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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.

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| <b>actuarial factor</b>        | 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.   |
| <b>actuarial information</b>   | The output of <b>technical actuarial work</b> .   |
| <b>bulk transfer</b>           | A connected transfer of the benefits of two or more members of the same <b>pension scheme</b> or <b>insurer</b> . The transfer may be with or without the consent of the transferring members.  |
| <b>communications</b>          | The set of all <b>component communications</b> relating to a piece of <b>technical actuarial work</b> . The <b>communications</b> for a decision taken by a <b>user</b> in connection with a piece of actuarial work is the set of all <b>component communications</b> received by the <b>user</b> containing information <b>material</b> to that decision. |
| <b>component communication</b> | <b>Actuarial information</b> given to a <b>user</b> in permanent or non-permanent form. Examples of <b>component communications</b> include formal written reports, letters, draft reports, emails and presentations.   |
| <b>data</b>                    | Facts or information usually collected from records or from experience or observation. Examples include membership or policyholder <b>data</b> , claims <b>data</b> , asset and investment <b>data</b> , operating <b>data</b> (such as administrative or running costs), benefit definitions and policy terms and conditions.                              |
| <b>to document</b>             | To record in <b>documentation</b> .   |
| <b>documentation</b>           | Records of facts, opinions, explanations of judgements and other matters. <b>Documentation</b> may be paper or electronic based. It is not necessarily provided to <b>users</b> . <b>Documentation</b> is <b>material</b> if it concerns a <b>material</b> matter.  |
| <b>entity</b>                  | The <b>pension scheme</b> , <b>insurer</b> , <b>funeral plan trust</b> , fund or other body that is the subject of the work being performed.  |
| <b>funding assessment</b>      | A <b>funding assessment</b> is an exercise which involves comparing values of the liabilities and assets or determining contribution requirements.  |
| <b>funding level</b>           | The ratio of the value of assets to the value of liabilities.   |

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| <b>funeral plan trust</b>       | 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).   |
| <b>governing body</b>           | The trustees of an occupational <b>pension scheme</b> , 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.   |
| <b>implementation</b>           | <p>The formulae and algorithms of a <b>model</b> in a form that will perform the calculations required by the <b>specification</b>.</p> <p>A reproducible <b>implementation</b> is one that produces the same outputs from identical inputs.</p> <p>In many cases an <b>implementation</b> is a computer program, but other types of <b>implementation</b> are possible. For example, manual calculations are often used for the <b>implementation</b> of simple <b>models</b>.</p>                       |
| <b>incentive exercise</b>       | <p>An invitation or inducement provided to a member to change the form of their accrued defined benefit rights in a UK registered <b>pension scheme</b>, which meets both of the following tests:</p> <ul style="list-style-type: none"> <li>• one objective of providing the invitation or inducement is to reduce risk or cost for the <b>pension scheme</b> or sponsor(s); and</li> <li>• the invitation or inducement is not ordinarily available to members of the <b>pension scheme</b>.</li> </ul> |
| <b>informed reader</b>          | Someone who understands, or is capable of understanding with readily available advice, the financial issues involved in a particular <b>pension scheme</b> . An <b>informed reader</b> is not necessarily a <b>user</b> .   |
| <b>insurance business</b>       | The business of effecting or carrying out contracts of insurance or reinsurance.  |
| <b>insurance transformation</b> | 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.   |
| <b>insurer</b>                  | An undertaking or group of undertakings effecting or carrying out contracts of insurance or reinsurance.  |
| <b>material</b>                 | Matters are <b>material</b> if they could, individually or collectively, influence the decisions to be taken by <b>users</b> of the related <b>actuarial information</b> . Assessing whether a matter is <b>material</b> is a matter for judgement which requires consideration of the <b>users</b> and the context in which the work is performed and reported.  |

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

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| <b>Scheme Funding assessment</b> | A <b>funding assessment</b> 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.  |
| <b>Scheme Funding report</b>     | The report required by section 224(1) and defined as an “actuarial valuation” in section 224(2) of the Pensions Act 2004.   |
| <b>scheme modification</b>       | A change to the accrued benefits of a <b>pension scheme</b> .   |
| <b>solvency basis</b>            | The assumptions used to determine the <b>solvency position</b> .  |
| <b>solvency position</b>         | 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.   |
| <b>Specific TAS</b>              | A Technical Actuarial Standard developed by the FRC for specified areas of work.  |
| <b>specification</b>             | A description of a <b>model</b> that describes the matters to be represented, the inputs and their interactions with each other, and the outputs to be produced.  |
| <b>technical actuarial work</b>  | Work performed for a <b>user</b> : <ul style="list-style-type: none"> <li>(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</li> <li>(ii) which the <b>user</b> may reasonably regard as <b>technical actuarial work</b> by virtue of the manner of its presentation.</li> </ul> |
| <b>technical provisions</b>      | As defined in section 222(2) of the Pensions Act 2004.  |
| <b>users</b>                     | Those people whose decisions a <b>communication</b> is intended (at the time it is provided) to assist.   |



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