LCP's response to the FRC's consultation on introducing a new TAS 310

25 January 2024

This document sets out LCP's response to that part of the Financial Reporting Council's consultation relating to TAS 310 published on 9 May 2023 (the "Consultation"). We are responding separately to that part of the same consultation on TAS 300.

Who we are

LCP is a firm of financial, actuarial, and business consultants, specialising in pensions, investment, insurance, energy, health and business analytics. We have around 1,000 people in the UK, including 160 partners and over 300 qualified actuaries.

The provision of actuarial, investment, covenant, governance, pensions administration, benefits advice, and directly related services, is our core business. About 80% of our work is advising trustees and employers on all aspects of their pension arrangements, including investment strategy. The remaining 20% relates to insurance consulting, energy, health and business analytics. LCP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.

Our overall thoughts

We have set out below our answers to the specific questions posed in the consultation.

In summary, the draft TAS 310 proposals set a very high standard for those advising on CDC schemes. Whilst we agree that this aspiration is appropriate, in several places the proposals introduce what we believe to be disproportionately onerous requirements on practitioners. If implemented, we believe these will significantly increase ongoing implementation costs with little benefit to member outcomes.

In particular:

- The requirements for modelling and assumptions, to consider and report on 'credible alternatives', lack clarity on whether the 'credible alternative' requirements would introduce an obligation to consider a full range of credible alternatives or simply two or three possible alternatives.
- The focus on downside over upside scenarios could introduce inappropriate bias into the decision-making process.
- The proposed requirements for post valuation experience appears onerous.
- The requirement to model the probability that the live running tests might be failed at some future date using stochastic modelling appears particularly onerous.

As TAS 310 is currently drafted, we believe its implementation would add material costs, over and above those arising solely from the legislation and regulation of CDC.

We are happy for LCP to be named as a respondent to the Consultation and happy for our response to be in the public domain. We are happy for you to reference our comments in any response and would be happy to work with FRC on any revisions to TAS 310.

We look forward to seeing the final version of TAS 310 in due course and trust that our comments are helpful. We are responding separately to your proposals on TAS 300.

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1. TAS 310: CMP pensions

10. Do you have any comments on our intention to have an effective date for TAS 310 of within one year of the first CMP scheme being in operation? Is there an alternative timing that would be more appropriate? Please provide any supporting evidence for alternative timings.

The nature of CDC schemes means the design of the scheme is key and many aspects are already 'set in stone' once the design is formalised in the scheme rules. At this point delivery of a successful scheme is arguably predominantly an investment challenge and subsequent valuations must follow the design set out in the scheme rules. Therefore, TAS 310 would ideally have been in place well before advice was given on the first CDC designs to be put forward for authorisation. However, we do not envisage that retrospective application is appropriate.

Moving forward, it is helpful for the TAS to be brought into effect as soon as possible to aid planning prior to entering the authorisation process. However, it is also important for the TAS to be well drafted and, we believe there are currently several significant potential concerns relating to the draft put forward for consultation. It is important that TAS 310 is not "rushed through" and these issues are fully considered before TAS 310 is finalised.

2. Assumptions

11. Do the proposed provisions provide sufficient clarity of requirements for practitioners to set central estimate assumptions? Please set out any areas of setting CE assumptions you believe require further provisions, including reasons for these.

The provisions seem reasonable and consistent with the approach we would expect to be adopted.

We agree that it is appropriate to focus on the central estimate. We note that this allows considerable subjectivity, and so it is entirely reasonable that different actuaries could form different views on the same assumptions in the same circumstances. We believe this to be appropriate.

We note that in practice the scheme actuary will be more likely to be advising on the assumptions with the decisions on the central assumptions to be used taken by the trustees, as is the case under the regulations for ongoing valuations. This is not necessarily reflected in the wording as drafted and we recommend it is amended.

