Strictly Private & Confidential

Actuarial Report (triennial valuation) of

F.A. ALBIN & SONS

PRE-ARRANGED FUNERAL TRUST

As of 31 March 2023 (Valuation Date)

Prepared for The Trustees.

by

TrustActuarial Limited

This report has been primarily produced for the Trustees; however, there is added at the end of this report a Solvency Assessment Report primarily produced for The Regulator.

For Plan-Holders and potential Plan-Holders the sections of particular interest include:

1 a) the results

1 b) the arrangement structure

The example in Appendix II a) which illustrates 1 b)

Section 7 outlines the valuation method and risks involved in the funding for pre-paid funerals.

An asset breakdown is given in the second half of Appendix III a). The remainder of the report includes a wealth of other details of the various aspects of this arrangement.

This report complies with Technical Actuarial Standards TAS 100 (Principles for technical actuarial work) and the Framework for FRC technical actuarial standards, plus TAS 400 (17 July 2023 Version 3) concerning the determination, calculation and verification of the assets and liabilities of a funeral plan trust plus Actuarial Profession Standard (APS) Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans

4 September 2023

CONTENTS

1. RESULT, BACKGROUND AND SCOPE

1 a) The investigations show that the relationship between the Scheme's assets and the present value of its future liabilities (on a Regulatory Activities Order (RAO or Regulatory) basis as chosen by the Trustees following actuarial advice) on 31 March 2023 is as follows:

	Category	£'000
(a)	**Regulatory Liabilities (inc. expenses)**	**4,473**
(b)	*Assets (at market) of investments + cash	**6,060**
	Surplus {(b)-(a)}	**1,587**
	Funding Level {(b)/(a) x 100%}	**135%**

The corresponding level on 31 March 2022 was 112%.

[The chosen Regulatory calculation at the valuation date involves converting a stream of projected future funeral costs using interest, inflation, and mortality (on a prudent basis) to an equivalent single lump sum].

Another equally important funding level is on a Best Estimate (BE) basis, i.e., 155%

[The Best Estimate basis strips away margins for prudence, i.e. in our opinion for each of the assumptions there is an equal likelihood of actual experience being greater or less than the expected value, see Section 8].

Category	£'000
BE Liabilities (including expenses)	**3,906**
*Assets (at market) of investments + cash	**6,060**
Surplus {(b)-(a)}	**2,154**
Funding Level {(b)/(a) x 100%}	**155%**

The funding level increases by 20% (155%-135%) compared with the results of the chosen Regulatory basis above. This difference gives an indication of the margin taken for caution and adverse experience (in 2020 a 15% margin).

Discontinuance measures:

The funding level on "hiving off" discontinuance (selling the future funerals to another Funeral Director) is 124% (see Section 8) (was 126% last year). [The hiving off liability is taken as the number of plans multiplied by the anticipated average cost a competitor would be prepared to pay to accept the liabilities.] Alternatively the funding level on "returning deposits" is 112% (previously 116%) see Section 8. [number of plans multiplied by their related average original funeral price paid]. IMPORTANT NOTE: The Trust is "merely" a financial resource, the real responsibility to deliver the funeral promise lies with the Plan Provider F.A. Albin & Sons Limited.

1 b) The F.A. ALBIN & SONS PRE-ARRANGED FUNERAL TRUST ("The Fund")

F.A. Albin & Sons Limited (The "Plan Provider") markets a pre-paid funeral plan ("The Plan") mainly under the Laurel Payment Plan brand name. All monies from these sales are held and controlled by the F A Albin Prearranged Funeral Trust. F A Albin & Sons Limited has given commitments to these clients to perform their funeral. The agreed amounts payable will be paid out of the funds held in the Trust. The investment strategy is set, implemented and monitored by the Trustees who take independent professional advice regarding the F A Albin Prearranged Funeral Trust's investment strategy. The Plan provides a facility whereby individuals Plan Holders are able to make advance payment for their funeral; this allows fully paid members the flexibility to plan any kind of funeral.

The Fund is a trust fund established about 30 years ago by The Plan Provider to receive payments from Plan-Holders in respect of the Plan. The Plan Holder pays for the funeral at the price applicable and estimated at the time of application. There is a guarantee of the funeral cost at the price at application (subject to certain rules and guidelines) see Appendix II for further details and relevant legislative/guidance background. It must be emphasised that the Trust is merely a vehicle to reserve the cost of future funerals when required. It is F.A. Albin & Sons Limited who is the final backer of the absolute guarantee to provide the funerals to the highest standard as initially promised to Plan-Holders.

Ultimately, F A Albin & Sons Limited is obligated to perform these funerals in exchange for the assets of the Trust, whatever they may be regardless of whether or not the F A Albin Prearranged Funeral Trust has available assets to fund the funeral. F A Albin & Sons Limited, therefore, has a potential exposure in the form of a reduced fee should the F A Albin Prearranged Funeral Trust investment strategy, over which it has no control, fails to deliver an appropriate return or result in a fall in underlying asset values, or if the cost of delivery for a funeral increases at rates in excess of investment returns. In respect of the employer covenant (financial strength) F.A. Albin & Sons Limited has been trading for over 200 years and in our opinion has a more than adequate financial position in relation to its commitments. The net assets of the company total circa £2m, which illustrates that the extent of its financial resilience. To this buffer can be added the approximately £2m Best Estimate surplus illustrated above, a total buffer of about £4m (2+2) ; this £4m is in the context of the circa £4m Best Estimate liabilities.

Funeral costs – Also see Appendix II a) for an example illustrating this process

The Trustees and F.A. Albin & Sons Limited have agreed that when a funeral takes place F.A. Albin & Sons Limited will be entitled to charge to the Fund 50% of the fee; and the disbursements (e.g., cost of minister and organist) which are applicable at the time of the funeral.

The cost of the funeral is projected forward in this valuation and then re-expressed as a single lump sum by calculations which include anticipated investment returns, inflation and mortality) to the Valuation Date; this lump sum is below full retail cost because it provides a net contribution to Plan Provider's profit results. Twenty-five per cent of the fee remains in the Fund and the final 25% of the fee is accrued; the latter earmarked to be drawn down by the Plan Provider by agreement with the Trustees on an annual basis (provided the Fund's assets are sufficient and that the depositors' money is safeguarded); i.e., the accrued 25% represents current contingently distributable profit to the Plan Provider. There is a provision to cover any increase in the cost of disbursements. The rate at which profit is transferred from The Fund to the Plan Provider will be affected by the Trustees' appetite for risk and the strength of the covenant (i.e. financial strength) of the Plan Provider. Any Trust surplus is protected to a certain extent by not overdrawing the drawdown to the Plan Provider.

1 c) TrustActuarial Limited's Assignment (purpose and scope)

TrustActuarial Limited ("TA Ltd") has been appointed by the Trustees of The Fund ("The Client") to carry out an actuarial valuation of The Fund as of 31 March 2023, in accordance with Article 60(1)(b) of the RAO (secondary legislation fixed by Act of Parliament) namely the verification and valuation of the assets and liabilities of The Trust. This exercise produces the actuarial cost of providing the funerals for members who have paid in advance expressed as a single lump sum at the valuation date; that is the liability of the Trust. The liability arises from the terms of the Trust which impose on the Trust the obligation to maintain the funds they receive in order to undertake the various funerals for the members. The obligation of the Trustees is to pay for the funerals and to account to F.A. Albin & Sons Limited for any surplus, dealt with on a yearly basis.

The main purpose of the valuation is to establish the degree to which The Fund is capable of making the payments required under the Trust Deed and this is tested by the funding level on the trustee chosen Regulatory funding basis and the Best Estimate basis. In addition, it considers the financial position of The Fund on Discontinuance. The exercise seeks to calculate any contributions necessary by the Plan Provider (which is essentially a planning exercise). The valuations will therefore provide the Trustees with information to assist them in such a way so as to reasonably ensure that costs of future funerals can be met from The Fund; in addition, they will help facilitate the choice of the rate at which profit transfers from The Fund to the Plan Provider.

The Client supplied much of the information upon which TA Ltd has based this report. TA Ltd has relied upon the accuracy of such information and cannot accept any responsibility for any inaccuracies or omissions. The accuracy of the electronically supplied funeral costs is vital to the valuation results and it is the trustees' responsibility to convince themselves of the legitimacy of these inputs. It is essential that the Trustees are confident that the funeral costs for each Plan-Holder at the Valuation Date and as supplied to the actuary are adequate to cover the current cost of the funeral. Actuaries play a limited but important role in valuing Trusts but the primary responsibility rests with the plan Trustees.

2. THE PREVIOUS VALUATION

I previously carried out a triennial actuarial valuation of The Fund as of 31 March 2020.

In particular, the report dated 21 October 2020 noted the following:

"The Fund appears almost adequately funded on the assumptions chosen by the Trustees. Despite major/historical investment upheavals over the 3 years the funding level only fluctuated from 101% to 99%, a remarkable outcome partly due to the removal of the taxation reserve but also the prudent investment decisions of the Trustees.

