Financial Reporting Council

May 2016

Consultation: Revised Specific TASs

Exposure draft: TAS 400 *Funeral Plan Trusts*

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Technical Actuarial Standard 400: Funeral Plan Trusts

This standard should be read in conjunction with Technical Actuarial Standard 100: *Principles for technical actuarial work* (TAS 100) and the *Framework for FRC technical actuarial standards*. Terms in **bold** are defined in the *Glossary of defined terms used in FRC technical actuarial standards*.

Purpose

Technical Actuarial Standard 400: Funeral Plan Trusts (TAS 400) promotes high quality **technical actuarial work** for **funeral plan trusts** on matters where there is a high degree of risk to the public interest. TAS 400 supports the Reliability Objective that "the **users** for whom actuarial information is created should be able to place a high degree of reliance on that information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information".

Scope of application

TAS 400 is applicable to ***Technical actuarial work*** *concerning the determination, calculation and verification of the assets and liabilities of a* ***funeral plan trust*** *required by legislation or the rules of the Funeral Planning Authority.*

Compliance

Members of the Institute and Faculty of Actuaries are required to comply with TAS 400 for work in its scope. Wider adoption is encouraged.

Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

Work within the scope of TAS 400 is also within the scope of TAS 100. Each of the provisions in TAS 400 shall be followed where they are relevant to the work.

Materiality: Departures from the provisions concerning **communications** to **users** are permitted if they are unlikely to have a **material** effect on the decisions of **users**.

Proportionality: Nothing in TAS 400 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity in the decision or assignment to which the work relates and the benefit that **users** would be expected to obtain from the work.

Disclosure: **Communications** shall include a statement confirming compliance with TAS 100 and TAS 400.

Commencement date

This standard applies to **technical actuarial work** in the scope of TAS 400 which is completed on or after 1 July 2017.

Provisions

The following provisions support the principles in TAS 100 and apply to all **technical actuarial work** in the scope of TAS 400.

Assumptions

1. **Communications** shall explain the derivation of the discount rate, mortality (base rates and projections), funeral cost inflation, expense, tax and other material assumptions.

2. Assumptions for base rates of mortality shall reflect the current plan holders of the **funeral plan trust**.

3. **Communications** shall provide an explanation for any difference between the actual experience emerging over the period since the previous exercise (if one exists) carried out for the same purpose with that assumed in that previous exercise.

4. **Communications** shall quantify the effect on results of any change in assumptions since the previous exercise (if one exists) carried out for the same purpose.

Models

5. **Communications** shall quantify the effect on results of any change in each of the **measures** and **methods** since the previous exercise (if one exists) carried out for the same purpose.

Communications

Estimating the value of liabilities

6. **Communications** shall explain the obligations under the trust deed underpinning the estimate of the liabilities of the **funeral plan trust** and describe where the liabilities of the **funeral plan trust** may differ from the liabilities of the trust-based funeral plan.

7. **Communications** shall explain how adverse risks to, and uncertainty in, the liability cash flows have been taken into account in the estimate of the liabilities of the **funeral plan trust**.

8. **Communications** which include an estimate of the value of the liabilities of the **funeral plan trust** which is not a best estimate shall include a best estimate of the value of those liabilities; and an explanation of the change to the relationship between the estimate and the best estimate from the previous similar and related exercise, if any.

9. **Communications** shall explain any allowance for discretionary elements in the amounts payable from the **funeral plan trust** in the estimate of the liabilities of the **funeral plan trust** and how the allowance has changed since the previous exercise (if one exists) for the same purpose.

Illustrating cash flows

10. **Communications** shall quantify the liability cash flows expected to arise in an appropriate period following the effective date of the estimate of the liabilities of the **funeral plan trust** with an explanation of the choice of the time period. Where appropriate, the quantifications shall show both the liability cash flows assuming the **funeral plan trust** is closed to new business and assuming it is open to new business.

11. **Communications** shall explain how the estimate of the liabilities of the **funeral plan trust** is derived from the liability cash flows.

12. **Communications** shall describe how the nature, term and characteristics of the liability cash flows compare with the cash flows from the current assets of the **funeral plan trust**.

Estimating the value of assets

13. **Communications** shall include an explanation of, and a rationale for, the **measures** used to quantify the value of the assets; and if the **measures** used are not fair value **measures**, an estimate of the fair value of the assets.

Communicating risk and uncertainty

14. **Communications** shall include sufficient **actuarial information** to enable the user to understand the sensitivity of the financial position of the **funeral plan trust** to material risks. The information that is provided shall include an indication of:

    - the impact of adverse scenarios on the value of liabilities at the valuation date; and
    - the potential impact of adverse scenarios on the financial position of the **funeral plan trust** over an appropriate time period with an explanation of the choice of the time period and a description of any assumptions about management actions.

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