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Glossary of defined terms used in FRC technical actuarial standards

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Glossary of defined terms used in FRC technical actuarial standards

Terms appearing in **bold** in the text of the FRC technical actuarial standards (TASs) are used with the meanings set out below. The definitions are used consistently across FRC technical actuarial standards.

References to law that applies in Great Britain should be taken to include corresponding legislation in Northern Ireland.

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 .
bulk transfer	A connected transfer of the benefits of two or more members of the same pension scheme or insurer . The transfer may be with or without the consent of the transferring members.
communications	The set of all component communications relating to a piece of technical actuarial work . The communications for a decision taken by a user in connection with a piece of actuarial work is the set of all component communications received by the user containing information material to that decision.
component communication	Actuarial information given to a user in permanent or non-permanent form. Examples of component communications include formal written reports, letters, draft reports, emails and presentations.
data	Facts or information usually collected from records or from experience or 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.
to document	To record in documentation .
documentation	Records of facts, opinions, explanations of judgements and other matters. Documentation may be paper or electronic based. It is not necessarily provided to users . Documentation is material if it concerns a material matter.
entity	The pension scheme , insurer , funeral plan trust , fund or other body that is the subject of the work being performed.
funding assessment	A funding assessment is 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.

funeral plan trust	A trust established to hold money paid by customers to funeral plan providers for the purpose of providing funerals and which meets the requirements listed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 art. 60(1)(b).
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.
implementation	<p>The formulae and algorithms of a model in a form that will perform the calculations required by the specification.</p> <p>A reproducible implementation is one that produces the same outputs from identical inputs.</p> <p>In many cases an implementation is a computer program, but other types of implementation are possible. For example, manual calculations are often used for the implementation of simple models.</p>
incentive exercise	<p>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:</p> <ul style="list-style-type: none"> • 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 a user .
insurance business	The business of effecting or carrying out contracts of insurance or reinsurance.
insurance transformation	A change without all the policyholders' consents in the contract terms of a portfolio of insurance contracts or in the with-profits principles contained in the Principles and Practices of Financial Management.
insurer	An undertaking or group of undertakings effecting or carrying out contracts of insurance or reinsurance.
material	Matters are material if they could, individually or collectively, influence the decisions to be taken by users of the related actuarial information . Assessing whether a matter is material is a matter for judgement which requires consideration of the users and the context in which the work is performed and reported.

measure	The approach that is used to define how an (uncertain) asset or liability amount is quantified. Two different measures of the same asset or liability may produce different results.
method	The mechanism that is used to quantify an (uncertain) asset or liability amount. Two different methods of calculating the same asset or liability measures should produce similar results.
model	<p>A representation of some aspect of the world which is based on simplifying assumptions.</p> <p>A model is defined by a specification that describes the matters that should be represented and the inputs and the relationships between them, implemented through a set of mathematical formulae and algorithms, and realised by using an implementation to produce a set of outputs from inputs in the form of data and parameters.</p>
pension scheme	An occupational or personal pension scheme established under UK legislation or other arrangement to pay pensions established under UK pensions legislation.
pricing framework	The set of product pricing principles and the measures , methods , assumptions and models implementing those pricing principles that support an insurer's premium rates or product charges.
professional scepticism	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
realisation	<p>An implementation together with a set of inputs and the corresponding outputs.</p> <p>A reproducible realisation is one that produces the same outputs each time it is run.</p> <p>For an implementation that is a conventional computer program, a realisation is a run of the program, together with the inputs used and the outputs produced. Runs with different data or parameters are different realisations even if the program itself has not changed.</p>
recovery plan	The plan to eliminate a deficit under section 226 of the Pensions Act 2004.
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.
reserved work	Work required by regulations or other legal obligation and which is required to be performed by a Fellow of the Institute and Faculty of Actuaries.

Scheme Funding assessment	A funding assessment carried out in accordance with Part 3 of the Pensions Act 2004 for an “actuarial valuation” (but not for an “actuarial report”) as defined in section 224(2) of the Pensions Act 2004.
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.
scheme modification	A change to the accrued benefits of a pension scheme .
solvency basis	The assumptions used to determine the solvency position .
solvency position	The “actuary’s estimate of the solvency of the scheme” as defined in Regulation 7(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.
Specific TAS	A Technical Actuarial Standard developed by the FRC for specified areas of work.
specification	A description of a model that describes the matters to be represented, the inputs and their interactions with each other, and the outputs to be produced.
technical actuarial work	Work performed for a user : <ul style="list-style-type: none"> (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 user may reasonably regard as technical actuarial work by virtue of the manner of its presentation.
technical provisions	As defined in section 222(2) of the Pensions Act 2004.
users	Those people whose decisions a communication is intended (at the time it is provided) to assist.



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