The rate at which profit is transferred from The Fund to the Plan Provider will be affected by the Trustees' appetite for risk and the strength of the financial covenant (financial strength) of the Plan Provider (who is the final backer of the absolute guarantee to provide the funerals to the highest standard initially promised to Plan Holders). The circa £0.9m surplus on "hiving off" discontinuance in my opinion means that the fund is very secure baring another major financial national/global catastrophe. The employer covenant (financial robustness) is strong".

3. CHANGES SINCE THE 31 MARCH 2020 VALUATION

Changes to Funeral Plan

The Plan Provider implemented the following changes in respect of plans purchased:

The Deed was amended on 28 June 2022 to differentiate the rules relating to existing plans and new plans issued from 29 July 2022. In essence we understand the existing plans were unaffected by the rules change, only new ones from 29 July 2022 whereby the sales processes and conditions changed but substantially all plans are the same.

Provision of Expenses

Various costs payable to third parties are charged to The Fund, including:

- Training
- Insurance premiums
- Bank charges
- Professional fees
- Regulator fees
- Subscriptions

In addition to the above Management fees are accounted for contingently due to F.A. Albin & Sons Limited (i.e., a **contingent** extraction of profit); these cover the costs of selling and administering the plans and the Trust operation.

Investment Policy

This is set out in the final Appendix, there have been no changes over the 3 years.

Trust Deed

See above 28 June 2022 change.

4. FACTORS AFFECTING THE VALUATION

Also see Appendix II a) for an example illustrating this process

The Plan gives an absolute guarantee undertaking whereby, in return for a payment equal to the then current cost of the selected funeral (plus any administration fees levied at outset) no further payment, other than any outstanding instalments, will be required to meet the cost of a Plan-Holder's funeral as planned irrespective of any future increase in funeral costs. Plan-Holders may pay by instalments. Appendix II b) sets out an exception.

The Fund does not provide an explicit guarantee. This valuation exercise provides the actuarial cost of providing the funerals for members who have paid in advance expressed as a single lump sum at the valuation date because that is the liability of the Trust; however, the Plan Provider gives the guarantee. The Regulatory valuation on a prudent basis as chosen by the trustees following actuarial advice is the RAO 60(1)(b)(v) (i.e., statutory) valuation.

The funeral arrangement has a contract with The Plan Provider, with whom the liability for providing the funeral ultimately rests. The Fund is simply a financial resource available to The Plan Provider, through the auspices of the Trustees. It is for the Trustees to decide, from time to time, what proportion of funeral costs come from The Fund and what proportion should be borne directly by The Plan Provider. TA Ltd understands that The Plan Provider accepts that it is responsible for any difference between the actual cost of a funeral and any amount that the Trustees decide, from time to time, to release.

Plan-Holders are entitled to withdraw from The Fund, at any time, a refund equal to the whole of the deposit less the administration fee.

For the purposes of this valuation the "funeral cost" is less than the full retail cost of the selected funeral as charged by The Plan Provider. In previous years, funeral costs were assumed to increase at the rate of increase disclosed from time to time by The Plan Provider.

It is assumed in this valuation future years funeral costs increase at the Retail Prices Index (RPI) using the 9-year point on the spot curve as published by the Bank of England. As a second stage, the Plan Provider and trustees agree an incremental percentage over inflation that reflects that historically funeral cost inflation has been higher than RPI.

It is the understanding of TA Ltd that the estimate of funeral costs supplied does not allow for any discretionary increments to the amount payable from the funeral plan trust.

5. SUMMARY VALUATION DATA

Summary of Plan-Holder's data

The Plan Provider has supplied membership data for TA Ltd's investigations of the Trust's financial position in electronic format. As of 31 March 2023, there were:

- 1223 Plans (1,257 on 31 March 2020); with
- Total original deposits paid of £5,434,000 (£5,214,000 on 31 March 2020)

Summary membership movements:

Opening plans 31/3/2020	1,257
New Plans 2020/23	341
Funerals disbursed 2020/23	(351)
Withdrawals 2020/23	(24)
Closing Plans 31 March 2023	1,223 (ignores some minor requests records)

The membership position at the current Valuation Date is set out below:

	Active as at 31 March 2023	Average age (un-weighted)	Estimated Present Funeral Costs at 31 March 2023
Total	**1,223**	**78.8**	**£4,360,000***

***** Includes (£,000):

3,574	basic amount
417	past inflation reserve
369	expenses reserve
4,360	

The outstanding deposits (payable by instalments) are £123,600, in the interest of prudence these were not added to the assets for the purposes of this report. More details about the valuation data are included in Appendix III, particularly under the heading **Current Funeral Cost Data.** We have relied on the above data as it has been taken from audited accounts, whereby administrative and accounting controls were tested to provide reasonable assurance of effectiveness. In addition, for example, the average cost of a funeral appeared reasonable to us in relation to the number of funerals stated as having been undertaken. We have carried out tests of reasonableness, e.g., on ages and funeral costs.

6. ANALYSIS OF EXPERIENCE SINCE LAST TRIENNIAL VALUATION

Introduction

An integral part of any actuarial valuation is an analysis of the experience of the Fund / Trust in the period preceding the valuation.

This process gives an insight into the workings of The Fund, whilst at the same time providing justification, or otherwise, for the valuation assumptions. It also serves as a means of checking the robustness of the data.

Funeral Cost Inflation

There is no one index measuring the rate of growth of funeral expenses. Funeral costs are subject to price inflation acting on the various constituent parts of the funeral product. Funeral costs are also subject to market competition.

The All Items RPI increased by an average of 7.9% p.a. over the last 3-year period. The “Albins” experience had been about 3.5% p.a. The rate forecast at the previous triennial report date was 5% pa.

The cost of a funeral continues to vary significantly dependent on the location in the UK. Of all UK regions, London has recently seen the largest increases in funeral costs, but some regions have seen falls. An annual survey by a major UK insurance company puts the average funeral costs having increased by an average of 4.7% p.a. over the past 17 years. It is a mixed picture.

Taxation

TA Ltd’s updated advice obtained by the Trustees (Robert Arnfield, Lincoln’s Inn, 18 September 2018) is that the tax position of the Fund reflects that of a bare trust, hence, the tax burden falls on the Company.

Mortality Assumptions

The mortality basis assumed at the 2020 valuation was 200% ELT 17 for males and female’s mortality. Improvements allowed for are CMI 2015 Core Projection with a long-term improvement rate of 1.5%. This proved to predict too many deaths over the subsequent 3-year period (despite the impact of Covid) because those born in the 1930’s depression years have been gradually replaced by a healthier post war constituency of Plan-Holders.

The average age at the 2023 valuation date for the members was 78.8 years. The average expectation of life was for the male members 8.8 years (9.5 years for females). Due to assumed improvements in mortality at 1.5% p.a. these expectations of life increase by 0.7 years in 8.8 years hence.

The table below sets out a comparison of the actual deaths over the most recent 3 years with the numbers expected p.a.

	Actual deaths from Plan Holders in 2020/2023	Approximate expected deaths 150% ELT 17 for males and female's mortality. Improvements: CMI 2015 Core Projection with a long-term improvement rate of 1.5%
Total	**351**	**331**

The expected deaths are over the previous 3 years. Whilst not using a strictly scientific comparison it does give a good indication of the actual versus expected mortality experience ignoring spurious accuracy.

The small numbers inherent in a valuation of this size means that any analysis of mortality experience needs interpreting with caution and that Covid19 (see Appendix VII (ii)) can be expected to have contributed to the number of deaths over this period. Mortality experience appears to be a factor of approximately 1.5 that expected of the general population of England and Wales. The Plan-Holders mainly come from (and around) Bermondsey. A population analysis is set out in Appendix VII (i). It is interesting to note that over the last about 10 years the factor has reduced from 3 to 1.5 as those born in the 1930's depression years have been replaced by a healthier post war constituency of Plan-Holders.

Withdrawals

Plan Holders who took out a plan are entitled, at any time, to cancel their plan and request repayment (the refund is the whole of the deposit less the administration fee.)

24 Plan Holders withdrew over the 3 years (well under 1% p.a. on average). Withdrawals are likely to remain at this low level.

Trust Expenses

Certain costs came directly from The Fund in the inter-valuation period. The running expenses (termed 'everyday expenses', see Section 3 for an items breakdown) have been skewed higher over the 3 years by the one-off costs of the preparation for FCA regulation and anticipated higher on-going costs in the future, the actual average over the prior 3 years was £49,000 p.a. At the 2023 valuation an allowance was suggested by the Trustees at £42,000 p.a. which removes the one off costs of the new compliance regulations for future years.

Investment returns

At the previous triennial valuation on the prudent basis it was assumed the fund would earn 1.8% p.a. (1.9% best estimate) however, the actual outcome over the 3 years was an average of 2.9% p.a. In our opinion, for this type of assumption this is not a massive deviation and given the background of the volatile nature of capital markets, triennial investment returns can fluctuate markedly even over short periods of time, dependent on the start date.

Investment Surplus

The surplus on valuation of investments (from the Statement of Financial Activities) showed a net gain of £351,789 over the 3 years.

