



Financial Reporting Council

Technical Actuarial Standard 310: Collective Money Purchase Pensions

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1. Introduction

Purpose

- 1.1. The Financial Reporting Council (FRC) issues technical actuarial guidance for a number of specific purposes, for example, to support good practice, to address concerns raised by stakeholders, or at the request of government or other regulators. The guidance is principles-based and not prescriptive or mandatory. The overall purpose of the FRC's technical actuarial guidance is to improve the quality of technical actuarial work.
- 1.2. The purpose of this guidance is to support practitioners carrying out work that falls within the scope of Technical Actuarial Standard (TAS) 310 v1.1 in following a proportionate approach when providing advice in relation to an Unconnected Multiple Employer Scheme (UMES) on the choice of appropriate rating factors to include in the basis for determining actuarial equivalence (P7.1 and P7.5 of TAS 310).

Context

- 1.3. The principle of 'actuarial equivalence' was introduced in the Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025 ('the UMES regulations').
- 1.4. The UMES regulations require that the expected value of rights to benefits which accrue under the scheme during the relevant period, calculated on an actuarial basis, is equal to the value of the contributions expected to be made into the scheme, calculated either at member level or employer level.
- 1.5. TAS 310 defines 'actuarial equivalence' by reference to the UMES regulations. It also defines 'rating factor', as "an attribute of an individual or group of individuals that may lead to a different actuarial value being placed on pension benefits building up for that individual or group of individuals".
- 1.6. TAS 310 v1.1 states:

P7.1 When advising on **rating factors** to be included in the actuarial basis for determining **actuarial equivalence**, practitioners must consider:

- a. **material rating factors**; and
- b. the expected cross-subsidies between different members or groups of members resulting from the proposed choice of **rating factors**.

P7.5 Practitioners' communications in relation to advice on **rating factors** to be included in determining **actuarial equivalence** must explain:

- a. what **rating factors** were allowed for and any **material rating factors** not allowed for; and

b. the expected **material** cross-subsidies between different members or groups of members resulting from that choice of **rating factors**.

1.7. During the consultation of TAS 310 v1.1, a number of respondents questioned how to comply with provision P7.1 in a proportionate way. As a result, we have provided this guidance to support practitioners interpreting how proportionality applies in this situation.

Intended audience

1.8. This guidance is aimed at practitioners who are carrying out work that falls within the scope of TAS 310.

2. A proportionate approach to the technical actuarial work

- 2.1. The requirements of the TASs should be met in a way that is proportionate to the nature, scale and complexity of the decision or assignment to which the technical actuarial work relates and the benefit that the intended user would be expected to obtain from the work. Practitioners are therefore encouraged to take a proportionate approach when applying TAS 310 P7.1 and P7.5. Further guidance on proportionality in technical actuarial work can be found in [Technical Actuarial Guidance on proportionality](#).
- 2.2. Under P7.1, practitioners who are advising on rating factors are required to consider “material rating factors”. TAS 310 states “matters are material if they could, individually or collectively, influence the significant or relevant decisions that could be taken by an intended user”. In the context of P7.1, the intended users are the trustees or proprietors of the UMES scheme, and their significant or relevant decision is the decision as to the actuarial basis for determining actuarial equivalence.
- 2.3. P7.1 also requires practitioners to consider “the expected cross-subsidies between different members or groups of members resulting from their proposed choice of rating factors”. The introduction of the principle of actuarial equivalence in the UMES regulations is intended to avoid excessive cross-subsidies. Practitioners’ assessment of materiality is therefore by reference to the nature and extent of cross-subsidies between members and groups of members of the scheme. Our use of “material” is intended to encourage practitioners to target their efforts on those rating factors that are expected to have the greatest impact on cross-subsidies and are therefore of most significance to the trustees’ or proprietors’ decision.
- 2.4. Some rating factors, which are potentially material, may be readily accessible via the scheme membership data. Member age, sex, marital status, salary, occupation (based on the nature of the employer), and postcode are non-exhaustive examples of member attributes which may be accessible and material. Practitioners may choose to quantify the expected cross-subsidies, based on their judgement as to whether this will support in their consideration and communication of the cross-subsidy.
- 2.5. Conversely, a factor such as medical history, or health status more generally, may be a material indicator for predicting lifespan but may not be already available to practitioners and there may be significant obstacles to overcome to obtain the information. In such cases, practitioners may choose to comply with P7.1 through a qualitative consideration of potential cross-subsidies.
- 2.6. P7.5 requires practitioners to communicate the material rating factors considered, including those not allowed for in the proposed actuarial basis, and the expected cross-subsidies resulting from the rating factors selected. Practitioners should apply their judgement whether it is appropriate to communicate any quantification of cross-subsidy to support the user of their actuarial work in making decisions on the appropriate rating factors to use.

