient to

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rely on best practice, the Actuaries' Code and practitioners following recommendations from the IFoA Thematic Review on commutation and CETV factors.

46. Related to this, a few respondents discussed the role of actuarial advice to an intended user who is considering a review of actuarial factors. They suggested that, whilst the advice ought to provide a value-based reference point, this may not be the appropriate starting point from the perspective of the decision-maker, who may give significant weight to non-actuarial considerations. Respondents therefore suggested that practitioners should also point out to the intended user that there are other relevant considerations, seek input on these from the user and make clear that decisions should be made having regard to legislation, the scheme's rules and the powers of the parties involved.

### **Comparing commutation rates with other bases**

47. In relation to P3.4, respondents generally supported comparing commutation factors with other relevant actuarial bases. However, many gave the view that it is not appropriate to specify in TAS 300 which bases are to be used as comparators. A number of examples were provided to demonstrate that the bases proposed are not always relevant.
48. Some respondents asked whether the proposed comparison with annuity costs is intended to refer to bulk annuity costs or to individual annuity costs, and some commented on the practicality of obtaining reliable information to compare commutation factors with annuity costs.
49. Some respondents suggested that, in addition to the bases specified in P3.4 in the exposure draft, for a scheme close to buying-in or buyout, the basis used by the insurer after the transaction would be relevant.
50. Two respondents commented that referring in P3.4 to "all relevant bases" is disproportionate. One respondent commented that communication of multiple comparisons would be lengthy.
51. In general, respondents gave the view that it should be left to the practitioner to decide according to the circumstances which comparator bases are relevant and what should be communicated to the intended user. Many were comfortable with TAS 300 referring to particular bases provided that it is made clear that these are examples of bases which might be relevant comparators.

### **Items to be considered when reviewing actuarial factors**

52. Most respondents were supportive of the requirements in P3.3 and, in particular, those in P3.3b and P3.3c to consider, where relevant, features which differ materially between groups of members and the impact on members' benefits of exercising options. One respondent commented on the application of proportionality to P3.3c.
53. One respondent suggested amending "which are relevant" to "where relevant" for clarity.

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## Allowance for future changes to investment strategy when setting CETV factors

54. P3.5 requires practitioners advising on setting CETVs to consider whether, and if so how, to allow for expected future changes to the scheme's investment strategy. Most respondents supported this, although one suggested that it is an inappropriate attempt to influence decision-makers.
55. Some respondents asked for clarification of what "expected" means when plans are unclear. One respondent asked for clarification on what "de-risking transactions" means, and another respondent noted that de-risking may be irrelevant, for example in some public sector schemes.

## Alternative to best estimate assumptions when setting CETV factors

56. Most respondents were supportive of the requirement in P3.9 to ensure that trustees setting CETVs are made aware of a potential alternative to using best estimate assumptions. Some respondents suggested that the wording be made explicit about the alternative, which is to provide higher amounts, perhaps by referring directly to the relevant legislation.

## FRC response

### Non-actuarial considerations and the role of actuarial advice

57. The FRC recognises that non-actuarial matters can be relevant considerations of which decision-makers need to be aware to have a fully informed view in setting actuarial factors.
58. The list of considerations set out in P3.3 is not intended, or stated, to be exhaustive, and the principles-based standard allows practitioners to apply judgement when forming their advice. As there is no strong consensus on any further considerations which should be included, the FRC has not made amendments to the exposure draft relating to this matter.

### Comparing commutation rates with other bases

59. The FRC considers that comparisons with other relevant bases are needed to make informed decisions in relation to commutation factors and this view was generally supported by respondents. The FRC agrees with respondents that the bases which are relevant will vary according to circumstances and that this is therefore best left to practitioners' judgement.
60. The FRC considers that it is appropriate that practitioners be required to consider and make their own judgement as to which bases would be relevant comparators. The FRC considers that there are particular bases which are expected often to be relevant and that it is therefore useful to refer to these explicitly in the standard so that it is clear that practitioners must consider their relevance. There may well be other bases which are relevant comparators, and practitioners are required to consider all the bases which, in their judgement, are relevant.
61. The FRC agrees that for a scheme close to buying-in or buyout, the basis used by the insurer after the transaction is expected often to be relevant.
62. The FRC has amended P3.4 to reflect these points when finalising TAS 300 v2.0.

