

**Illinois Funeral Directors Association**

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## IFDA Preneed Trust: Questions and Answers

### Statement

The Illinois Funeral Directors Association is very pleased that Merrill Lynch Bank & Trust Co. FSB (MLTC) has formally assumed the responsibilities as trustee of the IFDA Preneed Trust. While this transition was anticipated for months, we have been working diligently with the Illinois Department of Financial and Professional Regulation, the Illinois Division of Insurance, the Illinois Division of Banks and the Illinois Office of the Comptroller to ensure that this action is in the best interests of our trust participants and the families that we faithfully serve.

Over the last two years, IFDA has come to recognize that financial challenges were created years ago when IFDA Trust crediting rate policies set too high an interest rate for what the Trust actually earned in the financial markets. This, coupled with serious losses in the financial market, was the source of the imbalance between assets and liabilities in the IFDA Trust.

In transitioning to MLTC, IFDA has adjusted all current funeral director preneed trust accounts to reflect actual investment performance and discontinued the prior use of applying a crediting rate to all account balances. The valuation on a mark-to-market basis addressed the imbalance between assets and liabilities.

In addition, however, we await the determination of how to maximize the value of a large pool of IFDA assets -- life insurance policies with a face value of more than \$160 million held by the IFDA Preneed Trust. The actuarial study to guide that determination is presently being analyzed and then a mechanism will be formulated to allocate any proceeds of the life insurance policies for the benefit of trust participants' accounts.

While proceeds from the life insurance policies would provide additional support to trust participants in the long term, until the value of those policies is determined, we cannot predict any additional proceeds to trust participants.

Consumers who have purchased preneed funeral contracts

should understand this transition has very little, if any, impact on them because both "non-guaranteed" and "guaranteed" preneed contracts contain protections for consumers.

The very nature of a "non-guaranteed" preneed contract is earnings are not guaranteed, but the amount of principal paid by the consumer is protected. The value of non-guaranteed contracts is determined at the time of need and any paid principal is a deposit toward the final cost. If there are any earnings in the Trust investments, those earnings are credited toward the final purchase price. But if there are no earnings, the amount of principal paid is still protected by law and applied on behalf of the consumer to the final purchase price.

In the case of "guaranteed" preneed contracts, Illinois law clearly states those contracts are guaranteed and funeral directors are to provide those services to consumers in full.

The IFDA Board has worked tirelessly to identify a resolution to the Trust's financial challenges that is in the best interest of all funeral directors who participate in the Trust. The Association regrets and apologizes for the inconvenience these challenges may create for funeral directors who hold accounts in the Trust. We are hopeful that a plan can be fashioned to restore earnings to funeral directors over the long term.

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