As a minor point, we note that term "central estimate" is already defined in legislation – as "an estimate that is not deliberately either optimistic or pessimistic, does not include any margin for prudence and does not incorporate adjustments to reflect the desired outcome" (Regulation 2 of the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022). Rather than introducing a new definition with very similar meaning the glossary should simply reference the existing definition.

3. Modelling

12. What are your views on the proposed provisions in relation to CMP modelling? Do you expect the proposed requirements on communication to support intended users in making relevant decisions based on modelling? Do you believe there are further items where additional requirements would be appropriate?

We have several concerns over P3.2:

- The proposed stochastic assessment of the probability of the live running tests being failed at some point in the future is expected to be extremely onerous and we believe it to be disproportionate. It would add significant cost, and it is not clear how it would influence trustees' decision making once the Scheme is established.
- It is suggested that models should be able to "identify scenarios (including probabilities)" relating to certain events happening. We suggest there is clearer separation between scenario planning and stochastic modelling, for example replace this with wording such as "identify scenarios in which and estimate the probability that:"
- P3.2 focuses on downside scenarios in isolation – in practice upside scenarios should be equally likely and also present challenges for the management of CDC schemes. A focus on downside outcomes might also bias decision making towards making central estimates which err towards prudence. For example, there is no problem with a CDC scheme providing "negative real increases", which are a design feature and for example, in times of high inflation, could still be extremely high increases compared to

more traditional pension schemes. The TAS should require the actuary to discuss both upside and downside scenarios, to put the central estimate advice (and risks of intergenerational unfairness which may be introduced by erring on the side of caution) in a rounded context.

It is unclear what P3.4 is trying to achieve. Clearly changing the underlying model could result in significantly different modelling results but simply confirming that this is the case (which would appear to satisfy this requirement) would not be of particular benefit. We are concerned that any change to the wording of this requirement could easily introduce a very onerous requirement, without adding any benefit.

On P3.5, it is not clear whether this is a requirement to comment on one or two credible alternatives, or the possible range of credible alternatives. The latter seems virtually impossible to satisfy as there would be a huge range of "credible alternative modelling". Even considering one or two alternative models could be disproportionate, given the complex nature of the exercise. This is therefore potentially an extremely onerous requirement, particularly if a quantitative evaluation is required. Our preference is to remove the requirement completely, or to simply require communication of the fact that different models could produce different outcomes.

Requiring consideration of alternative modelling could potentially lead to pressure on the actuary to adopt more optimistic approaches, and in turn this could lead to contentious benefit reductions being deferred and unsustainable expectations being set. Conversely it could worry trustees into pushing the actuary towards the more pessimistic scenarios. Either way, this requirement could lead to bias in decision making and therefore intergenerational unfairness.

We have similar concerns on P3.10 as for P3.2 above.

4. Scheme design

13. What are your views on the proposed provisions in relation to Scheme design? Do you envisage any difficulties in meeting the requirements of these provisions. Please provide details to accompany your response.

The requirement to use data which is "as comprehensive as possible" seems unnecessarily onerous, particularly given it could be applied to very early preliminary and therefore approximate assessments of a possible CDC arrangement. We would suggest a more proportionate approach, for example allowing use of data that is "appropriate to the advice being given, to the extent that this is available".

5. Viability assessments

14. What are your views on the proposed provisions on completing assessments of scheme viability and certifying soundness? Do you consider it is appropriate to require practitioners to consider areas beyond those outlined in legislation when certifying soundness? Please give reasons for your response.

We agree that it would not be appropriate to define soundness within the TASs, given how this term is framed in legislation. In particular, we believe the TAS should not add specific additional requirements to the legislative provisions in this area.