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63. The FRC understands the comments about the different ways to compare commutation factors with annuity costs. The FRC considers that, as deciding which comparisons are most suitable to make in the circumstances is a matter for the practitioner's judgement, it is not appropriate to specify how to do so in a principles-based standard.

### Items to be considered when reviewing actuarial factors

64. The FRC has amended "which are relevant" to "where relevant" in P3.3 in the final standard to avoid potential ambiguity.

### Allowance for future changes to investment strategy when setting CETV factors

65. The FRC considers that the standard leaves sufficient room for the practitioner to apply judgement over whether, and if so how, to allow for expected future changes to the scheme's investment strategy without unduly influencing decision-makers.
66. The FRC expects that where de-risking is not relevant, such as in public sector unfunded schemes, the practitioner will make no allowance for it. The FRC considers that the wording in P3.8 allows for this.
67. The FRC has therefore retained the wording from the exposure draft.

### Alternative to best estimate assumptions when setting CETV factors

68. The FRC agrees that it would be clearer to set out in P3.9 what the alternative to using best estimate assumptions is. The FRC has therefore amended the wording in this paragraph to refer to the relevant legislation, which, subject to certain conditions, allows the trustees to choose to pay higher amounts. As a result of this change, the definition of 'best estimate assumptions' is no longer necessary and so has been removed from the glossary.

## **Question 5: Do you consider that the remit of TAS 300 includes specifying how actuarial factors are set, either in relation to the value for money members should get from cash commutation or in making allowance for future changes to investment strategy in CETV factors? Please explain your rationale.**

69. 14 out of 21 respondents answered this question.
70. No respondents suggested that TAS 300 ought to specify either how value for money is taken into account in setting commutation factors or whether and, if so, how future changes to investment strategy are allowed for in setting CETV factors.

### FRC response

71. The FRC agrees that the remit of TAS 300 does not include specifying how actuarial factors are set. The exposure draft was prepared on this basis and the FRC has finalised the standard without further amendments to the exposure draft.

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## **Question 6: Are there other provisions relating to actuarial factors which you believe should be introduced?**

72. 15 out of 21 respondents answered this question.
73. Only one respondent suggested that a further provision relating to actuarial factors should be introduced. This respondent noted that the production of an insufficiency report, where relevant, is an integral part of the practitioner's work on setting CETVs or on completing a valuation, and suggested that TAS 300 might cover communication of the issues involved.
74. There were some suggested further amendments to the standard which are captured under Question 4. The remaining points are set out below:
- Some respondents suggested that there should be an explicit reference to proportionality, particularly for small schemes or where some but not all of the actuarial factors for a scheme need to be reviewed.
  - One respondent commented that the proposed requirements are unnecessary as the changes they seek to achieve have already been observed following the publication of the IFoA's Thematic Review.

### **FRC response**

75. The FRC notes the comment about the work involved in producing an insufficiency report. However, the considerations relevant to deciding the extent to which to reduce CETVs to take account of underfunding as set out in an insufficiency report are separate from those relevant to setting CETV factors. The requirements of Section 3 relate only to the setting of factors. The FRC does not consider there to be a need to add to the requirements set out in legislation for producing an insufficiency report.
76. Practitioners are encouraged to have regard to the guidance on proportionality to inform how they will comply, as set out in paragraph 1.5 of the standard. The FRC considers that the requirements allow sufficient room for practitioners to make judgements on whether all factors need to be reviewed.
77. The FRC does not have evidence about the extent to which the publication of the IFoA's Thematic Review has altered practice but considers that the provisions of Section 3 are appropriate and capture what is viewed as good practice.
78. The FRC has not introduced further provisions from those set out in the exposure draft.