7. VALUATION METHODOLOGY AND ASSUMPTIONS

Introduction

The first stage of the valuation process involves calculating the equivalent lump sum (at the valuation date) of the stream of projected future funeral costs using interest, inflation, and mortality; this process is called discounting. As a second stage this discounted value of the liabilities is compared against the current value of The Fund. The present value of expected future funeral costs was calculated for each individual by applying a whole life assurance factor to the funeral cost estimate at Valuation Date; this produces a valuation reserve similar to that of a single premium whole of life insurance policy.

The rate at which The Fund accumulates depends on future investment returns, after allowing for any expenses met by The Fund. The cost of future funerals will depend on the rate at which funeral costs increase in the future. The incidence of payments from The Fund will depend on the mortality rates experienced by Plan-Holders.

The basic valuation process takes the typical projected outflows illustrated in Appendix 1 (but for the whole future time period) and answers the question "what would I need in the Trust asset-pot now earning interest at the assumed rate, in the light of future funeral cost inflation and expense inflation and assumed mortality to discharge the liabilities of the Trust". I.e., the liabilities at the valuation date have been derived by discounting the projected cash flows over the lifetime of the Trust to the valuation date, using the valuation discount rate.

A fundamental principle of an actuarial valuation is that the valuation of assets and liabilities should be consistent; thus, the valuation is on the market value of the assets held by The Fund and in TA Ltd's opinion, the future rates of return reflecting relevant market related conditions at the Valuation Date.

The level of solvency of The Fund is determined by comparing the actuarial value of the benefits with the current value of The Fund. The Fund is 100% solvent (or funded) if the actuarial value of benefits equals the value of The Fund.

The Fund would be in deficit if the actuarial value of future benefits plus expenses, including some assumed level of future funeral costs increase, when discounted at the assumed future investment rate were more than the current value of The Fund.

To carry out an actuarial valuation, it is necessary to make a number of assumptions. Some of these are of a statistical nature, such as estimates of the future rates of mortality. Others are of an economic nature, such as the rate at which funeral costs are going to increase due to inflation, and the rates of return, expected on various asset classes.

The derivation of each of the main financial assumptions is set out in Appendix IV.

Financial Assumptions

The assumption as to the relationship between the rate at which funeral costs escalate and the return achieved on the assets supporting the choice of these assumptions is critical in determining the financial condition of The Fund. It would be reasonable to assume The Fund would normally earn a margin over RPI. However, where funeral costs escalate at a rate which exceeds RPI, this margin will shrink and could become negative.

The weighted return before expenses was 4.2%. See Appendix IV for details.

Mortality Assumptions

This valuation has used 150% ELT 17 for males and female's mortality; improvements: CMI 2015 Core Projection with a long-term improvement rate of 1.5%. If mortality is to continue to improve as in the recent past (the rate of improvement very recently has slowed considerably) there needs to be a "new thing" to augment the impact of say giving up smoking/statins/healthier lifestyles.

Covid-19 may well have a longer-term impact particularly on the less wealthy, directly, and indirectly by a fall in economic activity (exacerbated by the impact of the "Special Operation" in Ukraine); for example, there may be an anticipated reduced scope for increases in healthcare spending after the initial Covid boost in spending. The current cost of living crisis may well increase deaths as a result due to physical and mental health factors. If there is a higher rate of Plan-Holder's deaths then the funding level improves, see Appendix VII (ii).

Withdrawal Assumptions

I ignored withdrawals for the purposes of the valuation, as per previous years.

Tax Treatment

Council's Opinion was that the Trust is not subject to tax, this burden is on the Company (which incidentally has a strong covenant, i.e. financial strength).

Summary Main Assumptions – (2020 year in square brackets)

- Discount Rate: 4.2% [1.8%}
- Rate of inflation of funeral costs: 4.5% [5%]
- Mortality assumption: ELT 17 for males and females but mortality multiplied by 1.5 [2]. An improvement rate of 1.5% p.a. was used (long cohort, CMI Mortality Projections Model 2015) as per 2020.
- 'Everyday expenses': £42,000 p.a. [£30,000] inflating at 4.2% [3.6%] p.a., 50% [50%] allocated to current Plan Holders.

Associated Risks

The Trustees need to be aware of the potential impact upon The Trust of the actuarial assumptions failing achievement. To illustrate this, some of the relevant risks, together with their likely impact upon several key characteristics of the Scheme's financial position is in the table below:

	Impact of risk factor upon		
Risk Factor	**Solvency Position**	**Stability of Contributions**	**Subsequent Funding level**
1) Inability to pay shortfall contributions.	Worsened	n/a	Reduced
2) Future investment returns insufficient.	Worsened	Any shortfall contributions will increase.	Reduced
3) Mismatching (fall in asset values not matched by fall in liabilities) *	Worsened / Little impact	Any shortfall contributions will increase.	Reduced
4) Unanticipated changes in mortality	Worsened if mortality lighter	Any shortfall contributions will increase if lighter.	Reduced
5) Funeral cost inflation higher than anticipated	Worsened	Any shortfall contributions will increase.	Reduced

If the everyday expenses of running the arrangement are higher than assumed, then the solvency position will worsen leading to an increase in any shortfall contributions and a fall in the funding level all else being equal. It has been assumed in the ongoing valuations that 50% of future 'everyday expenses' will be paid by existing Plan Holders and 50% by new Plan Holders after the Valuation Date, clearly the closing of the arrangement to new Plan-Holder's will adversely affect the funding level.

Many of the above the above risks are illustrated for numerical impact in Appendix V.

There are inter-actions of these elements, e.g., increasing longevity extends the duration between the receipt of the pre-payment and the date of the funeral, increasing the exposure of the trust to the inflation of funeral costs, perhaps not being matched by asset returns.

There could be a need to sell assets to meet claims, potentially exposing the trust to market risk. The trustees are wary of this risk and so maintain a prudent investment policy including keeping some cash in hand. A pandemic unexpectedly requires a liquidation of assets, exposing the trust to liquidity risk. In addition to the above, if The Trust closes to new Plan-Holders the expense reserve will double and the solvency position will worsen.

The current business model operated by the Plan provider insulates the Fund from New Business strain.

***Duration risk**

If bond assets held by the Trust in future are not invested at the same duration as the liabilities, a duration mismatch will arise. If the bond investments are of shorter duration than that of the liabilities (9.2 years) a fall in yields at all terms will result in a larger increase in the liabilities than that of the assets this will lead to a deterioration in the funding level.

8. VALUATION REPORT

Value of Assets

1) Invested assets:

Assumed Asset Class	Market Value £'000	% of Fund
Equities	1,400	23.6
Corporate Bonds	1,729	29.1
Cash	2,813	47.3
Total	5,942	100.0

Assets are taken at bid/fair value, see Appendix III for details. Given the 47.3% holding in cash and the 10-year projection of funeral outgoings in Appendix 1, the liquidity needs of the fund are currently well catered for.

2) The Grand Total of assets is £6,060k when one adds in the net current assets of £118k.

Value of Liabilities – Discontinuance of the Trust

In the event the Trust discontinues for any reason, the Trustees are required to arrange for all the funerals provision. The ability of the Trustees to fulfil this obligation depends on the value of The Fund at the time and the price charged by alternative providers. In 2023 TA Ltd understands that In the opinion of the trustees a prudent estimate for an alternative provider to take over the portfolio is at an average of £4,000 per plan (see Appendix III part ii).

The hiving off cost of funerals in respect of all proper funeral Plan-Holders as at the Valuation Date was £4.9m (1,223 x £4,000). Based on the asset value above of £6m this represents a surplus of approximately £1.1m (6-4.9) or, expressed another way, a discontinuance solvency level of 124% (6,060/4,892 expressed as a percentage). This ignores any costs incurred by the Trustees (and charged to The Fund) on winding up of the Trust.

The position at the 2020 valuation reported a hiving off funding level of 121%, based on £3,500 per funeral.

As an alternative, a return of deposits liabilities would total £5,434,000, compared to the assets of £6,060,000 giving a “return of deposits” funding level of 112% (ignoring winding up expenses) previously 102% in 2020.

Value of Liabilities – Ongoing Position

The future solvency of The Fund i.e., the extent to which the surplus/deficit increases or decreases, is dependent on whether The Fund can generate a net return, after all expenses, that is lower or higher than the rate at which funeral costs increase.

In order that the Trustees can appreciate the extent to which future surpluses/deficits may change in the light of the experience of The Fund, TA Ltd carried out a series of sensitivity tests. The results of the various sensitivity tests are set out in Appendix V.

