

# Update

**December 2024**

## **TPR publishes revised covenant guidance**

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The Pensions Regulator (TPR) has published updated covenant guidance for trustees of defined benefit (DB) pension schemes, aligned with its new DB funding code.

All core sections of the revised guidance contain important new elements looking at: cash flow; reasonable affordability; maximum affordable contributions; reliability period; covenant longevity; and contingent assets.

For schemes other than small schemes meeting fast track, this information will need to be included in the statement of strategy produced for actuarial valuations with effective dates on or after 22 September 2024.

In particular, trustees will be required to assess if the level of risk being run in the scheme's funding and investment strategy is supportable by the covenant, by considering the maximum affordable contributions that would be available over the reliability period to fund a deterioration in the funding position caused by a scheme stress event.

The guidance may be found at:

[www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/assessing-covenant-detailed-guidance](https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/assessing-covenant-detailed-guidance)



*Mark Babington, Executive  
Director of Regulatory  
Standards, FRC*

*“For many, [the revised  
covenant guidance] will bake  
in best practice, but we  
expect all trustees to read  
applicable sections of the  
guidance in full and make  
sure their members are  
protected”*

*Neil Bull, Executive Director  
of Market Oversight, TPR*



## **FRC publishes TAS 300 consultation**

The Financial Reporting Council (FRC) has published a consultation proposing revisions to Technical Actuarial Standard 300: Pensions (TAS 300) to reflect recent developments in pension scheme funding.

A large part of the changes relate to the introduction of the new funding regime, in particular actuarial work carried out to meet the legislative requirements relating to funding and investment strategy. There is also a specific provision on relying on the input of third parties such as covenant or investment advisors.

The other main changes relate to advice on the use of surplus, i.e. actuarial work concerning: the future accrual of benefits; an increase in benefits already accrued; the payment of scheme expenses (all without equivalent funding); or a payment to the employer.

Unless there are substantial changes to the exposure draft resulting from the consultation, the FRC expects to publish TAS 300 v2.1 in Q3 2025, with a period of around one month before it becomes effective.

## **Pensions review on hold**

The Government is reported to have put the second phase of its pensions review, expected to look at retirement adequacy, on hold. A Department for Work and Pensions (DWP) spokesperson said that it would set out more details on the second phase “in due course”.

It is thought that the Government wishes to avoid any extra burden on UK business following the national insurance changes introduced in the Autumn Budget.

**Novus Actuarial & Administration would like to wish all of its clients and contacts a merry Christmas and prosperous New Year. Our donation this year is to FIND (Families in Need). FIND is a Suffolk based charity providing free food parcels and personal care items to help people get through a crisis, as well as furniture, bedding and other household items where the person or family has none.**

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