- We are comfortable with the current drafting of P5.1, which notes the actuary could go beyond the legislative provisions where they consider there to be additional 'relevant matters', and then lists some matters which might (or might not) be considered relevant by the actuary. We do not believe the items listed in a to c of P5.1 would necessarily suggest a scheme is no longer sound, and our preference would be to remove this list (in particular "intergenerational fairness" is not defined and is open to interpretation). However, we do not have strong objections to other items, given the actuary can decide which are considered to be relevant.
- P5.2a can be interpreted as simply requiring the actuary to review the communication they consider relevant. For the avoidance of doubt, it would be helpful if the reference to "all member communications" was amended to "the member communications".
- P5.4d refers to "any running or gateway tests". This should presumably say "any live running or gateway tests".
- P5.4e requires "a description of the scenarios". Given there are many scenarios which could potentially occur, including many that are very unlikely, we suggest that this be amended to read "an overview of the main credible scenarios".
- P5.4f requires amendment to cover both downside and upside scenarios which could lead to a scheme become unsound (e.g. scenarios in which very

high future pension increases might be required, making the design inappropriate and hence potentially unsound / unviable). P5.4f should also be amended to reflect the fact that some material risks may not be quantifiable (e.g. legislative changes that override the scheme rules on benefit determination) so the requirement to determine the "likelihood" may not be achievable.

- It is also unclear in P5.4f what the reference to negative "real" increases is intended to achieve with respect to risks around future soundness. For example, a well-run scheme designed and operating using best estimate assumptions might reasonably expect to provide negative real increases in 50% of cases. This is a design feature and has no more relevance to soundness than the other 50% of circumstances in which the scheme might expect to provide positive real increases. We would suggest the focus here is on risks around the ability to provide "nominal" increases.

15. Do you agree that the considerations for a practitioner certifying scheme soundness via a viability certificate are the same as those a practitioner should communicate to trustees in their own consideration as to whether the design of the scheme is sound for their viability report?

Not necessarily.

The practitioner's certification should be based on actuarial matters only.

However, the trustee's considerations would be expected to be much broader, and as part of the trustee's considerations of viability they might ask for the actuary to share views on these wider matters as part of a discussion among a wider adviser group (e.g including the trustee's lawyers and investment adviser).

16. Are there any other areas in relation to soundness (including practitioners' communications of their work on soundness) which require further standards? Please provide as much detail as possible.

No.

6. Actuarial valuations

17. What are your views on the proposed provisions on actuarial valuations for CMP schemes? Are there other key areas of judgement beyond the central estimate assumptions? Are there further areas you would expect to be included? Please give reasons for your response.

We see no reason for the requirement in P6.1a – ie to compare all assumptions with those used in the first gateway test. These will become less relevant as time progresses – and this could happen quickly if there are significant financial changes after the scheme commences. In any case, it is not clear why consistency with a historic test should be required and what benefit this provides, to justify the additional costs of this analysis. A comparison with the assumptions adopted for the most recent previous valuation might be more reasonable.

The exception to this is the comparison with the original aspiration for indexation, where we would anticipate a comparison to continue to be appropriate.

On P6.1b, (and as for P3.5 above), it is not clear whether this is a requirement to consider one or two credible alternative sets of assumptions, or the possible range of credible alternatives for each assumption. The same comments apply as for P3.5. We suggest that these requirements be redrafted as a requirement to show the sensitivity of the results to changes in the most material assumptions.

The requirements for consideration of post valuation experience (PVE) are disproportionate given that CDC valuations are carried out every 12 months. If the actuary allows for all PVE (a constantly moving target) in setting the benefit adjustment this creates challenges in finalising the valuation. We accept that there might be circumstances (for example following a significant market crash shortly after the effective date) where ignoring allowance for PVE would be inappropriate. Allowance for PVE is a trustee decision – which we might expect to be applied in extreme circumstances – and in normal circumstances PVE should be ignored. This is an example where TAS310 as drafted appears to introduce requirements beyond those set out in the CDC legislation, and where compliance with TAS 310 would add material cost if it is implemented in its current form.

P6.2a again raises the problems associated with "credible alternatives" – see our comments on P3.5 and P6.1b above. Paragraph 3.38 of the consultation document explains that the FRC "considers it necessary" without confirming

exactly what it has in mind (in terms of the potential range or one or two alternative suggestions) or why this might be necessary – or even beneficial, given the additional costs involved and the potential for the actuary to be encouraged to move towards one end of a given range of alternatives, potentially introducing bias, as a result of requiring these additional disclosures.