The results on a "going concern" valuation (Article 60(1)(b) of the Regulatory basis) is set out in the table below. This valuation assesses the extent to which the Scheme met the funding objective as at 31 March 2023 calculated on the basis as chosen by the Trustees after actuarial advice. The Trustees chose a prudent basis. The valuation assesses the extent to which the assets of the Scheme covered its liabilities (funding future funerals). My investigations show that the relationship between the Scheme's assets and the present value of its future liabilities is as follows:

	Category	£'000
(a)	**RAO Liabilities (including expenses)**	**4,473**
(b)	*Assets (at market) of investments + cash	**6,060**
	Surplus {(b)-(a)}	**1,587**
	Funding Level {(b)/(a) x 100%}	**135%**

Analysis of the Change in Surplus

The deficit in 2020 (£34,000) has increased to a surplus of £1,587,000 in 2023; the deficit had been anticipated to roll up to £36,000 rounded on the assumption made. The main factors leading to the gain of £1,623,000 (1,587,000+36,000) are set out below:

Financial basis change	+£1,209,000
Change in mortality basis	-£16,000
Investment return over assumed plus miscellaneous	+£622,000
Offset by:	
Increasing expenses assumption	-£112,000
Increasing past inflation reserve	-£80,000

Best Estimate Basis- Level of Prudence in Technical Provisions

The assumptions for the chosen Regulatory valuation are prudent i.e., containing margins for risk and adverse experience. It will be helpful to see what the ongoing basis reserves would be if calculated using assumptions with those margins removed to illustrate the additions for prudence. Clearly, there is an element of subjectivity in estimating the actuarial assumptions without any margins but using best estimates in the light of historical averages and current trends seems a useful starting point, however different actuaries will reach different conclusions. One margin is in the future rate of funeral costs inflation; “Albin’s” tend to be successful at controlling their funeral cost inflation rate, and 3.5% p.a. is a best estimate (4.5% p.a. assumed to be prudent); in addition, the rate of return on equities has been assumed at 2.5% p.a. over Gilts (the best estimate in view of historical returns is a 3.5% premium over Gilts). Gilt edged stock or Gilts are loan notes issued by the UK Government regarded as free of risk of default. An extra 1% was added to the return on cash as 4% p.a. (it was the rate currently being earned); on the prudent assumption it was 3% p.a.

On the revised assumptions, the funding level increases by 20% compared with the results of the chosen ongoing basis above. This difference gives an indication of the margin taken for caution and adverse experience [in 2020 15%].

Conclusions and Recommendations

The Fund appears very adequately funded on the assumptions chosen by the Trustees.

The rate at which profit is transferred from The Fund to the Plan Provider will be affected by the Trustees’ appetite for risk and the strength of the covenant (financial strength) of the Plan Provider (who is the final backer of the absolute guarantee to provide the funerals to the highest standard initially promised to Plan Holders). In our opinion the employer covenant (financial strength) is strong.

The Plan Provider may ask for additional advice over and above that given to the Trustees in this report but given the involvement from F.A. Albin & Sons Limited in the production of this report, this is unlikely to be necessary. The Trustees should aim at a minimum funding level of 100% on the prudent basis in order to be able to withstand unanticipated adverse circumstances.

In line with the FPCOB, this report is to be submitted to the FCA and is to be published on the CFPL website within 30 days.

Significant Post Valuation events –see **Appendix VI.**

Geoff Arnold FIA

Fellow of the Institute of Actuaries

For TrustActuarial Limited 4 September 2023

APPENDIX I

The projected undiscounted Funeral Costs / 'everyday expenses' from the Trust Fund over the next 10 years, assuming an "open to new Plan-Holders" fund but excludes the cash flow from any future Plan-Holders; similarly, the impact of withdrawals are ignored.

Basis

Funeral Inflation 4.5% p.a., mortality 150% ELT 17 for males and females. The improvements allowed for are CMI 2015 Core Projection with long-term improvement rates of 1.5%.

The expected cash flows arising from funeral costs calculated by multiplying the expected funeral cost (increased by inflation) by the expected number of deaths in each projection year.

Year	Funeral Costs £'000 (Existing members only)	Projected expenses £'000	Total £'000
2023	316	42	358
2024	298	43	341
2025	283	44	327
2026	270	45	315
2027	258	46	304
2028	248	47	295
2029	239	48	287
2030	231	49	280
2031	224	50	274
2032	217	51	268

I have omitted the impact of new business, so the projections are not comprehensive, also, an increasing funnel of doubt about the future exists whereby the projections move from useful guidance to unhelpful speculation. I have somewhat arbitrarily chosen this crossover point to be 10 years in line with that mandated for defined benefit pension schemes.

APPENDIX II

1) **Non representative numerical examples to illustrate how the funeral plan arrangement works.**

a) **Straight forward and simplified example (illustrative only) - the aim is to illustrate who bears the inflation/investment risk and the mechanics of the Trust.**

Professional Charges

The Customer requests a cremation but at the prices chargeable on the day of payment:

Cost of funeral staff for the process plus funeral cars	£3,000
Coffin	£ 475
Trust Fee	£ 125
Total Professional Charges	**£3,600**

Disbursements

Doctors' fees	£ 100
Cremation fee	£1,200
Minister fees	£ 300
Total Disbursements	**£1,600**

Total charges £5,200 (3,600+1,600)
All these charges are protected from future inflation and investment risk; initially by the trust fund surplus and as a backstop the £2m buffer in the funeral company.

The funeral company charge the fund 50% of the professional fee i.e., £1,800 (3,600 x 0.5) plus disbursements £1,600 but in both cases **the amounts applicable at the time of the funeral,** i.e., inflation adjusted. 25% of the fee i.e., £900 (3,600 x .25) remains in the fund and the other 25% is accrued and only payable to the funeral provider when and if the Trustees feel that the Plan Holders' interests/security are not materially affected. A provision has been set up to cover any increase in the cost of professional fees/disbursements.

b) **More complex example simplified and purely illustrative - the aim is to illustrate who bears the inflation/investment risks.**

As above plus:

Grave Purchase (estimate and not guaranteed)	£2,500
Internment fee (estimate and not guaranteed)	£1,500
Use of Chapel (estimated and not guaranteed)	£ 800
Total estimate and not guaranteed charges	**£ 4,800**

Total charges £10,000 (£5,200+4,800).

The £4,800 is not protected from inflation by either the Trust or the funeral company, it tends to be the current price and any excess cost is borne by the Plan Holders' representatives, but any overestimates returned. The customer does not bear the investment risk. The £5,200 is protected as above.

2) Further Arrangement Details and Relevant Legislation and Actuarial Guidance

Instalments can be negotiated to cover the funeral cost. In addition, the Plan Provider offers the Foresight Plan. The Foresight Plan is not a funeral plan but provides the opportunity for Plan-Holders to say and record their funeral instructions. This will ensure that the funeral is in accordance with the wishes of the Plan-Holders. When a foresight plan is completed, no money is paid. The preparation of a foresight plan is a free service offered by F. A. Albin & Sons.

The latest Trust Deed date is 20 June 2015, as amended on 2 October 2019 and 28 June 2022. If Plan-Holders pay in a sum, which is more than the amount paid out on the day of the funeral, then there is a built-in surplus. The assets are managed by Pearson Wealth Management Ltd (a name change from their previous name (Stewart Wealth Management Ltd) and INFIBA AG.

A trust-Based Pre-Paid Funeral Plan is an arrangement established by a Plan Provider to support the sale of contracts of the type defined in article 59(2) and exempted from Financial Conduct Authority regulation under article 60(1) (b) of the RAO. The RAO is the Financial Services and Markets Act 2000 (regulated Activities) Order 2001. Chapter XIV of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001 No.544) ("RAO"), covering the activity and exclusion of funeral plan contracts as defined in article 59(2), came into force on 1st January 2002 and applies to contracts entered on, or after, that date unless excluded under Chapter XIV of the RAO. There is a requirement for a Fellow of the Actuarial Profession to determine, calculate, and verify the assets and liabilities of the pre-paid Funeral Plan Trust.

An industry body, the Funeral Planning Authority ("FPA"), acted as a non-statutory regulator for providers of funeral plan contracts excluded by virtue of articles 60(1)(a) and 60(1)(b) of Chapter XIV of the RAO and monitored the operations of funeral plan providers registered with it until 28 July 2022. The Financial Conduct Authority now regulates this type of arrangement (on and after 29 July 2022). Continuing with regulated activity without appropriate authorisation is a criminal offence.

Article 60(1)(a) of the RAO relates to plans supported by whole life assurances and is outside the scope of guidance issued by the Financial Conduct Authority. Article 60(1)(b) of the RAO relates to plans supported by funds held under trusts, whose liabilities and assets must be "determined, calculated and verified" at least triennially by an actuary who is a fellow of the Actuarial Profession.

The actuarial profession requires actuaries to ensure they:

- have the requisite skills and documentation to take on the appointment to undertake the valuation of the funeral plan trust.
- have the right information-gathering and escalation measures available to them to undertake appropriately the valuation of the assets and liabilities of the funeral plan trust.
- are aware of plan holders' contractual entitlements, to ensure that there are adequate systems of control in place intended to ensure that plan holders are not misled as to their expectations.
- report any concerns to the most appropriate regulator and/or to other professionals who may be involved in advising funeral plan trustees and plan providers if they discover:

  1) there is a material shortfall in the assets held by the trustees to cover the liabilities, or

  2) the plan provider's contractual obligations significantly exceed the liabilities of the funeral plan trust.

This report is required to and does comply/is prepared in accordance with professional standards established by the Financial Reporting Council. This report is compliant with Technical Actuarial Standards TAS 100 and TAS 400.

The report complies with the Actuaries' Code, which takes precedence.

