



TAS 400: Funeral Plan Trusts

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

Key points

1. The details of how FCA authorisation of Funeral Plan Trusts will operate are not yet clear, and the IFoA would therefore suggest waiting until that regulatory regime is in place before amending TAS400. However we appreciate the FRC's concern to make progress in this area and have responded to the proposals as they stand.
2. We agree that TAS400 should cover the Asset Adequacy Report, given its importance and the value of clarifying the FRC's perspective on this new requirement.
3. Any changes to TAS 400 to reflect the Asset Adequacy Report should recognise that faith community funeral expenses schemes may not always have hypothecated assets but may depend on the overall funds of a religious community, usually with charitable status.
4. In some cases actuaries may be expected to comment on the materiality of the deficit, which could be highly subjective (although there may be safeguards that can reduce but not eliminate the subjectivity). This should be taken into account when relying on the actuary's opinion.

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1. The IFoA is grateful for the opportunity to respond to the FRC's consultation on TAS 400: Funeral Plan Trusts. This response reflects contributions from our Member Interest Group on Funeral Plans, Life Board and Regulation Board.

QUESTION 1: We have not proposed any changes to TAS 400 to reflect the risk of providers not transferring to FCA authorisation as we consider it the realm of management and not actuarial in nature. Do you agree or do you think that we should be making changes to TAS 400 to address this risk? If so, please specify what insertions you think we need to make.

2. We agree with the FRC's rationale on this.

QUESTION 2: Do we need to amend TAS400 for any risks other than for the Asset Adequacy Report? If you feel that changes are required, please indicate what changes we should make to TAS400.

3. No.

QUESTION 3: Do you think that we need to make changes to TAS400 to reflect the Asset Adequacy Report or is the current version of TAS100 sufficient without requiring changes to TAS400?

4. We think that TAS400 should cover the Asset Adequacy Report, given its importance and the value of clarifying the FRC's perspective on this new requirement.
5. In this context it should also be recognised that faith community funeral expenses schemes may not always have hypothecated assets but may depend on the overall funds of a religious community, usually with charitable status.

QUESTION 4: Should the actuary be expected to comment on whether the deficit is "material" or is it reasonable for the actuary to rely on the view of the trustees in this regard?

6. The definition of deficit for these purposes is whether or not the assets (and in the case of religious community schemes future expected contributions) are sufficient to meet the wholesale price or running costs of funerals. Whilst we accept the wholesale price of a funeral as a valid concept, to derive the number is not straightforward and could be highly subjective. As actuaries may be expected to comment on the materiality of the deficit, the materiality level for each trust or scheme will need to be clearly defined and revised up or down in each review when appropriate. Even with these safeguards, the calculations will still be subjective, and this should be taken into account when relying on the actuary's opinion.

QUESTION 5: Do you agree that it is important for Funeral Plans Trusts to be made aware of those items where the actuary has relied on the opinions of others?

7. Yes

QUESTION 6: Should the actuary have to comment on the reasonableness and supporting evidence for the third-party opinions relied upon to provide their actuarial opinion?

8. In general, we believe that the actuary should not be expected to express an opinion on issues outside their field of expertise, but we suggest that in some cases the actuary's comment would be helpful. For example, the actuary could make a statement on the covenant assessment carried out

on the Plan Provider's financial status and how close it is to insolvency. Such a statement might include whether the covenant assessment was external or internal, and how the assessment judged the level of covenant strength. A statement of this kind might be similar to the statement required under the Technical Provisions for Pension Schemes.

9. With regard to religious burial arrangements, it is found that sponsors' strength may change over time as a result of migration, demographic changes etc. and in such cases the actuary should comment on the reasonableness of any arguments provided regarding the durability of the particular faith community.
10. We suggest that the wording in paragraph 13 of the draft TAS could be amended so that the actuary can comment on third-party data as well as opinion if necessary. It could begin: "Where the actuary relies on data provided by or the opinion of a third party.....".

QUESTION 7: Given the anticipated, but not guaranteed, timescale before all Funeral Plan Trusts come under FCA authorisation and regulation, do you agree that we should make changes to TAS400 this year rather than waiting for the FCA regime to become effective?

11. We note the FRC's comment (4.6) that "the proposed changes will not cause any change requirements to process or systems beyond those imposed by the changes to the FPA Rules"; however, in our view it would be preferable to wait until the regulatory regime is in place before amending TAS400, as it is not clear what that regime will look like and what will be required.

QUESTION 8: Do you agree with the proposed wording to be inserted into TAS400 as paragraphs 12, 13 and 14?

12. We have no material comments on the specific wording proposed, other than our suggested amendment to paragraph 13 in question 6 above.

QUESTION 9: Do you agree that the actuary should be required to comment on the suitability of a deficit repair plan?

13. We suggest that the actuary should be required to comment on the suitability of the deficit repair plan in relation to the demographics of the plan, which relate to his/her core skills. Regarding other specifics and the financial position of the provider, the actuary's comments should be an expectation rather than a requirement.

QUESTION 10: Should the actuary be required to provide an analysis of the difference in costs between calculations based on the AAR assumptions and those used for the ongoing valuation?

14. This should not be a requirement because the AAR and the ongoing valuation are carried out for different purposes. A relevant comparison would be the accounting and funding valuations of pension schemes.

QUESTION 11: Do you agree with our timescales for implementation?

15. Yes (subject to our view in response to Question 7 that waiting for the new FCA regime would be preferable).
- 16.

QUESTION 12: Do you agree with our impact assessment? Please give reasons for your response.

17. The impact assessment seems reasonable.

QUESTION 13: Do you have any other comments on our proposals?

18. No.

If you would like to discuss any of the points raised please contact Matthew Levine, Policy Manager (matthew.levine@actuaries.org.uk).

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'John Taylor', with a long, sweeping horizontal line extending to the right.

John Taylor
President, Institute and Faculty of Actuaries