We suggest the P6.2b requirement to consider a 'credible alternative' to the approach adopted for PVE is removed. We set out above in our comments on P6.1c, why PVE should only be allowed for in extreme circumstances and should generally be ignored. Given this, incurring the costs associated with the additional calculations appears disproportionate.

18. Do you agree the required content of the valuation report set out in Appendix A is reasonable for CMP schemes? Is there further content which should be included?

We suggest that:

- Paragraph f could be expanded to provide a quantification of the factors leading to the benefit adjustment being different to last year's – the actuary and trustees should review and understand this as part of their work on the valuation.
- Paragraph h should be restricted to material risks.

Having said this, as with our comment on the TAS 300 proposals, we think that such disclosures should be a matter for regulation, rather than be in a Technical Actuarial Standard. Regulation 19 of the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 sets out a long list of the required contents of the valuation report. We suggest that the contents of Appendix A be added to this regulation. In passing, we note that paragraph d covers similar ground to Regulation 19(4)(i).

If the proposed Appendix A is to be retained within TAS 310 we think you should clarify whether these requirements are subject to the guidance on proportionality. Our presumption is that they are not.

7. Member option factors

19. What are your views on the proposed provisions in relation to factors for CMP schemes? Do you envisage any issues complying with provision P7.4 regarding selection risk? Are there certain groups of members you believe this may disadvantage? Please provide reasons for your response.

We suggest that it is the "principles of cost-neutrality" that should be followed rather than factors being required to be cost-neutral in every possible aspect.

The statement in P7.2 that factors "should be cost neutral on a central estimate basis" should be qualified by a reference to the scheme rules.

8. Impact assessment

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

As noted above, we have significant concerns over the current draft of TAS 310, which we believe would add a large amount of additional cost to the requirements of legislation. Examples include the proposed additional requirements to consider and report on 'credible alternatives' in several areas and considerations and reporting in relation to post valuation experience. It is therefore not correct to suggest, as set out in paragraph 4.8 of the consultation document, that any costs arise solely from the legislation and regulation of CDC.

We hope that these issues will be addressed as a result of this consultation, so that the final version of TAS 310 does not introduce significant additional costs.

LCP's response to the FRC's consultation on proposed changes to TAS 300

3 August 2023

This document sets out LCP's response to that part of the Financial Reporting Council's consultation relating to TAS 300 published on 9 May 2023 (the "Consultation"). We are responding separately to that part of the same consultation on TAS 310.

Who we are

LCP is a firm of financial, actuarial, and business consultants, specialising in pensions, investment, insurance, energy, health and business analytics. We have around 1,000 people in the UK, including 160 partners and over 300 qualified actuaries.

The provision of actuarial, investment, covenant, governance, pensions administration, benefits advice, and directly related services, is our core business. About 80% of our work is advising trustees and employers on all aspects of their pension arrangements, including investment strategy. The remaining 20% relates to insurance consulting, energy, health and business analytics. LCP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.

Our overall thoughts

We have set out below our answers to the specific questions posed in the consultation.

In summary:

- We support deferring making changes to the requirements under scheme funding and financing. However, the new scope drafting could imply a substantial increase in the work subject to TAS 300. We understand this is not your intention and urge a return to the original scope wording.
- We are largely supportive of the changes being made under the factors for individual calculations section, but we do have one or two areas of concern which we highlight.
- We have great concerns about the drafting approach for the expanded bulk transfer section. We also seek clarification of the status of buy-in work.

Whilst writing can we query the wording used for compliance statements in paragraph 1.7 of the proposed TAS 300, which duplicates that in TAS 100, TAS 400 and the proposed TAS 310. We think that this paragraph should read "**Communications containing** actuarial information that is material…." as without these two additional words it seems that many internal working papers would need to be TAS compliance stamped which we assume is not your intention. The 2016 editions of the TASs were phrased along the lines we propose and we are not aware that you intended the widening that you seem to be delivering.