## **Question 7: What are your views on the proposed provisions in Section 5 in relation to bulk transfers? Do you think that the proposed provisions would ensure that actuarial advice given to decision-makers would allow them to be fully informed when considering potential bulk transfers?**

79. 18 out of 21 respondents answered this question.

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## Scope of application of requirements in Sections 5 and 6

80. Many respondents commented on whether the requirements in Section 5 ought to apply to certain exercises which do not fall within the definition of bulk transfer:
- Many respondents commented that the definition of bulk transfer excludes insurance buy-ins. They highlighted that often a buy-in is a stage in a journey to buyout, with the advice given at the time of, and in connection with, the buy-in being a critical part of the overall advice on the eventual bulk transfer. Most of these respondents suggested that the requirements in Section 5 ought to apply to technical actuarial work on buy-ins.
  - Two respondents suggested that the requirements in Sections 5 and 6 should apply to technical actuarial work on capital backed journey plans or other similar solutions, which are excluded from the definition of bulk transfer. These respondents pointed out that these arrangements are similar to superfunds in involving a change in risk profile supported by a capital buffer but that, as they are not subject to specific guidance from TPR, prospective ceding trustees are reliant solely on professional advice.
81. Respondents commented on whether they consider the requirements in Section 5 ought to apply to bulk transfers to all types of recipient arrangement:
- There appears to be broad support for applying the requirements in Section 5 to work relating to bulk transfers to superfunds, although two respondents suggested that it be excluded unless and until there is more relevant experience, given that no transfers to superfunds had taken place at the time of the consultation. These two respondents also suggested that Section 6 not be introduced until there is more relevant experience.
  - Several respondents commented that the considerations which are relevant differ according to the type of recipient arrangement. They suggested that Section 5 be divided into subsections, each dealing with a particular type of recipient.
  - One respondent suggested that Section 5 ought not to apply to transactions between traditional DB schemes or to transfers with consent but did not give a rationale.
82. Some respondents asked for clarity over which specific types of work the requirements in Sections 5 and 6 apply to, including in particular whether 1) the requirements in Section 5 apply to work by practitioners for superfunds or insurers receiving bulk transfers as well as to work by those advising potential ceding trustees or employers, and 2) the requirements in Section 6 apply to work by practitioners for superfunds, work by practitioners advising potential ceding trustees or employers, or all of these.
83. One respondent asked what inference to draw from the difference between the words “carrying out technical actuarial work” in P5.1 and P5.3 and the words “providing advice” in P5.2 in the exposure draft.

## Credible alternatives to a bulk transfer

84. Most respondents did not express concerns about P5.1a which requires practitioners carrying out technical actuarial work in relation to a bulk transfer to consider credible alternatives to

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the potential transaction, with one stating explicitly that it may help to improve outcomes for scheme members.

85. Where respondents did have concerns, these generally related to what would actually be required of the practitioner. One respondent commented on the potential time, effort and cost involved when there are many credible alternatives to consider, and four sought clarification over what is expected of practitioners when, as they indicate may often be the case, there are few, or no, credible alternatives. One respondent questioned whether the consideration of alternatives is the responsibility of the actuarial practitioner. Another respondent asked whether, if there are no credible alternatives, the practitioner would be required to say so explicitly when communicating with the intended user.
86. A few respondents gave the view that it is inappropriate to specify which alternatives must be considered and some pointed out that the options listed in the exposure draft are not always realistic. However, there was support from several respondents for providing a list of potential alternatives.

### **Input from third parties**

87. Many respondents commented that actuarial practitioners cannot provide advice, or be expected to assess the reasonableness of input from third parties, on matters outside their range of competence. One respondent stated that a practitioner who has relied on a third-party covenant assessment should be able to explain the key risks in the covenant and how they impact on the practitioner's technical actuarial work.
88. Two respondents argued that P5.2 overlaps with the requirements of TAS 100 v2.0 and the Actuaries' Code and suggested on this basis that it be removed. Another respondent noted that the requirements of P5.2 ought to apply to all technical actuarial work, and therefore questioned why they would be made explicit in relation to advice on bulk transfers but not to other work.