Appendix III

a) Detailed Main Valuation Data

Documentation

TA Ltd has read the following documentation:

- Governing Documents, including:
- Trust Deed dated 20 June 2015 as amended.
- The current and historical marketing literature
- Contracts or terms and conditions between the Plan Provider and the funeral director, the funeral director and the Trustees and the Plan Provider and the Plan-Holder
- The Investment Policy

Accounting Information

TA Ltd was given a copy of the audited financial statements for the year ended 31 March 2023.

The last meeting of the Trustees took place on 9 February 2023

Plan-Holder's Data

TA Ltd was given spreadsheets containing the following information in respect of each active Plan-Holder:

- Plan No.
- Name (Surname & Christian name)
- The original payment for the plan
- Current Funeral Cost Estimate
- Date of Birth
- Sex

The data provided was of an extremely high standard, a few members were allocated the average date of birth.

Current Funeral Cost Data

TA Ltd was given spreadsheets containing details of the estimated cost of each Plan-Holder's bespoke funeral arrangement as of 31 March 2023.

The following breaks the member data into more detail:

The number of live plans categorised by payment method/ total plan value in relation to undrawn or live plans categorised by payment method:

	PLANS TOTAL	VALUE TOTAL	% NUMBER	% VALUE
SINGLE PAYMENT PLANS	987	4,506,876	81%	80%
INSTALMENT PLANS PAID	166	810,703	13%	14%
INSTALMENT PLANS OUTSTANDING	70	361,353	6%	6%
	1,223	5,678,932	100%	100%

Average Plan Values (deposits plus fees) by payment method

SINGLE PAYMENT PLANS:	**£4,566**
INSTALMENT PLANS PAID:	**£4,884**
INSTALMENT PLANS OUTSTANDING:	**£5,162**

At the Review Date the amounts still to be received by the Trust in relation to partly paid instalment plans were £123,600.

Asset Data

TA Ltd relied on the list of investments appearing in the Trust's audited Financial Statements on 31 March 2023. At this date, the invested assets were taken as comprising the following:

Assumed Asset Class	Market Value £'000
Equities	1,400
Corporate Bonds	1,729
Cash	2,813
Total	5,942

The Grand Total of assets is £6,060k when one adds in the net current assets of £118k.

Investments Held

Transact Portfolio	£3,444,219
Administration account	£8,438

Moneymaster account	£1,379,107
UBS Portfolio	£1,110,524
Total	£5,942,288

b) Details of the Hiving off (selling the liabilities to another funeral director) valuation

In 2023 TA Ltd understands that the Trustees are confident that an alternative provider would take on the Plan-Holder portfolio at an average £4,000 per Plan-Holder as a prudently high estimate. On this basis a healthy surplus (£1.2m) would be generated. Please note the below:

- a) The number of undrawn plans held within the Trust is small as compared with those held by other larger providers and therefore the transfer of plans would be relatively straightforward to manage
- b) The funerals are planned to take place in a localised area which will pose fewer management issues for any provider
- c) The plans are of good quality, the majority of which are cremations
- d) The high level of deposits received per plan results in less administration in collecting outstanding balances from Plan-Holders
- e) Transfer of these plans will not necessitate any selling or promotion resulting in a significant cost saving for any interested party looking to take on the portfolio

Appendix IV

Valuation Assumptions, rationale

Retail Prices Inflation

At the Valuation Date, the Bank of England published a 3.5% RPI rate at the 9-year point of the UK implied inflation spot curve.

*The assumed long-term rate of **price inflation** is therefore indicated as 3.5% per annum but increased to 4.5% per annum to reflect funeral price inflation (see below).*

Funeral Cost Inflation

For many recent years Albin's funeral cost inflation has been circa 2.5% p.a., lately a higher 3.5% p.a. To produce a prudent basis (more likely to produce a higher liability than less) I assumed that the prudent long-term funeral cost inflation rate equals 4.5% p.a. as chosen by the Trustees (3.5% p.a. in the best estimate calculations because this rate reflects the recent experience).

Management Fees

The Fund (see section 3) met all costs during the inter-valuation period.

To calculate a broad-brush reserve for 'everyday expenses' I have assumed expenses of £42,000 p.a. payable for 15 years escalating at 4.2% p.a. (thus making allowance for RPI inflation and earnings inflation). Circa 77% of the current members will have had funerals at the 15-year point on the assumptions made.

However, TA Ltd has assumed in the ongoing valuation that new Plan-Holders will continue to enter the Trust and shoulder half of future expenses so that only half of the reserve is required (as a rough and ready measure).

The Trustees need to inform TA Ltd as soon as practically possible if the Trust is ever closed off to new Plan Holders for this expenses reserve to be reassessed.

Investment Returns

Fixed Interest

As at the Valuation Date, relevant market yields were approximately as follows:

- 7 to 10-year corporate bonds - 4.5% p.a. (provided by iBoxx)
- 10 year plus corporate bonds – 4.7% p.a. (provided by iBoxx)

To calculate the global discount rate, the average corporate bond discount interest rates are factored proportional to the nature of these assets held at the Valuation Date. For corporate bonds there is no distinction between best estimate and prudent basis given the background of the strong guarantees afforded by this type of asset.

Equities

In determining an appropriate discount interest rate relevant to the equity holding, a useful starting point is the yield on long-term gilts (15-year term) as they are virtually risk-fee investments. At the Valuation Date, these were yielding circa 3.64% p.a. It is then necessary to consider the additional long-term return that might be available from equities relative to gilts - the "Equity Risk Premium". The assumed Equity Risk Premium was 2.5% per annum, which implies an assumed prudent long-term return for equities of 6.1% per annum rounded (3.6+2.5). This return is after any management charges levied on the unit funds. The best estimate return was based on an equity risk premium of 3.5% p.a. which was chosen to reflect long term averages. The best estimate was 7.1% p.a. (3.64+3.5 rounded).

Deposits

TA Ltd (after consulting the Trustees) has assumed a prudent cash deposit rate of 3% p.a. (the best estimate rate was taken at 4% p.a. because this was the current rate being earned).

Adopted weighted return assumption: The table below implicitly assumes the Valuation Date proportional holdings maintained in the future.

Assumed Asset Class	**% of Fund**	**Assumed Gross Return**
Equities	23.6	6.1%
Corporate Bonds	29.1	4.6%
Cash	47.3	3.0%
Average Weighted Return	100.0	4.21%
	Rounded	**4.20%**

Mortality Assumptions

The same **basic** approach was that used at the last valuation in setting the mortality assumption. The valuation of the liabilities allows for the expected future timing of plan holder deaths, using the English Life Tables No. 17 ('ELT 17') mortality tables. The ELT 17 tables are based on the mortality experience of the population of England and Wales during the years 2010, 2011 and 2012 (the most recently published of such a series). In our opinion this assumption incorporates base rates of mortality which are consistent with the characteristics of the current Plan-Holders, albeit the mortality tables are adjusted to reflect the exact experience of the Scheme relative to general population mortality. This adjustment is calculated in an experience investigation which has been set out in the main report above.

Appendix V

Sensitivity Results (All else being equal basis)

If the cost of funeral inflation rate reduces by 0.5% then the funding level increases by 5.6% (surplus increases by £178,000).

If the discount rate reduces by 0.5% then the funding level falls by 5.7% (surplus falls by £196,000).

If the mortality is only 100% of the ELT17 table, then the funding level reduces by 0.8% (surplus reduces by £26,000). If the rate of improvement in mortality reduces to 1% pa (from 1.5% pa) the funding level increases by 0.1% (surplus increases by £4,000).

If the plan closes to new entrants, then the funding level reduces by 10.3% (surplus reduces by £369,000).

If there is a pandemic (say 10 times general population normal mortality) then the funding level rises by 2.3% (surplus increases by £74,000) and the expectation of life falls to circa 25% of "1.5 times normal" population expectation. For example, the average expectation of life of 8.8 years at the valuation date falls to 2.1 years.

If Climate change reduces the return on equities by 1% p.a., then the funding level falls by 0.2% and the surplus falls by £6,000.

Notes:

Expenses Basis: It has been assumed in the ongoing valuations that 50% of future 'everyday expenses' will be paid by existing Plan Holders and 50% by new Plan Holders after the Valuation Date.

In my opinion the neutral basis is to have a 50/50 chance of attaining its target; the role of the Trustee is to overlay their judgement of what is prudent (in the manner required by Trust Law of a prudent person in the exercise of his own affairs).

Appendix VI

Capital Market Movements post valuation date to 1 September 2023

Post Valuation Date General Equity Market Movements - Source IG Markets	
US 500	**+9%**
FTSE 100	**-3.4%**
EU stocks 50	**no change**

Post Valuation Date Bond Price Market Movements - Markit iBoxx

Corporate Bonds 7–10-year term   -7.3% in price

The estimated revised yield assumption to calculate the liabilities at 1 September 2023 is 4.6% (was 4.2% on 31 March 2023). The estimated reduction in liabilities purely due to yield increase assumption is an increase in the funding level of 6%.

Bearing in mind the above (and that the cash (which retains its nominal value) represents almost of the assets) it is very unlikely indeed that the funding level has deteriorated over the period 31 March 2023 to 1 September 2023.