We are happy for LCP to be named as a respondent to the Consultation and happy for our response to be in the public domain. We are happy for you to reference our comments in any response.

We look forward to seeing the final version of TAS 300 in due course and trust that our comments are helpful. We are responding separately to your proposals on TAS 310.

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LCP's response to the questions in the Consultation

1. **What are you 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?**

Collective money purchase schemes

We support excluding technical actuarial work in relation to collective money purchase schemes from TAS 300 and dealing with the matter in the new TAS 310. As CDC work is subject to very different considerations to that which applies to DB work it makes sense to undertake this separation and now that the regime is live, albeit with no active schemes at the current time.

Scheme funding and financing

The work falling under this heading has been changed from that *"required by legislation to support decisions on funding, contribution requirements or benefit levels"* and that *"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"*.

You present this as a simplification (para 2.5 of the consultation document), but our reading is that by no longer linking this definition to legislation for the trustee work, or to legislation or contractual requirements for employer work, you have substantially increased the scope of work falling into section 2 of TAS 300 (and section 1). We understand, from a meeting with one of your colleagues on 19 May 2023, that this is not your intention.

The reason why your wording achieves the scope increase is because a high proportion of advisory work for pension schemes might be said to be concerning pension scheme funding and financing, whether to a greater or to a lesser or even tangential extent. For example, work on preparing scheme sponsors' financial statements (or even just advising on assumptions to be used) might or might not be regarded as related to pension scheme financing. Work on PPF levies would certainly seem to be concerning pension scheme financing, as would GMP equalisation work. Major strategic advice such as journey planning, contingent funding arrangements and investment strategy relate to pension scheme funding and financing but are not required by legislation, so also now seem to be in scope. Work on member option terms, as well as being dealt with in section 3 of TAS 300 would also seem to fall within section 2 by virtue of it also concerning pension scheme funding and financing. And work on scheme funding and financing would cover much of the day-to-day work of actuaries working in-house in pensions roles.

Any such scope increase is also unworkable given that the requirements set out in section 2 of the proposed TAS 300, which are little changed from their equivalent in the current TAS (other than the newly introduced P2.9), have been drafted specifically with the old narrow definition in mind and don't have a meaning when applied to wider 'scheme funding and financing work' as described above.

We strongly suggest that you revert to the old scope definition, which is well understood.

You asked, in the above meeting, whether, as a result of the old scope definition, there was a disconnect between the trustee and corporate work brought into scope, in relation to formal scheme funding work. We are not aware of any such disconnect.

Incentive exercises and scheme modifications

We support your separating out provisions relating to incentive exercises and scheme modifications from those relating to bulk transfers.

Bulk transfers

Whilst we support having separate provisions relating to technical actuarial work in relation to bulk transfers, we have a number of concerns in this area. We expand on this in our answer to Question 7.

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?**

Yes, we agree that there is no need to make any changes to the provisions relating to scheme funding and financing until there is greater legislative certainty. However, we think that you should start your review work now, if you have not already done so, so that new TAS 300 requirements have been consulted on and finalised in time for the start of the new regime, which we understand is currently expected to apply from April 2024.

We think that the disclosures for the scheme funding report set out in Appendix A have no place in a Technical Actuarial Standard. Regulation 7 of the Scheme Funding Regulations 2005 already sets out some of the required contents of the report on the actuarial valuation. Some or all of the contents of Appendix A could be transferred to this Regulation. We suggest that this is carried out as part of the settling of the new regime. If Appendix A is to be retained within TAS 300 we think you should clarify whether these requirements are subject to the guidance on proportionality. Our understanding is that they are not.

We support the inclusion of the new P2.9, but suggest you revisit the last part which appears to be very open-ended, in that it seems to be inviting speculation on the outcome of any future review of actuarial factors.