### **TPR's gateway tests for a bulk transfer to a superfund**

89. At the time of the consultation, TPR's gateway tests for a bulk transfer to a superfund included that such a transfer should be considered only if buyout is not affordable at the time and there is no realistic prospect of buyout in the foreseeable future. P5.3 requires that practitioners advising on this must use assumptions in relation to buyout pricing which reflect current and anticipated future market conditions and insurers' practice. Some respondents commented that practitioners cannot be expected to know future market conditions and insurers' practice.
90. The other of TPR's gateway tests is that the bulk transfer must improve the likelihood of members receiving full benefits. One respondent stated that the technical actuarial work required is stochastic modelling of investment outcomes reflecting the superfund's rules on capital backing in downside scenarios and that there is no need to refer in P5.7 to covenant, a matter outside the competence of most actuarial practitioners.

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91. Some respondents suggested that the requirement in P5.7 to make the intended user aware of risks ought to be limited to material risks.

### Other comments

92. In relation to P5.1 and P5.7, many respondents pointed out that the relevant considerations for those making decisions about a potential bulk transfer include non-actuarial, and particularly legal and covenant, matters. Some respondents suggested that it is not appropriate to refer to these matters in TAS 300. Others agreed with their inclusion provided that the requirement is limited to drawing the intended user's attention to them.

## FRC response

### Scope of application of requirements in Sections 5 and 6

93. The FRC intended the requirements in Section 5 to apply to technical actuarial work performed to inform decisions by the intended user which could lead to a bulk transfer which severs the link with the sponsoring employer.
94. As set out in the exposure draft, TAS 300 is applicable to "technical actuarial work in connection with a bulk transfer of assets and liabilities to another pension scheme, an insurer or a superfund." The FRC expects this to include the case of a practitioner working on an insurance buy-in who is aware that this is part of a larger project with an ultimate objective of buyout, or has reason to believe that the buy-in is at least reasonably likely to lead to buyout later. The FRC recognises that circumstances vary from case to case and therefore considers it appropriate to leave room for practitioners to exercise judgement over whether and when the technical actuarial work is carried out in connection with a bulk transfer.
95. Based on the responses, it appears that the wording in the exposure draft may be subject to misinterpretation on this point. The FRC has therefore amended in the final standard the description of the scope of work to clarify its intention.
96. The FRC agrees with the views underlying the comments regarding capital backed journey plans, as trustees and employers need high quality advice when making complex decisions. The FRC considers that good practice in advising on these arrangements is likely to include some elements which are similar in nature to those required for bulk transfers where the employer link is broken, but for the moment considers it proportionate to leave practitioners to use their judgement in applying good practice. The approach to capital backed journey plans, and long-term journey planning more generally, will be considered in the FRC's future review of Section 2 of TAS 300 on scheme funding and financing after the Government and TPR have finalised the relevant legislation and regulations.
97. All bulk transfers can affect member outcomes, and decision-makers are heavily reliant on professional advice, including actuarial advice. Further, TPR is a key user of technical actuarial work relating to capital adequacy for its assessment and supervision of superfunds.
98. For these reasons, the FRC considers that technical actuarial standards are needed in relation to all bulk transfers and to superfund capital adequacy. The conditions for transfers to

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superfunds to be made are in place, and such a transfer has now been implemented, so the FRC considers that it would be inappropriate to delay the consideration of technical actuarial work relating to superfunds beyond this review.

99. The requirements in P5.1 apply to all bulk transfers, albeit that their application may differ according to the type of receiving arrangement. Words such as “credible” in P5.1a and “material” in P5.1b and P5.1c highlight specific areas where it is a matter for the practitioner’s judgment how to apply the principle. The FRC considers that separation into subsections would be disproportionate and lead to repetition.
100. The FRC acknowledges that the some of the provisions of Section 5 apply to bulk transfers to superfunds but not to other bulk transfers:
- In the cases of P5.3, P5.7 and P5.8, these correspond to areas on which TPR has issued specific guidance relating to superfunds.
  - In the case of P5.4, this is specifically about modelling appropriate to superfunds, which we address under Question 8.
101. The FRC has made amendments to P5.1 to P5.4 and P6.1 when finalising the standard to clarify the technical actuarial work to which Sections 5 and 6 apply:
- Section 5 applies to technical actuarial work carried out for the purpose of advising potential ceding trustees and employers on bulk transfers, such as whether to make the bulk transfer or on what terms to make the bulk transfer. The requirements in Section 5 do not apply to work performed for a superfund or insurer receiving a bulk transfer.
  - Section 6 applies both to technical actuarial work carried out for the purpose of advising potential ceding trustees and employers on bulk transfers and to technical actuarial work carried out for a superfund for internal purposes or for its assessment and supervision by TPR.
102. The FRC agrees that there is no reason for the highlighted difference in wording in P5.1, P5.2 and P5.3 and has brought them into line.

