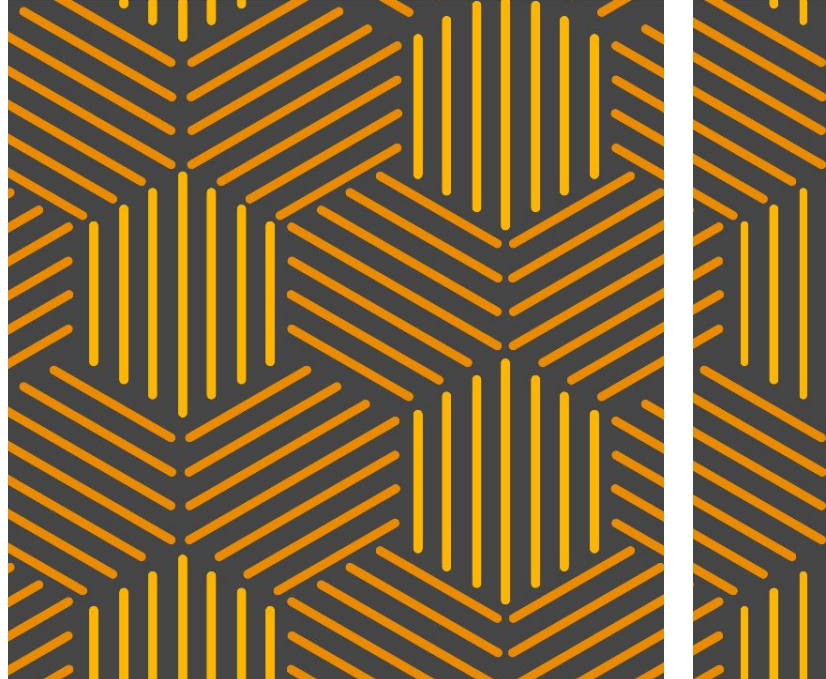


Peace of Mind Funeral Trust 2005

Solvency Assessment Report
as at 31 December 2021

July 2022



Important Notice

This report has been prepared by PricewaterhouseCoopers LLP based on the instructions provided by the Trustees of the Peace of Mind Funeral Trust 2005 (“the Trust”) (“the Trustees”) and, where appropriate, incorporates the advice of the responsible Actuary, Emma Morton, who is an employee of PricewaterhouseCoopers LLP, for the sole purpose that is set out in the Executive Summary.

We do not, in providing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Should any other person access and read this report, by reading this report such person accepts and agrees to the following terms:

- 1 The reader of this report understands that the work performed by PricewaterhouseCoopers LLP was performed in accordance with instructions provided by our addressee client and was performed exclusively for our addressee client’s sole benefit and use.
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A copy of this report has been sent to Dignity Funerals Limited (“the Company”) as set out in our agreement with them dated 16 July 2022. Under the basis of that agreement, the Company accepts that the work we have carried out is for the Trustees only and we do not accept any responsibility to any other party for it. In particular, we note that the Company will share this report with the FCA and will place it on its website as required by the FCA but PwC accepts no responsibility to anyone who may view the report other than the Trustees.

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1. Executive summary

The purpose of this solvency assessment report (“SAR”) is to advise the Trustees of the Peace of Mind Funeral Trust 2005 (“the Trust”) (“the Trustees”) of the results of the Solvency Assessment completed with an effective date of 31 December 2021 (“the valuation date”). This report follows the requirements set out by the FCA in the FCA handbook and specifically FPCOB 3.2.

This is the first Solvency Assessment Report (“SAR”) produced for the Trust, in anticipation of the upcoming FCA regulations taking effect on 29 July 2022.

The results provided in this SAR were previously provided to the Trustees in our valuation report dated March 2022.

The solvency assessment values a “cover level” for each plan held by the Trust. The cover level is the amount the Company will withdraw from the Trust to provide a funeral for the plan holder. For this Trust, the cover level is set equal to the share of the assets of the Trust attributable to each plan.

We have only considered the plans in force at the valuation date, and have made no allowance for any financial support that may be available from the Company.

This report, taken together with all associated letters and emails, has been prepared in accordance with the Technical Actuarial Standards, issued by the Financial Reporting Council, that are relevant to the scope of this work insofar as they apply. These are TAS 100 (Principles for Actuarial work) and TAS 400 (Funeral plan trusts). The latest TAS 400 publication does not yet reflect the upcoming FCA regulation, and we have therefore applied TAS 400 to the extent considered relevant to the SAR rules prescribed by the FCA.

The SAR requires that liabilities are measured on a “best estimate” basis, which is a basis where there is an equal chance that actual results will be either better or worse than assumed. The Trust operates on a “share of fund” basis where the sum of each plan holders’ share of fund equals the market value of the Trust assets at the valuation date. The FCA’s definition of the “solvency level” (used in this report) is the ratio of trust assets over trust liabilities, measured on a best estimate basis. For a Trust that operates on a share of fund basis, the surplus will always be nil and the solvency level will always be 100%.

The market value of the Trust’s assets as at 31 December 2021 has been calculated to be £12.2 million. The best-estimate liabilities of the Trust are also valued at £12.2m, which results in:

A surplus – i.e. assets less ongoing liabilities – of **£nil**

A solvency level (as defined by the FCA) of **100%**

While this is the first SAR that has been produced for this Trust, the Trust has undergone actuarial valuations in previous years. At the prior valuation date of 30 September 2020 the market value of the Trust’s assets was £12.8m. The liabilities of the Trust were also taken to be £12.8m, so the solvency level was 100%.