The emboldened term, “Scheme Funding assessment”, is missing from the glossary.

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

We agree with the introduction of a frequency of review inclusion in actuarial factors written advice and are supportive of P3.1. However, we note that this goes beyond the recommendations of the IFoA thematic review which recommended three years as the normal maximum time between commutation rate reviews.

In relation to P3.2 we have some concerns about the actuary having to seek to arrange for the review to take place when the scheme funding assessment is being undertaken, for the reasons you give in the consultation document. For example, where the actuary knows that it won’t be feasible to have concurrent reviews or feels that it is not best to do so, does the effect of P3.2 mean that the actuary must nevertheless raise the issue? It would seem better to keep some flexibility in the timing of the review, so that it can be carried out at the best time for consideration by all parties and subsequent decision-making and implementation.

Current practice is that factor reviews are not usually carried out at the same time as the funding valuation because of the practical difficulties in doing so, but the funding valuation will have an eye towards the likely outcome of the next factor review.

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

In our actuarial factor review work we always seek to ensure that decision-makers have sufficient actuarial information for them to be able to take decisions, and so bring the factor review to a conclusion. However, decision-makers will likely need to have other information made available to them before they are fully equipped to take a decision.

Turning to each element of what is a significantly extended Section 3:

- The proposals in P3.3 are not dissimilar to those in the current paragraph 17 (putting aside the soon to be removed 17(e)). We support the additions set out in P3.3 b and c.

- P3.4 and P3.5 are new to TAS 300, but we cover much of these provisions in our review work, in particular, a comparison of commutation factors with the CETV basis has been an important part of actuarial factor advice for some time. In contrast we are not sure why an estimate of the cost of purchasing an annuity is always relevant when advising on commutation factor terms. The IFoA thematic review asked for this comparison, or with long term funding targets, but only where either was relevant to the scheme. The way in which P3.4 has been drafted suggests that the three mentioned bases are always relevant and so none can be excluded on materiality or proportionality grounds etc. Illustrating factors on so many different bases in all cases is likely to be confusing to end users and could obstruct decision making as a result. We suggest this wording is updated to say that "relevant bases *may* include…".

- All of P3.6 – P3.9 are new and we are generally supportive of their inclusion. However, we have a concern that compliance with P3.7 that appears to require comparisons with commutation factors determined on three other bases and a rationalisation of assumption differences, will make this part of factor review reports unnecessarily lengthy.

  We also question the relevance of P3.9 as the ability to set a CETV basis using an alternative method to the best estimate approach, was intended so that relatively few schemes that made available transfer values on something better than best estimate could continue with their approach notwithstanding the 2008 amendments to the 1996 Transfer Value Regulations. Again, the way in which you have phrased it seems to require that this is raised with decision-makers even when it is not relevant.

  If you decide to keep P3.9 we suggest your rephrase it so that you directly reference the legislation. That will also mean you do not need to have a definition of "best estimate assumptions" in the Glossary. P3.9 could say something like the following: "Practitioners' communications on CETV factors must ensure that the governing body is made aware that the 2008 Transfer Values Regulations enables an alternative to the best estimate method described in the regulations to be used, subject to certain conditions."

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.**

   We don't understand the premise of this question as we cannot see anything in the proposed TAS 300 which addresses this, nor any discussion in the consultation document.

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

   No.

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 the actuarial advice given to decision-makers would allow them to be fully informed when considering potential bulk transfers?**

   Firstly, we support the split out from the current paragraph 18 for incentive exercises and scheme modifications. These are within scheme events unlike bulk transfers. We are happy with the new section 4, which is essentially a recasting of paragraph 18.

   But turning to the new section 5 we have a number of concerns as follows:

Definition of bulk transfer

We think you need to clarify whether section 5 also covers the technical actuarial work undertaken in relation to buy-ins (ie where the trustees of the pension scheme purchase an annuity policy that covers benefits in respect of some or all of the scheme members but the policy is an asset of the scheme and the trustees remain responsible for paying benefits).