### **Credible alternatives to a bulk transfer**

103. Although it is for the trustees or employer to consider alternatives to any bulk transfer, the FRC considers that it is important for the practitioner to support them in this when advising on a bulk transfer. The FRC considers that it is a matter for the practitioner’s judgement which alternatives, if any, are credible, and the standard allows the practitioner to exercise judgment over this. The principles-based standard also provides room for the practitioner to exercise judgement over what technical actuarial work and communication is needed and is proportionate to provide the intended user with information necessary and sufficient to meet the reliability objective. If there are no credible alternatives, then it is likely that little work is required to reach this conclusion and, where the practitioner believes that the intended user is aware that there are no credible alternatives, P5.5 contains no requirement to communicate that this is the case. However, the FRC has added the words “where material” to P5.5 to clarify

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that there is no requirement for communication in relation to any of the items in P5.1 where they are not material to the decision being made by the intended user.

104. The FRC acknowledges that the alternatives set out in P5.1a in the exposure draft are not credible for all bulk transfers, and this was the reason for including the words “where relevant”. The FRC has amended the wording when finalising the standard to clarify that practitioners must consider whether the specified alternatives are credible.
105. It was suggested in an outreach meeting that there will often be circumstances where increasing the security or funding provided to a scheme are not credible alternatives. The FRC has amended the wording when finalising the standard to reflect this.
106. Discussion in one outreach session suggested that it is best practice for practitioners to give proactive consideration to credible alternatives to the status quo. We agree that this is best practice. We do not, however, consider that it is appropriate for TAS 300 to extend beyond specific pieces of work being carried out, and so do not intend to make explicit reference to this, or to other areas where proactive advice may be appropriate. There is, of course, nothing to prevent practitioners from raising the matter with stakeholders where they consider it appropriate to do so.

### **Input from third parties**

107. The FRC recognises that practitioners will generally not be able to verify the completeness and accuracy of input from third parties, and in particular advice from legal or covenant specialists. However, where practitioners rely on third-party input, the FRC considers that they should understand the implications of such input for their technical actuarial work, and how the output might differ if the input were different. This is particularly the case where the actuarial information or advice is highly sensitive to and reliant on the third-party input. The FRC has amended P5.2 in finalising the standard to reflect this.
108. All technical actuarial work carried out by IFoA members within the geographic scope is within the scope of TAS 100 v2.0. The sector-specific TASs cover particular applications in the relevant sector to clarify our expectations of practitioners in meeting the reliability objective, but not all technical actuarial work is referred to explicitly in the sector-specific TASs. We consider that the non-actuarial input required to make informed decisions on bulk transfers is of such significance to the reliability of the actuarial information that it is appropriate to refer to this in P5.2.

### **TPR’s gateway tests for a bulk transfer to a superfund**

109. In the context of TPR’s gateway tests which, at the time of the consultation, required consideration of whether buyout is affordable at the time and whether there is a realistic prospect of buyout in the foreseeable future, P5.3 requires practitioners to use assumptions which reflect current and anticipated future market conditions and insurers’ practice. P5.3 does not require practitioners to know future market conditions and insurers’ practice, but to make assumptions based on information and knowledge which is currently available. The FRC

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considers the requirement to be sufficiently clear and that the standard can be finalised without further amendments.