APPENDIX VII

(i) Population analysis

Those averaged age Plan Holders dying now were born around the start of the post war years. During their adulthood in the 1960s and 1970s the upstream wharves of Bermondsey rapidly declined as the port of London could not compete with more modern ports; As deprivation set in the more affluent residents moved out to those areas with better facilities (such as schools).

Deprivation is often associated with mental health issues, alcohol/drug related problems, poor health care, obesity and cramped housing. The Bermondsey and surrounding area “violence against the person” rates are typically twice the national average (Crown crime figures). The main issues are youth anti-social behaviour and drug abuse in the Blue and surrounding estates. The majority of households in Bermondsey are (from Urban Intelligence) “average health, not especially active, have reasonably high alcohol consumption, and a significant number may smoke and are “Welfare Borderline” (i.e. do not to eat well; many will be heavy smokers, a significant proportion will drink”).

The amount of wealth a person has affects their expectation of life. The demographic group of persons to whom funeral expenses are a significant sum (and thus more likely to be a Plan-Holder) are more likely to be less wealthy and thus have a lower expectation of life. For example, there is no question that smoking is one of the most prominent causes of premature mortality. Members of less high social classes are increasingly more likely to smoke. Furthermore, some Plan-Holders know they are about to die shortly due to terminal illness and arrange a Funeral Plan to take the administrative/financial burden off their family.

I will continue to monitor closely the future mortality experience. The media savvy management has turned the Plan Providers into a niche premium brand beyond their traditional geographical Plan Holder area, which is likely to have knock- on effects on the future mortality experience. Furthermore, the Bermondsey area is becoming white collar / office orientated with prestige dockside developments and this may influence the future Plan Holder base.

(ii) Covid

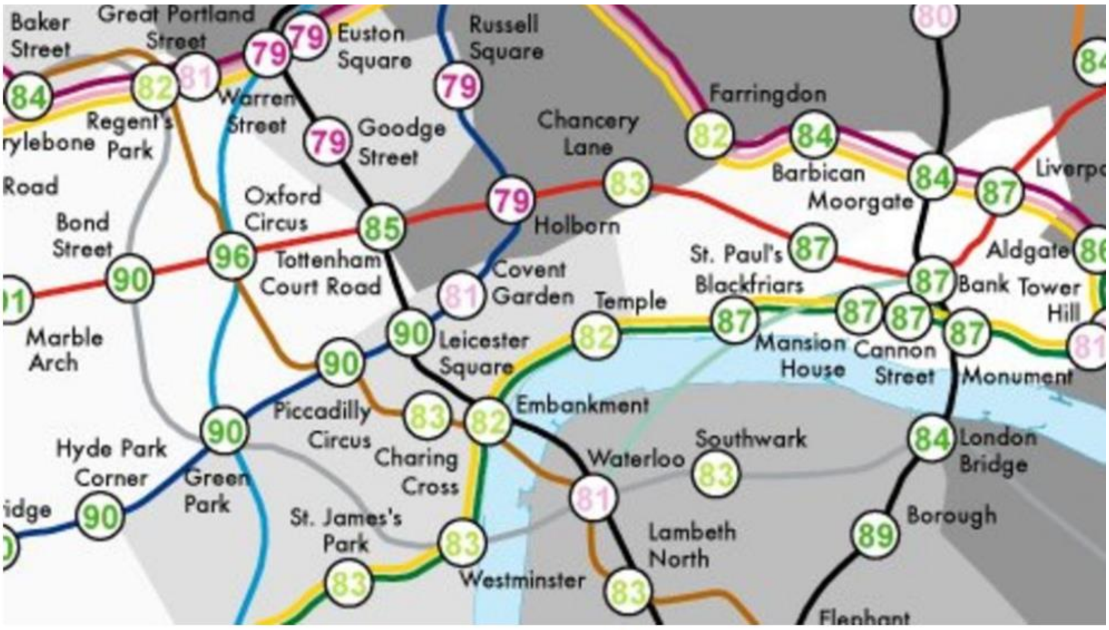
The current and long-term impacts of the COVID-19 crisis are highly uncertain but have the potential to affect the financial position of the Trust (more deaths imply a higher funding level all else being equal). In the short term, it is likely that COVID-19 will have an impact only on the life expectancy of less wealthy. During the pandemic there has been an increase in UK mortality rates well above rates that which would have been expected in the absence of the pandemic. This is particularly true for those contracting COVID-19, but there is also evidence of wider 'excess deaths', probably attributable to secondary effects of the pandemic, e.g., economic/hospitals' dislocation. Longer term, there are fears that the drop-in economic activity as a result of the pandemic will lead to a prolonged global recession. Any recession will have a recognisable impact on future life expectancies, irrespective of whether someone contracts COVID-19, through the effects on individuals and a reduced scope for increases in healthcare spending (e.g., longer hospital waiting lists, NHS strikes and recruitment difficulties following lower real wages).

Key drivers to impact mortality.

The probability of catching COVID-19 is influenced by the geographic location, age, gender, and occupation. For example, Plan-Holders who are concentrated in highly impacted areas, e.g., densely populated areas with high case rates, are likely to have a greater probability of catching COVID-19. The impact on mortality during the pandemic i.e., those who have a higher risk of dying from COVID-19 are those members who are males, older in age, in ill-health and living in deprived areas. The impact on longevity after the pandemic is influenced by the socio-economic group of the membership, and whether members did or did not contract COVID-19 in the pandemic; the impact of any resulting recession is likely to be greater on those from more deprived areas.

The importance of being wealthy on life expectancy (some 17 years at the extreme) is starkly demonstrated in the underground map at the end of this section.

After decades of rapid improvement in longevity, progress has slowed to a crawl since 2011; in the poorest parts of England, longevity has started to fall and hopes for future improvements have also dimmed. According to the Institute for Fiscal Studies, a think-tank, a man born in 1971 who made it to age 50 would, under projections made in 2006, be expected to have a life expectancy of 86.3. Under the 2020 projections it had fallen to 83.9 years. The equivalent figures for women have dropped from 89.3 to 86.7. One reason for the UK's slowdown is that rapid improvements in cardiovascular mortality in the 1990s and 2000s have decelerated. That was to some extent inevitable — such a rate of progress could not have carried on indefinitely. Other trends are more worrying. In the UK, life expectancy improvements have slowed across all age groups, not just the very old. There is no single or simple explanation. Some studies have cited rising obesity levels as one factor. From low levels, death rates have started to creep up among younger adults, too. Some of these deaths are from drug overdoses/suicides. Some experts have blamed austerity measures implemented in 2010. The UK's deep inequalities might also play a role: the worst recent trends in life expectancy are to be found in its poorest communities i.e., were places with high levels of poverty with already had low life expectancy, widening the gaps between rich and poor areas.



The map shows life how life expectancy varies between different Tube stations

A version of the Tube map has been produced to show how life expectancy varies from station to station.

The contrast it depicts between Tube stops is stark, with the variation in life expectancies of children born near stations only minutes apart being years different.

APPENDIX VIII

Climate Change

The pre-paid funeral plan arrangement is exposed to climate-related risks through its investment arrangements. Furthermore, the parties directly involved in the burial/cremation process have prospects which depend on current and future developments in relation to climate change. Climate change will affect all parties in the economy across all sectors and geographies. Impacts could be large, widespread, and diverse. The concentration of greenhouse gas emissions determines the impact of climate change in the atmosphere, and there is currently no mature technology to reverse this process. Above a certain threshold, scientists have shown with a high degree of confidence that climate change will have irreversible consequences on our planet, though uncertainty remains about the exact severity and time horizon.

The risks that arise from climate change are for example, physical risks (e.g. fire and flood) and transition risks (e.g. some investments may eventually just become worthless). Climate policies may not achieve their goals in a sufficiently timely fashion, leading to temperature rises and policy dislocations that would have large and detrimental impacts on global economies, society, and investment portfolios.

There is thought to be a tipping point where high global temperatures lead irreversibly to even higher temperatures because highly heat reflective ice sheets, for example, transform into heat absorbing bare rock.

Trustees in the schemes may find that embedding consideration of climate change in their investment and scheme governance could have a positive impact on expected returns or the capacity to reduce risk. For example, there may be opportunities to access new markets and new technologies related to the transition to a low-carbon economy.

Consideration should be given to setting out the Trustees' policy on engaging with asset managers, including how their arrangements with asset managers incentivise the managers to align their investment strategy with the Trustees' aspirations on climate change (e.g. to have a net zero investment portfolio by a certain date). Central to this would be the calculation of the greenhouse gas emissions of the investment portfolio. Trustees will also have the opportunity to set climate-related targets and identify carbon-intensive hotspots in portfolios. Their progress to net zero could be minuted, say annually.

The impact of climate change could be very significant, and integration of covenant (financial strength of the funeral provider) actuarial and investment risk is an important factor to achieve successful Plan-Holder outcomes for pre-paid funeral plan arrangements.