2. Description of plans

A sum of money was paid into the Trust for each plan holder at the time the funeral plan was acquired. This money is held in the Trust until the plan holder dies. At that time an amount equal to the plan holder's proportional share of the fund is paid to an approved funeral provider who then provides the funeral.

The cover level for each plan holder at any point in time is the plan holder's proportional share of the Trust assets (as per the Trust management accounts). Therefore the total cover level across all plan holders equals the total Trust assets.

We understand that the Trustees rely on legal advice that the Company has obtained to confirm that this Trust should be operated on a share of fund basis. We therefore understand that the Trust has no obligation to pay out more than the value of the Trust assets, whatever that value should be.

We have not considered how the share of fund attributed to each member relates to the expected cost of future funeral provision. Neither have we considered how the cover levels determined on this basis compare to the cost of providing a funeral on the open market or otherwise how the plans could be provided if the Company is unable to provide the funeral, including on insolvency.

The Trust is closed to new business.

3. Summary of membership data

We have not been provided with data on the Trust's plan holders as this is not needed for the valuation of a share of funds Trust. The Trust Secretary provided us with unaudited management accounts as at 31 December 2021 on 2 February 2022. The accounts show the total number of plan holders in the Trust at the valuation date was 3,849.

We can determine the average cover level for each plan holder by dividing the value of the assets (shown on page 7) by the number of plan holders, as follows:

Fund summary	
Net asset value of the Trust	£12,169,000
Number of plan holders	3,849
Average share of fund per plan holder	£3,162

* FPCOB 3.2 requires disclosure of 'plan value' in this report. 'Plan value' is not defined by the FCA and so we have interpreted it to refer to cover levels (as defined in this report). However, we believe that other interpretations are possible.

4. Assets

Details of the assets held by the Trust and deductions have been supplied in the form of unaudited management accounts for the quarter ending 31 December 2021 provided by the Trust Secretary on 2 February 2022. As these accounts are unaudited these figures have not been independently verified.

We have relied on the statement of net assets provided in these management accounts as being true and accurate and have not carried out any checks to confirm this. All invested assets are held with BNY Mellon at the valuation date.

As at 31 December 2021	£000s*
BNY Mellon Real Pension Fund	6,663
Cash & net current liabilities	4,818
Cash at bank	1,140
Insurance Prepayment and other debtors	2
Market value of Trust assets	12,623
Current liabilities	
Tax liability	(97)
Accounting and audit accrual	(6)
Professional fees accrual	(3)
Net Current Assets	12,517
Provision for deferred tax	(348)
Total assets for valuation	12,169

Monies deducted from Trust over 9 months to 31 December 2021 (£k)*

Payments on death during the year	785
Tax and expenses	130

* Data in this table is shown over 9 months because the final 3 months' data was not available at time of reporting.

5. Valuation method and assumptions

Liabilities

As this is a share of funds Trust, the liability for each plan holder has been taken to be a proportionate share of the Trust assets.

We have allowed for no additional liabilities, such as expenses.

We have only considered the plans in force at the valuation date, and have made no allowance for any financial support that may be available from the Company.

We have not included expected cash flows in this report, as we have not been provided with the data to do this and it is not needed for our solvency calculation.

Assumptions

We do not use financial or demographic assumptions to calculate the liabilities of the Trust because they are determined on a share of fund basis.

Assets

We have valued assets at their market value.

6. Valuation results

The results of the valuation on the basis as described on page 8 are shown below.

As at 31 December 2021	Best Estimate Results (£000s)
Market value of Trust assets	12,623
Current Assets	0
Current Liabilities	(106)
Total Current Assets	12,517
Provision for deferred tax	(348)
Total Assets	12,169
Liability relating to Trust cover levels	12,169
Total Liabilities	12,169
Surplus / (deficit)	0
Solvency level	100%

7. Sensitivity analysis



There are no actuarial assumptions underlying the valuation results, and therefore no sensitivity scenarios to display.

8. Risks and uncertainty

The Trust is exposed to the following risks which need to be managed appropriately:

- **Investment risk:** the risk that variations in investment returns and asset values may mean that the resulting shares of fund vary over time, although this should not impact the solvency of the Trust.
- **Inflation risk:** the risk that a period of high inflation results in higher than expected increases to the cost of providing funerals, resulting in the share of fund per member being insufficient to provide the promised funeral, although this should not impact the solvency of the Trust.
- **Data:** the risk of errors in the underlying data which would directly impact the valuation of the Trust's assets and liabilities.
- **Covenant risk:** the risk that the Company is no longer able to support the Trust or provide the funerals promised to plan holders.
- **Climate risk:** the investment risk due to the effects of a transition to a lower carbon economy on the investment markets.

9. Conclusion

This report sets out the results of the solvency assessment of the Trust as at 31 December 2021.

The results of the valuation show a balanced position (i.e. neither a surplus nor deficit exists), as measured on a best estimate share of fund basis, equivalent to a solvency level of 100%.

For compliance with the documentation of the Trust and the FCA regulations, we understand that the next assessment should be carried out as at an effective date no later than 31 December 2022.



Emma Morton

Fellow of the Institute of Actuaries

PricewaterhouseCoopers LLP

July 2022

This document has been prepared only for Trustees of the Peace of Mind Funeral Trust 2005 and solely for the purpose and on the terms agreed with us as per our engagement letter dated 3 February 2021. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else without prior consent.

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