110. TPR's gateway tests for a bulk transfer to a superfund were updated in August 2023 after the consultation on TAS 300 was closed. The updated tests specify that such a transfer should be considered only if the scheme cannot access buyout at the time and has no realistic prospect of buyout in the foreseeable future, given potential employer cash contributions and the insolvency risk of the employer. TPR's guidance states that access to buyout will depend on whether buyout is affordable and, if so, whether the pension scheme can in practice currently access the insurance market. Since affordability is an actuarial matter, the FRC considers that P5.3 remains appropriate following TPR's update to the gateway tests.
111. With reference to the TPR gateway test which requires consideration of the likelihood of members receiving full benefits, P5.7 requires practitioners to ensure that the intended user is made aware of the change in covenant but does not require them to advise on this in detail. The FRC considers that the change in covenant is of such significance to the reliance placed on the actuarial information that it is appropriate to refer to it in P5.7.
112. The FRC intended P5.7 to be proportionately applied and relate only to risks which are relevant and material to the decision which the intended user will make. The FRC has therefore inserted the word "material" in P5.7 when finalising the standard.

### Other comments

113. The FRC agrees that relevant considerations when deciding whether to make a bulk transfer include non-actuarial matters such as legal and covenant issues. The standard explicitly refers to non-actuarial matters which the FRC considers to be important in enabling the actuarial advice to satisfy the reliability objective. Practitioners are required to consider these but are not required to provide advice on them. The FRC has not made further amendments relating to this point in finalising the standard.

### **Question 8: Do you consider that the proposed changes to TAS 300 on modelling work relevant to superfunds would help mitigate the risks associated with pension practitioners' lack of familiarity with features of the modelling required?**

114. 16 out of 21 respondents answered this question.
115. Most respondents are supportive of the introduction of the requirements in P5.4 and P6.2 concerning modelling in technical actuarial work relating to superfund transactions and capital adequacy, particularly while these areas remain new. Some suggested that these requirements be kept under review as experience builds.
116. Some respondents gave the view that a practitioner may have sufficient information about a potential bulk transfer to a superfund to reach a reliable conclusion which will help inform decisions without the need for detailed modelling.

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117. Some respondents pointed out that the requirements are covered by TAS 100 v2.0 and the Actuaries' Code. Of these, some supported including the additional sector-specific detail in TAS 300 and others suggested that they are unnecessary.
  118. One respondent commented on the practicalities and cost of the proposed modelling requirements for small schemes.
  119. In relation to P5.8 and P6.2, one respondent pointed out that, for communication about uncertainty in actuarial information to be helpful, it has to refer to the impact, and not simply the existence, of the uncertainty.

## FRC response

120. All technical actuarial work carried out by IFoA members within the geographic scope is within the scope of TAS 100 v2.0. The sector-specific TASs cover particular applications in the relevant sector to clarify our expectations of practitioners in meeting the reliability objective.
121. P5.4 and P6.1 were included to ensure that practitioners give due consideration to mitigation of the risk that a model designed for another purpose is used for technical actuarial work relating to a superfund if it would give unreliable results. The FRC considers that it is appropriate to include these provisions in TAS 300 because many existing pensions models are not calibrated for the time horizons relevant to work on superfund transactions or for the extreme events relevant to assessing capital adequacy, and many practitioners will have relatively little experience in the area.
122. The FRC agrees that there may be circumstances in which a practitioner does not require detailed modelling to draw a conclusion sufficient to provide reliable advice. P5.4 does not require that modelling be carried out but does require that, should a model be used, it must be calibrated appropriately. Further, the standard is principles-based and leaves room for practitioners to exercise judgement over the level of modelling required for small schemes.
123. P5.8 and P6.2 in the exposure draft refer to "an explanation of the uncertainty in the actuarial information", which the FRC considers can be provided only by including commentary on sensitivity or impact. We have therefore left the wording unchanged.