Appendix IX

An alternative method to arrive at a funeral cost is to use the full deposit as the funeral cost, but to ignore the past reserve for inflation. On this basis the result is as follows:

	Category	£'000
(a)	**Liabilities (Total Deposits))**	**5,434**
(b)	*Assets (at market) of investments + cash	**6,060**
	Surplus {(b)-(a)}	**626**
	Funding Level {(b)/(a) x 100%}	**112%**

Appendix X

F A ALBIN &SONS LIMITED

PRE-ARRANGED FUNERAL TRUST

INVESTMENT POLICY

(approved by the Trustees at a meeting held on 10 January 2022

1. Scope

This policy applies to the investment of all operating funds of the F.A Albin & Sons Limited Pre-Arranged Funeral Trust.

The F.A. Albin & Sons Limited Pre-Arranged Funeral Trust, hereinafter referred to as the "Trust", obtains its funding primarily through the prepayments from its Plan-Holders.

The investment portfolio will be managed by the Trustees who will strive to invest with the judgement and care that prudent individuals would exercise in the execution of their own affairs, to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for the Trust.

From time to time investments will be managed through external programs, facilities and professionals. To constitute compliance these must be managed in a manner consistent with this policy.

2. Investment Objectives

2.1 Safety and Security of assets

The security and maintaining the purchasing power of the fund over the long term is the foremost objective for the investment strategy. Investments will be undertaken in a manner that aim and have the capacity to achieve this objective. The overall portfolio will achieve this by mitigating Risk. There are a number of risks that may apply at any given time. These include Market Risk, Credit Risk, Interest rate Risk, Inflation Risk, Currency Risk, Sovereign Risk, and Liquidity Risk.

2.1.1 Market Risk

The risk arises from the possibility that the whole markets may decline. The most effective method of minimising Market risk is diversification across a variety of asset classes. The Trust will implement a highly diversified portfolio approach to minimise this risk.

2.1.2 Credit Risk

The Trust will minimise credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Pre qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Trust will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimised.

2.1.3 Interest Rate Risk

The Trust will minimise the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

2.1.4 Currency Risk

The Trust will minimise the risk of loss resulting from changes in exchange rates by holding its investments in sterling.

2.1.5 Sovereign Risk

In financial theory, financial obligations of governments are often referred to as riskless securities. However, although these obligations constitute the best risk, they have a residual risk for the financial institution holding them. This risk is referred to as the sovereign risk of that country. It is the risk of loss experienced by a financial institution due to changing social, economic, or political factors specific to one country and can range from social or economic deterioration through legal and regulatory harassment, to deep recession, political breakup of the country, or the increase in financial institution income taxes. All such events could reduce the Trust's earnings or capital.

The Trust will minimise the risk of loss resulting from sovereign risk by strategically diversifying its portfolio across countries.

2.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposed.

2.3 Yield

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives.

3. Standards of Care

3.1 Prudence

Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. The Trust recognises that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Trust.

3.2 Ethics & Conflicts of Interest

Trustees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Trustees shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

4. Investment Transactions

4.1 Eligible Investment

The trust will invest primarily with authorised Investment Funds and Investment Trusts but will consider direct investments into Cash Deposits, Bonds (Sovereign and Corporate); and Shares. The authorised Investment Funds will incorporate all such assets and also provide possible access to Commercial Property investment.

Fixed Rate Deposits The Trust may invest in fixed rate deposits to meet short-medium term liquidity needs. The maturity of these deposits will vary to coincide with expected cash demands. Except with Trustees approval, holding in any one fund/entity shall not exceed 10% of investment portfolio.

Bonds (Sovereign and Corporate). The Trust may invest in Bonds issued by the local government and by governments in other countries and approved foreign countries, as well as in corporate bonds. Corporate Bonds and Foreign government Bonds may be purchased through authorised broker/dealers and merchant Funds. Except with Trustees approval, bond holding in any government issue shall not exceed 10% of the investment portfolio, and the total bond holding in any corporation shall not exceed 10% of the investment portfolio. Where bonds have been rated, investment will be made only in bonds rated “BBB” and above by S&P or other equivalent rating agency.

Shares (Stocks). The Trust may invest in public and private equity securities and in approved foreign entities. Except with Trustees approval, equity holding in a single entity or a group of related entities shall not exceed 5% of the investment portfolio.

4.2 Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the Trust’s funds, the investment portfolio will be subject to the following restriction:

- Borrowing for investment purposes ("Leverage") is prohibited.
- Investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.
- Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

5. Investment Parameters

5.1 Portfolio Diversification

The investments portfolio shall be diversified to minimise the risk of loss resulting from over concentration of assets in specific class, currency, Country, or economic sector. Diversification strategies shall be periodically reviewed. The current policy guidelines are as follows:

Asset Allocation

The Trust shall adopt a flexible weightings approach (strategic asset allocation) involving the periodic adjustments of the weights for each category based either on the market analysis or on technical analysis (i.e., market timing). The allocation is as follows:

Risk	Allocation (Maximum)	Allocation (Minimum)	Allocation (Standard)
Low Risk	75%	40%	60%
Medium Risk	45%	20%	25%
High Risk	15%	0%	15%

5.2 Maturity Limitations

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

To the extent possible, the Trust shall attempt to match its investments with anticipated cash flow requirements. With the exception of those securities that have no specific maturity, all other investments shall mature and become payable in not more than ten (10) years from the date of purchase.

5.3 Portfolio Management

Following the primary objective of preservation of capital, investments shall be actively managed to take advantage of market opportunities. Assets may be sold at a loss only if it is felt that the sale of the security is in the best long-term interest of the Trust.

6. Policy Considerations

6.1 Exception

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

6.2 Revision

The Trustees shall review the policy annually.

6.3 Adoption

This policy and any changes made during the annual reviews shall be adopted by resolution of the Trustees.

7. Bond Ratings

S&P	Moody's	Definition
AAA	Aaa	High-graded investment bonds. The highest rating assigned, denoting extremely strong capacity to pay principal and interest. Often called "gilt edged" securities.
AA	Aa	High-grade investment bonds. High quality by all standards but rated lower primarily because the margins of protection are not quite as strong.
A	A	Medium-grade investment bonds. Many favourable investment attributes, but elements maybe present that suggest susceptibility to adverse economic changes.
BBB	Baa	Medium-grade investment bonds. Adequate capacity to pay principal and interest but possibly lacking certain protective elements against adverse economic conditions.
BB	Ba	Speculative issues. Only moderate protection of principal and interest in varied economic times. (This is one of the ratings carried by junk bonds.)
B	B	Speculative issues. Generally lacking desirable characteristics of investment bonds. Assurance of principal and interest may be small; this is another junk bond rating.
Source: Moody's Bond Record and Standard & Poor's Bond Guide		

Solvency Assessment Report (SAR) for the F.A. ALBIN & SONS PRE-ARRANGED FUNERAL TRUST As of 31 March 2023

We have been instructed to provide F.A. ALBIN & SONS Limited (the Plan Provider) with a Solvency Assessment Report as required by the Financial Conduct Authority ("FCA") under section 3.2.2 of the Funeral Plan: Conduct of Business sourcebook. The SAR report draws from a valuation of the F.A. ALBIN & SONS PRE-ARRANGED FUNERAL TRUST assets and liabilities as at as of 31 March 2023 ("Review date"). This SAR complies with Technical Actuarial Standards TAS 100 (Principles for technical actuarial work) and the Framework for FRC technical actuarial standards, TAS 400 (17 July 2023 Version) concerning the determination, calculation and verification of the assets and liabilities of a funeral plan trust. The aim is to ensure the interests of customers are not adversely affected in all reasonably foreseeable circumstances **and** Actuarial Profession Standard (APS) Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans.

The finances of the pre-arranged funeral Trust are investigated each year by an independent actuary. In his investigation on 31 March 2023 the Trust actuary has indicated that the fund is 155% funded on a best estimate basis, that is for every £1 of monies projected to be required to pay for future funerals, there is £1.54 to cover the funeral promise. This figure will change each year, for example, because the value of the asset changes on a day-by-day basis. The assets are taken into the actuary's calculation at market value and other valuation assumptions (e.g., future interest rates and inflation) are chosen to be consistent with market conditions. Liabilities are valued by discounting future projected cash flows out of the fund to a lump sum at the valuation date, using a market-based interest rate.

The monies are held ring fenced in a Trust independent from the Plan Provider who is also the final backer of the absolute guarantee to provide funerals. In arriving at their valuation assumptions, the Trustees had to be mindful of investment risks, unanticipated changes in mortality and higher than anticipated funeral expenses. There are no subcontracted liabilities to other funeral service providers.

F.A. Albin & Sons Limited (The "Plan Provider") markets a pre-paid funeral plan ("The Plan") mainly under the Laurel Payment Plan brand name. All monies from these sales are held and controlled by the F A Albin Prearranged Funeral Trust. F A Albin & Sons Limited has given commitments to these clients to perform their funeral. The agreed amounts payable will be paid out of the funds held in the Trust. The investment strategy is set, implemented and monitored by the Trustees who take independent professional advice regarding the F A Albin Prearranged Funeral Trust's investment strategy. The Plan provides a facility whereby individuals Plan Holders can make advance payment for their funeral. This allows fully paid members the flexibility to plan any kind of funeral.

