Technical Actuarial Standard 300: Pensions, version 2.0

Mark Harris explains the changes, effective now, to the Financial Reporting Council's Technical Actuarial Standard for pensions

The world of pensions has been undergoing rapid developments for both pension savers and providers. This includes greater choice over how members utilise their savings at retirement, increased buyout activity and the advent of pension superfunds. As demands for greater flexibility grow and the pensions market continues to evolve, it is important actuarial regulation keeps pace with these changes.

In response, the Financial Reporting Council (FRC) has issued a new version of the technical actuarial standard on pensions, TAS 300 version 2.0, which was effective from 1 April 2024.

TAS 300 continues to adopt a principles-based approach and to allow for proportionality when applying the standard. Some amendments have been made to align TAS 300 with the new version of TAS 100, which actuaries will already be familiar with, but the main areas where the standard has been changed are in the sections on actuarial factors and bulk transfers, and there are new provisions on capital adequacy for superfunds.

Actuarial factors

The provisions have been expanded in relation to the frequency of actuarial factor reviews, so that practitioners must advise on the circumstances under which factors should be reviewed. There is also a new requirement about the timing of factor reviews relative to the funding valuation, so that, where relevant, trustees or other decision-makers can consider in conjunction with the valuation the potential financial impact of future changes to factors.

With the introduction of pensions freedoms having given members more choice over how they take their benefits, the revised standard sets out expectations for considering the impact of actuarial factors on members. When advising on commutation factors, the standard now includes a requirement to compare these with other relevant bases.

In addition, there are new provisions that apply when advising on cash equivalent transfer values, including one about expected future changes to investment strategy, as many schemes now have an intended journey plan.

Bulk transfers and superfunds

Over recent years there has been significant growth in the buyout market, and other endgame solutions, including superfunds, have been developed. This has led to a need to review the TAS 300 provisions in relation to bulk transfers.

To help clarify where TAS 300 applies, the FRC has updated the definition of a bulk transfer to make explicit that it is a transaction that severs the link between the scheme and the liabilities being transferred. So, for example, a buyout is a bulk transfer but a buy-in is not, although TAS 300 will apply when advising on a buy-in if this is expected to lead to a future buyout.

To reflect the wider range of potential endgame solutions now available and help trustees and employers make well-informed decisions in this environment, practitioners will be required to consider and communicate credible alternatives to a potential bulk transfer, and to consider and communicate how members will be impacted by a bulk transfer.

Since there are many risks to be considered when contemplating a bulk transfer, including covenant and legal matters, actuarial advice alone will not be sufficient to enable trustees and employers to make fully informed decisions. The standard therefore introduces a provision that practitioners should understand how third-party input on which they rely affects the output of their work.

Superfund transactions have now become a reality, with the first two deals having taken place. High quality actuarial advice is essential for a superfund transaction, and so new provisions have been added relating to superfunds to ensure that models used are fit for purpose and that users of actuarial information are aware of the uncertainty involved.

What next

In its review of TAS 300, the FRC has deferred consideration of the provisions on funding and financing until the new legislation on funding and TPR's revised Code of Practice are in place, which is expected to be later in 2024.

The FRC is continuing with its review of sector-specific TASs, and is considering responses to its consultation on a new standard, TAS 310, to apply to work on collective defined contribution pension schemes.

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