



SOCIETY OF ACTUARIES

Article from:

The Actuary

December 1988 – Volume 22, No. 11

Report from the Administration and Finance Committee

by Michael J. Cowell

Annual income £20, annual expenditure nineteen pounds, nineteen shillings and sixpence, result happiness. Annual income £20, annual expenditure twenty pounds ought and sixpence, result misery.

Charles Dickens, *David Copperfield*

The Society ended its fiscal year July 31, 1988, with total revenues of \$7,158,000, total expenses of \$6,672,000, and a surplus of \$486,000.

Wilkins Micawber, the source of the above advice, would have probably declared this result, ecstasy.

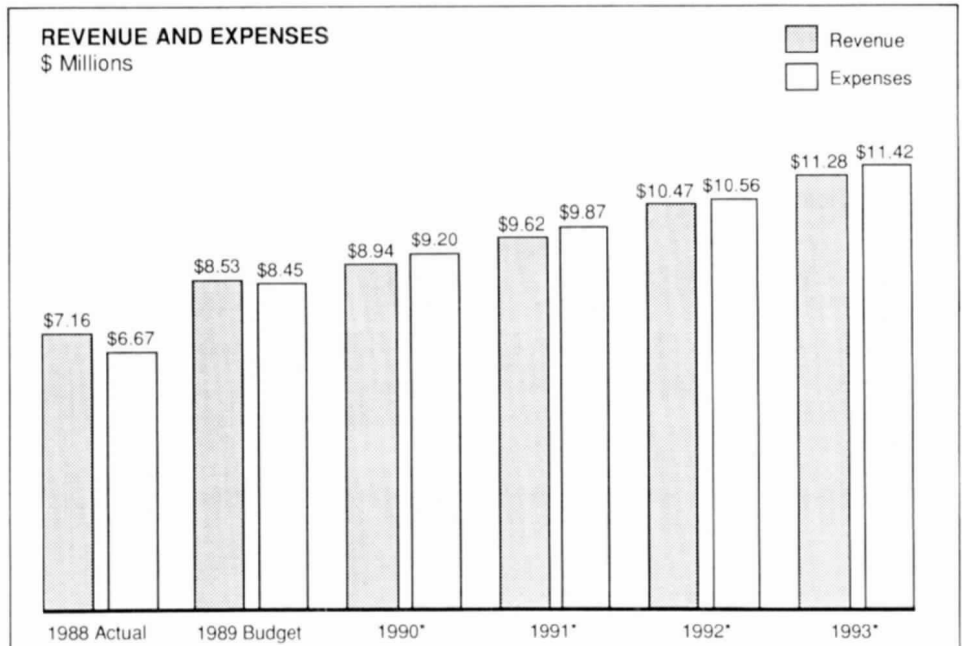
The Society's three major activities — education and examination, meetings, and seminars — are budgeted to operate on a self-supporting basis. For the past two years, each department has met its budget, finishing with a contribution surplus.

The 1988 budget surplus was caused largely by revenue coming in higher than planned from examination fees, textbook sales, and seminars. Total expenses were within 1% of budget. However, total revenues exceeded budget by 9%.

Expenses for the Society's other four activities — membership services, public information, research, and general administration — have, for the past three years, been more than covered by revenues, principally membership dues. However, while expenses continue to increase in proportion to the three self-supporting activities, the available revenues for these support services for members are driven principally by membership.

Thus, 1987 was the first year in which membership dues were outstripped by examination fees. In 1988 that trend continued, with exam fees of almost \$2.4 million accounting for one-third of total revenues, while membership dues at \$1.7 million were distant second at only 23% of total.