## **Question 9: Are there any other provisions relating to bulk transfers which you believe should be introduced into TAS 300?**

124. 18 out of 21 respondents answered this question.
125. The majority of respondents suggested no other provisions which should be introduced to TAS 300. There were 4 individual suggestions and a comment as follows:
  - One respondent suggested that guidance be provided for technical actuarial work in cases where members' benefits which are being insured have to be changed because the insurer cannot accommodate elements of the scheme rules, for example in the case of fixed or guaranteed conversion terms.

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- One respondent suggested that technical actuarial work for risk transfer exercises should include a calculation of the gap between full pension payments covered by the PPF and by the Financial Services Compensation Scheme respectively and how this will change over time, alongside the risk of sponsor failure over time.
  - One respondent pointed out that, in most schemes, there is a discretionary power to augment benefits. This respondent suggested that the practitioner should consider this when carrying out technical actuarial work.
  - One respondent suggested that, to help those considering bulk transfers, actuarial advice on risk transfer exercises ought to include information on the impact of any risk transfers already carried out by the scheme, and a central database should be established which contains up-to-date information on the financial impact of all risk transfer transactions.
  - One respondent noted that, for a bulk transfer involving an already largely annuitised group or a winding-up lump sum exercise, the relevant considerations may be narrow.

## FRC response

126. There were no thematic issues highlighted in the feedback. The FRC has reviewed the individual suggestions and considers that there is no need to introduce further requirements into TAS 300 at this time, either because the existing standards TAS 100 and TAS 300 are sufficient and proportionate or because the suggestion made by the respondent is outside the FRC's remit.

## Questions 10 to 19

127. Questions 10 to 19 are in relation to TAS 310: Collective Money Purchase Pensions and are out of scope of this paper.

## Question 20: Do you agree with our impact assessment? Please give reasons for your response.

128. 13 out of 21 respondents answered this question.

129. The majority of these agreed with our assessment, subject to clarification that the scope of Section 2 on scheme funding and financing is not being widened beyond work for trustees and employers on actuarial funding valuations, and subject to clarification that the requirement in P3.4 to compare commutation factors with other bases is not unduly onerous.

## FRC response

130. As set out under Questions 1 and 4, the FRC has made amendments when finalising the standard to provide these clarifications. On this basis, we consider that the Impact Assessment as set out in the consultation paper remains appropriate.

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## General comments

131. Some respondents made comments relating to compliance with TAS 300 and other matters which are outside of the scope of this consultation.

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# Impact Assessment

## Benefits

132. The majority of the changes to TAS 300 are a result of new ways of providing or securing pensions that have emerged since 2016 when TAS 300 v1.0 was published, such as the development of superfunds. In addition, the revisions to the provisions in relation to the factors for individual calculations are to ensure that the standard is reflective of current good practice in actuarial work and to address any known gaps in the quality of actuarial work.
133. The benefits of the changes to TAS 300 are from the improvement in quality of technical actuarial work. This reduces the risk of pension scheme trustees or the governing body receiving poor quality actuarial advice, and ultimately the risks to members of pension schemes of receiving poor outcomes:
- a) The changes in relation to setting actuarial factors for individual calculations ensure that those setting factors are aware of the impact of any intended changes on members and that they have been aware of all relevant factors prior to making any decisions.
  - b) The changes in relation to bulk transfers and the introduction of requirements specific to work on superfunds ensure that actuarial advice makes a clear comparison of all relevant options in how pension benefits are secured, that the assumptions and modelling are appropriate, and that an appropriate understanding is reached of the level of risk to members under any potential option for securing the benefits.

## Costs

134. Whilst the structure of TAS 300 v2.0 differs from that in TAS 300 v1.0, it does not revise the provisions which already exist in the current version of TAS 300 in a material way. It is recognised that there will be an element of one-off cost associated with practitioners reading the revised TAS 300 and firms updating processes and procedures, where these exist.
135. The majority of changes to TAS 300 in relation to actuarial factors are in line with existing best practice, as identified in the IFoA's thematic review of factors. In particular, the FRC has expanded on the requirement for practitioners to illustrate the impact of potential changes in factors on individual members (P3.3(c) of TAS 300 v2.0). The FRC expects practitioners to follow the principle of proportionality in applying this requirement. The FRC does not expect the changes to result in significant additional work within a factor review.
136. The changes to TAS 300 in relation to bulk transfers and the introduction of requirements specific to work on superfunds will result in additional work only when such transactions are being considered or superfunds are being assessed. In the case of bulk transfers to insurers, the FRC anticipates limited additional work being incurred in relation to most transactions, as the changes reflect current good practice.