3. Example

CMP (UMES) - material rating factors

- 3.1. The Scheme Actuary to a new unconnected multiple employer CMP scheme is preparing advice to the scheme trustees in relation to the choice of rating factors to be included in the actuarial basis for determining actuarial equivalence. The trustees have stated that they require the actuarial basis to not differentiate based on the sex of a member. The trustees have also requested that the basis make no allowance for a contingent spouse pension.
- 3.2. The Scheme Actuary is aware, from TAS 310 and the UMES regulations, of the relevance of actuarial equivalence to a UMES and that different choices in the rating factors used for individuals or groups of individuals may lead to a different actuarial value being placed on pension benefits building up, thereby impacting actuarial equivalence. The Scheme Actuary is mindful that, to comply with TAS 310 P7.1a, they must consider material rating factors, which they understand to be the factors which have a material impact on the projected lifespan of members.
- 3.3. The Scheme Actuary identifies member age as one such material factor. The Scheme Actuary illustrates this by considering the age distribution of the scheme membership and, consistent with TAS 310 P7.1b, determining the expected cross-subsidies which would result from older members to younger members if a single weighted average age, rather than individual age, is used in the actuarial basis for determining actuarial equivalence.
- 3.4. The Scheme Actuary also identifies member socio-economic group as being a material indicator of life expectancy and considers available proxies for socio-economic group such as member salary, occupation, and postcode. The Scheme Actuary judges that there is considerable overlap between the proxies and that, of the three, postcode is the most comprehensive indicator of socio-economic impact on life expectancy (and is driven by affluence / salary and occupation).
- 3.5. The Scheme Actuary analyses the scheme membership data, using their firm's tool to categorise member postcode by socio-economic group. The analysis reveals a significant degree of socio-economic homogeneity amongst members and, consequently, the Scheme Actuary concludes that postcode is not a material rating factor for this scheme.
- 3.6. The Scheme Actuary further identifies member health status and lifestyle as attributes that could lead to a materially different actuarial value being placed on the expected value of rights to benefits accruing. For example, health conditions, body mass index (BMI), smoker status, alcohol consumption, and activity levels. This information is not currently collected from the members and, to do so, would require a new data collection process to be implemented. The Scheme Actuary judges that it is not proportionate to do this at this stage of the advice process and is therefore unable to quantify the expected cross-subsidies. Instead, they apply judgement to consider the likely direction of potential cross-subsidies, using smoker status, health status, and BMI score to illustrate this.

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- 3.7. Although the trustees have indicated that sex should not be a rating factor, the Scheme Actuary recognises that it is a material factor. The Scheme Actuary considers that it is important for the trustees to understand the resulting cross-subsidy from male members to female members and so quantifies this by comparing, for a selection of sample ages, the actuarial value of accruing benefits based on unisex rates with the value based on separate male and female rates.
- 3.8. In communicating to the trustees on their advice on the rating factors, the Scheme Actuary:
- Confirms that the proposed actuarial basis makes no allowance for a contingent spouse pension in line with the trustees' request.
 - Describes and quantifies the expected cross-subsidies from male members to female members resulting from the use of unisex rates rather than differential rates for male and female members.
 - Proposes age as a rating factor and provides a rationale for this judgement.
 - Explains why socio-economic group can be a material factor but that, based on an analysis of member postcode data, does not appear to be so for this scheme. The Scheme Actuary also recommends to the trustees that, if a new cohort with a different socio-economic profile were to join the scheme, the use of postcode as a rating factor be reconsidered to avoid unintended cross-subsidies.
 - Explains that health status and lifestyle factors are likely to be material rating factors and provides a directional description of the potential cross-subsidy, sufficient to allow the trustees to consider if they wish to collect relevant data from members and undertake further analysis.



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