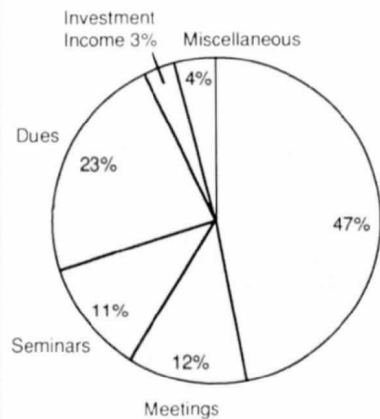
Another trend, reflecting the continuing shift in the Society's operations toward fee-for-service activities, is that revenues from seminars are rapidly approaching income from meeting registration fees. In the 1989



* Plan

1988 REVENUE AND EXPENSES BY CATEGORY

REVENUE: \$7.158m



EXPENSES: \$6.672m



budget, seminar revenues are projected to exceed \$1 million for the first time, and to begin outstripping meeting registration fees. To summarize, expenses for support activities continue to increase faster than membership dues plus revenues from miscellaneous sources.

As of last July 31, membership equity stood at \$2,291,000, or 27% of the proposed budget for fiscal year 1989. This is the same ratio of equity to expense as a year ago and is

slightly above the Board's guideline of 25%.

Last year I alerted members to the possibility of another dues increase. To avoid a major increase in any one year, the Administration and Finance Committee recommended, and the Board approved, what I trust the membership will consider a modest increase in dues for 1989.

For Fellows and for Associates of 10 or more years, 1989 dues will be \$220, up from \$200. For the other two

Finance cont'd

classes of Associates, dues will increase from \$150 to \$160, and from \$100 to \$110.

The years ahead show growth in the trend of the Society's income shifting to fee-for-service activities. Over the past year, the Administration and Finance Committee has refined its recommendation for surplus policy, with contributions to surplus funded principally by investment income. We have also recommended a schedule of registration fees for examinations, meetings, and seminars that will keep these activities self-supporting and provide the margins necessary for their appropriate contribution to membership equity.

The 1988 Committee and Section Reports comments on the involvement by the Administration and Finance Committee in the relocation of the Society office. This was a major move, designed to provide adequate facilities through the end of the next decade and possibly into the early years of the next century. The Society negotiated a most favorable lease arrangement for a 13-year period, with significant concessions that provide for virtually no payments for the first four of the 13 years. Although for budget purposes these concessions will be amortized over the entire 13-year period, the result is substantially improved cash flow for the next four years.

For the current fiscal year the Board approved a budget of almost \$8.5 million of expenses and revenues of just over \$8.5 million, for a projected surplus of \$80,000. While this is quite close to Mr. Micawber's margin of safety for happiness, we are reasonably confident that the Society will again enjoy a financially sound year.

As the Society grows, we will continue to seek ways to achieve economies of scale that will provide members with the most service for their dues and registration fees. We will also focus on other Society activities to seek ways to operate them so as to generate larger contributions to surplus.

Although the years beyond 1989 project expenses exceeding revenues, we believe this is largely a reflection of the problem we have encountered for the past two years, namely, revenues in a period of rapid growth



OUTGOING SOA PRESIDENT Gary Corbett, right, passes the gavel to Ian M. Rolland, who will serve as president for 1988-89.



PRESIDENT-ELECT Allan D. Affleck speaks at the SOA/AAA Annual Meeting, which drew 1,440 registrants to Boston October 23-26.



PROFESSOR HARRY H. Panjer, right, of the University of Waterloo was co-recipient of the 1988 Annual Prize for the Best Paper Published in the *Transactions*. Panjer, who receives a plaque from outgoing President Gary Corbett, shared the honor with Louis J. Lombardi of Connecticut Mutual Life Insurance Company.

running ahead of our ability to anticipate them.

During the coming year, the Administration and Finance Committee will examine its methodology for projecting revenues in an attempt to anticipate them more precisely.

In closing, the Administration and Finance Committee thanks John O'Connor and the other members of the Society office staff, especially Bill Kepraios, Director of Finance, for making our job that much easier.

A complete report of the Society's finances and an audited statement from Ernst & Whinney are available for inspection by writing to Bill Kepraios at the Society office. If you have questions or concerns about the Society's finances or the administration of the Society office, please write to me at UNUM Life Insurance Company, 2211 Congress Street, Portland, ME 04122.

Michael J. Cowell, Treasurer of the SOA, is Vice President & Corporate Actuary, UNUM Life Insurance Company.