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137. The changes to TAS 300 in respect of superfund transactions have arisen as a result of the introduction of TPR's guidance for transfers to superfunds and the assessment and supervision of superfunds (until the relevant legislation is in place). Any costs which arise from the amendments to TAS 300 in respect of additional work carried out are due to the existence of a new type of transaction.
138. To date, there has been only one transfer to a superfund. With the superfunds market in its infancy, it is not possible to estimate with any degree of accuracy the frequency with which additional work may be required.

# Appendix 1 – Amendments to the Exposure Draft

Section	Issue	Change
Introduction	Scope in relation to funding and financing should be limited to funding valuations but include work for trustees and employers	Reverted to the description of scope in relation to scheme funding and financing in TAS 300 v1.0
Introduction	Buy-in may be a prelude to buyout with the critical part of the overall advice on the eventual bulk transfer being given at the time of the buy-in	Clarified that scope of work for bulk transfers includes work where the decision of the intended user might lead to the scheme to making a bulk transfer
Section 3	Link between actuarial factor review and funding valuation	P3.2 - amended to focus on stakeholders making informed decisions on timing of the review
Section 3	Possible ambiguity in wording	P3.3 - changed "which are relevant" to "where relevant"
Section 3	Which comparator bases for commutation factors are relevant is situation-dependent so practitioners should decide which bases are relevant	P3.4 - amended to clarify that practitioners should be making their own judgement as to which bases are relevant comparators, and added commutation basis which will apply after an expected buy-in/buyout
Section 3	Alternative CETV method of paying higher than best estimate	P3.9 - referred to legislation about alternative method
Section 5	Applies to advisors to ceding trustees/employers but not those working for receiving arrangements	P5.1 to P5.4 - added wording to clarify

Section 5	Opening words of P5.1 to P5.3 differ from opening words of P5.2	P5.1 and P5.3 - amended opening words to be in line with P5.2
Section 5	Which alternatives to bulk transfer are credible is situation-dependent so practitioners should decide which alternatives are credible	P5.1a - amended "with potential" to "potentially with" and amended to clarify that practitioners should be making their own judgement as to what the credible alternatives are
Section 5	Reliance on input from third parties	P5.2 - changed "consider the reasonableness and supporting evidence for the third-party input" to "understand how the input affects the output of their technical actuarial work"
Section 5	No requirement to communicate matters which are not material	P5.5 - added "where material" to clarify
Section 5	No need to communicate risks which are not material	P5.7 - changed "all risks" to "all material risks"
Section 6	Applies to advisors to ceding trustees/employers and to those working for superfunds	P6.1 - added wording to clarify
Glossary	Definition of "best estimate assumptions" not needed following change to P3.9	Removed definition of "best estimate assumptions"
Glossary	No definition of Scheme Funding assessment although used in Introduction and P2.9	Inserted definition for "Scheme Funding assessment" in line with the definition in the <a href="#">Glossary of defined terms used in FRC technical actuarial standards</a>

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## Appendix 2 – List of respondents to consultation

The FRC received 21 written responses to the consultation, 17 of which were not confidential and were published on the FRC website. The respondents were as follows:

- Aon plc
- Association of Consulting Actuaries
- Broadstone Corporate Benefits Limited
- Buck Consultants Limited
- C-Suite Pension Strategies Ltd
- Christopher O'Brien
- First Actuarial LLP
- Government Actuary's Department
- Hymans Robertson LLP
- Isio Group Limited
- Lane Clark & Peacock LLP
- Mercer Limited
- PricewaterhouseCoopers LLP
- Society of Pension Professionals
- Universities Superannuation Scheme Limited
- WTW GB Retirement Team
- XPS Pensions Group



Financial Reporting Council

**Financial  
Reporting Council**

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

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