The Fund is a trust fund established about 30 years ago by The Plan Provider to receive payments from Plan-Holders in respect of the Plan. The Plan-Holder pays for the funeral at the price applicable and estimated at the time of application. There is a guarantee of the funeral cost at the price at application (subject to certain rules and guidelines) see Appendix II for further details and relevant legislative/guidance background. It must be emphasised that the Trust is merely a vehicle to reserve the cost of future funerals when required. It is F.A. Albin & Sons Limited who is the final backer of the absolute guarantee to provide the funerals to the highest standard as initially promised to Plan-Holders.

Plan holder data

The membership position at the current Valuation Date is set out below:

	Active as at 31 March 2023	Average age (un-weighted)	Estimated Present Funeral Costs at 31 March 2023
Total	**1,223**	**78.8**	**£4,360,000**

The number of live plans categorised by payment method/ total plan value in relation to undrawn or live plans categorised by payment method:

	PLANS TOTAL	VALUE TOTAL	% NUMBER	% VALUE
SINGLE PAYMENT PLANS	987	4,506,876	81%	80%
INSTALMENT PLANS PAID	166	810,703	13%	14%
INSTALMENT PLANS OUTSTANDING	70	361,353	6%	6%
	1,223	5,678,932	100%	100%

Average Plan Values (deposits plus fees) by payment method

SINGLE PAYMENT PLANS:	**£4,566**
INSTALMENT PLANS PAID:	**£4,884**
INSTALMENT PLANS OUTSTANDING:	**£5,162**

At the Review Date the amounts still to be received by the Trust in relation to partly paid instalment plans were £123,600.

Asset Data

TA Ltd relied on the list of investments appearing in the Trust's audited Financial Statements on 31 March 2022. At this date, the assets were taken as comprising the following:

Assumed Asset Class	Market Value £'000
Equities	1,400.0
Corporate Bonds	1,729.0
Cash	2,813.0
Total	5,942.0

The Grand Total of assets is £6,060k when one adds in the net current assets of £118k.

Investments Held

Transact Portfolio	£3,444,219
Administration account	£8,438
Moneymaster account	£1,379,107
UBS Portfolio	£1,110,524
Total	£5,942,288

Valuation on a Best Estimate basis on 31 March 2023

Summary Main Assumptions – previous triennial figures shown in brackets.

Discount Rate: 4.9% [1.9%] Rate of inflation of funeral costs: 3.5% [3.6%]

- *Mortality assumption: ELT 17 for males and females but mortality multiplied by 1.5 [2] An improvement rate of 1.5% p.a. was used (long cohort, CMI Mortality Projections Model 2015).
- 'Everyday expenses': £42,000 p.a. [£30,000] inflating at 4.2% [3.6%] p.a., 50% [50%] allocated to current Plan Holders.

Tax Treatment

Council's Opinion was that the Trust is not subject to tax, this burden is on the Company (which incidentally in our opinion has a strong covenant).

Withdrawal Assumptions

Ignored for the purposes of the valuation, as previously, due to low volume, less than 1% pa of the Customers.

Mortality Assumption detail

*Basically, this means the actuary assumed 1.5 times the normal number of deaths for the average persons in the England and Wales and also allows for future mortality improvements. The expectation of life of the membership at the review date was 8.8 years (average age 78.8 years). The 1.5 times adjustment is calculated in an experience investigation.

Retail Prices Inflation

At the Valuation Date, the Bank of England published a 3.5% RPI rate at the 9-year point of the UK implied inflation spot curve.

The assumed long-term rate of ***price inflation*** *is therefore indicated as*

3.5% per annum, however Albin's tend to be successful at controlling their funeral cost inflation rate, historically 2.5% p.a., and therefore 3.5% p.a. is a best estimate.

Investment Returns

Fixed Interest

As at the Valuation Date, relevant market yields were approximately as follows:

- 7 to 10-year corporate bonds 4.5% p.a. (provided by iBoxx)
- 10 year plus corporate bonds 4.7% p.a. (provided by iBoxx)

To calculate the global discount rate, these discount interest rates are factored proportional to the nature of the assets held at the Valuation Date to produce a best estimate investment yield.

Equities

In determining an appropriate discount interest rate relevant to the equity holding, a useful starting point is the yield on long-term gilts (15-year term) as they are virtually risk-fee investments. At the Valuation Date, there were yielding circa 3.64% p.a. It is then necessary to consider the additional long-term return that might be available from equities relative to gilts - the "Equity Risk Premium". The assumed Equity Risk Premium was 3.5% per annum, which implies an assumed long-term return for equities of 7.1% per annum rounded (3.64+3.5). This return is after any management charges levied on the unit funds.

Deposits

TA Ltd (after consulting the Trustees) has assumed a cash deposit rate of 4% before tax.

Adopted weighted return assumption: The table below implicitly assumes the Valuation Date proportional holdings maintained in the future.

Assumed Asset Class	**% of Fund**	**Assumed Gross Return**
Equities	23.6	7.1%
Corporate Bonds	29.1	4.6%
Cash	47.3	4.00%
Average Weighted Return	100.0	4.91%
	Rounded	**4.90%**

Valuation Method.

The first stage of the valuation process involves calculating the equivalent lump sum of the stream of projected future funeral costs using interest, inflation, and mortality; this process is called discounting. As a second stage this discounted value of the liabilities is compared against the current value of The Fund. The present value of expected future funeral costs was calculated for everyone by applying a whole life assurance factor to the funeral cost estimate at Valuation Date; this produces a valuation reserve like that of a single premium whole of life insurance policy. The rate at which The Fund accumulates depends on future investment returns, after allowing for any expenses met by The Fund. The cost of future funerals will depend on the rate at which funeral costs increase in the future. The incidence of payments from The Fund will depend on the mortality rates experienced by Plan-Holders.

The basic valuation process takes the projected outflows and answers the question "what would I need in the Trust pot now earning interest at the assumed rate, in the light of future funeral cost inflation and expense inflation and assumed mortality to discharge the liabilities of the Trust". I.e., the liabilities at the valuation date have been derived by discounting the projected cash flows over the lifetime of the Trust to the valuation date, using the valuation discount rate.

A fundamental principle of an actuarial valuation is that the valuation of assets and liabilities should be consistent; thus, the valuation is on the market value of the assets held by The Fund and in TA Ltd's opinion, the future rates of return reflecting relevant market related conditions at the Valuation Date.

The level of solvency of The Fund is determined by comparing the actuarial value of the benefits with the current value of The Fund. The Fund is 100% solvent (or funded) if the actuarial value of benefits equals the value of The Fund. The Fund would be in deficit if the actuarial value of future benefits plus expenses, including some assumed level of future funeral costs increase, when discounted at the assumed future investment rate were more than the current value of The Fund.

To carry out an actuarial valuation, it is necessary to make several assumptions. Some of these are of a statistical nature, such as estimates of the future rates of mortality; others are of an economic nature, such as the rate at which funeral costs are going to increase due to inflation, and the rates of return, expected on various asset classes.

Financial position of the Trust on a Best Estimate basis:

The funding level on a Best Estimate (BE) basis is 153% [The Best Estimate basis strips away margins for prudence].

Category	**£'000**
BE Liabilities (including expenses)	**3,906**
*Assets (at market) of investments + cash	**6,060**
Surplus {(b)-(a)}	**2,154**
Funding Level {(b)/(a) x 100%}	**155%**

The key risks (in terms of a change in the financial position from current levels) are:

If the cost of funeral inflation rate reduces by 0.5% then the funding level increases by 5.4% (surplus increases by £135,000).

If the discount rate reduces by 0.5% then the funding level falls by 5.5% (surplus falls by £144,000).

If the mortality is only 100% of the ELT17 table, then the funding level increases by 3.7% (surplus increases by £92,000). If the rate of improvement in mortality reduces to 1% pa (from 1.5% pa) the funding level reduces by 0.6% (surplus reduces by £13,000).

If the plan closes to new entrants, then the funding level reduces by 13.3% (surplus reduces by £369,000).

If there is a pandemic (say 10 times general population normal mortality) then the funding level falls by 11.2% (surplus reduces by £307,000) and the expectation of life falls to circa 25% of "1.5 times normal" population expectation. For example, the average expectation of life of 8.8 years at the valuation date falls to 2.1 years.

If Climate change reduces the return on equities by 1% p.a., then the funding level falls by 0.3% and the surplus falls by £6,000.

Geoff Arnold FIA (Fellow of the Institute of Actuaries)

For TrustActuarial Limited 4 September 2023

SAR Appendix

The level of all monies deducted from the trust over the year to 31 March 2023:

Total Payments was £510,398.

Total Expenditure was £60,327.

Grand Total: £570,725.

Identification of how the deductions have been spent:

Payments	
Funerals Disbursed	391,092
Trust Fund Transfers	(13,625)
F A Albin & Sons Costs	132,931
	510,398

Expenditure	
Salaries	0
Administration Costs	13,625
Professional Fees	24,698
Accountancy	6,000
Bank Charges	449
Sundry Expenses	2,500
Insurance	6,758
Training	6,297