It would seem, by virtue of the last sentence in the proposed definition of "bulk transfer", that buy-in work is excluded:

> *"A connected transfer of the benefits of two or more members of the same pension scheme to another pension scheme, insurer or superfund. The bulk transfer may be with or without the consent of the transferring members. The bulk transfer results in cessation of the ceding scheme's liabilities for the transferring members' benefits".*

It is less clear whether it is excluded in the current definition:

> *"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"*

We think that clarification is necessary because it is usual for a buyout to have been preceded by one or more buy-ins and in such situations, any technical actuarial work undertaken in relation to the buyout element may be very limited and so much of section 5 may not be applicable. For example, at the buyout stage, a discussion on the range of options available for the long-term provision of benefits, as mentioned in P5.5, is unlikely to be relevant as the trustees will have already chosen the insurance route. By contrast, a number of the provisions of section 5 may be relevant for a buy-in, such as a discussion on the range of options available for the long-term provision of benefits.

When clarifying could you also consider the situation where a full buy-in is being proposed (which is likely to lead to a buyout). In such a situation we can see how much of section 5 would be relevant, and arguably such work would be in scope as the technical actuarial work would be "in connection with" the bulk transfer to come.

Layout of section 5

We find the layout confusing, as this section is now seeking to address three very different types of bulk transfer at the same time – namely to other occupational pension schemes (typically under the bulk transfer without consent law), to insurers (in the form of buyout) and to superfunds. And the consultation document, in proposing the various provisions, does not seem to take any account of bulk transfers to other occupational pension schemes. There are also some paragraphs, namely P5.3, P5.4, P5.7 and P5.8, which relate only to bulk transfers to superfunds.

We suggest that you look into further subdividing this section so that each type of bulk transfer is dealt with separately. That would be of great assistance to those called upon to apply TAS 300 to a bulk transfer situation. Under this approach we expect that much of section 5 would not be relevant to bulk transfers to other occupational pension schemes. For example, we can see P5.1 a and b and P5.5 not being relevant. P5.2 and P5.6 might also not be relevant. And, of course, those parts addressed solely at superfund bulk transfers are not applicable.

Currently, most bulk transfer actuarial work relates to buy-ins and buy-outs. It may be best to create a distinct new section that deals with both together (if you decide to bring buy-in work within scope). And for the reasons stated below, we see little need at this stage to reference superfund transfers.

Superfunds

Although this could change, there is limited actuarial work being undertaken for schemes in relation to their possible bulk transfer to superfunds. As you are aware, in relation to the interim regime, there is only one assessed superfund and no transactions have yet completed. Recently that superfund went on record to say that it must do its first deal in 2023 or the superfund concept will die.

Given this, we think it too early to create TAS 300 requirements relating to superfund transfers. We think you should also wait for developments with the statutory regime, which it was announced, on 11 July 2023, is to go ahead. There are also various requirements on what trustees need to obtain from their advisers as part of the interim guidance.

We also don't see the need to create a new section 6 that appears to be addressed to a handful of actuaries who may be called upon to advise a superfund as to its capital adequacy. We suggest that this is best left to the Pensions Regulator.

While the current definition of "superfund" in the Glossary matches that of the Pensions Regulator's DB superfunds guidance, we suggest that, to ensure continued consistency, the Glossary makes reference to the Regulator's guidance instead of repeating it in TAS 300.

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

   No.

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

   No.

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

    We are answering this in relation to TAS 300 only.

    We believe that there will be a substantial cost arising under the scheme funding and financing heading unless you revert to the current scope definition.

    We largely agree with your assessment under the factors for individual calculations heading, but on the basis that our concerns are addressed.

    We disagree with your assessment under the bulk transfers heading, unless section 5 is substantially recast.

    We note, in passing, that we are experiencing significant cost burdens as we implement version 2.0 of TAS 100 given the length and complexity of this standard.