



SOCIETY OF ACTUARIES

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# Annual treasurer's report



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The results for the 1997 fiscal year are in, and the year has been positive. In 1997, the SOA showed an increase in net assets, but a good portion of this was due to the increase in the market value of one category of assets, SPDRs (S&P Indexed Depository Receipts).

The SOA board approved the 1998 budget, which includes some increases in dues and fees. The board and various committees are monitoring expenses to ensure that the right amount of money is being spent on the right things, with an eye to reducing expenses where possible.

## Details on the numbers

The results on the SOA's Unrestricted Fund Available for Operations on the management basis of accounting for the fiscal year ending July 31, 1997, were as follows:

	Amounts (In \$1000's)
Income	\$ 15,900
Operating Expenses	15,157
Change in Net Assets	\$ 743
Net Assets as of July 31, 1997	\$ 6,431

Of the positive change in net assets of \$743,000, \$527,000 arose from the gains in the investment portfolio. Much of this was due to the increased market values of the SPDRs. Since market

values (especially those linked to equity markets) are quite volatile, some of these "paper gains" could just as quickly turn into losses.

The net assets of \$6,431,000 is about 40% of the annualized expenses. In 1998, the target net assets ratio will be reexamined by the Finance Committee, which expects to recommend a reasonable net assets ratio for the future.

Not included in the Unrestricted Fund Available for Operations' net assets is the \$1,193,000 of net assets of the special interest Sections and other restricted funds. These moneys benefit the membership but are not considered part of the SOA's operating budget.

The complete GAAP financial statements and the report of the independent auditors, Selden, Fox, and Associates, Ltd., will be published in the *TSA Reports*. These have been reviewed by the Finance and Audit Committees and approved by the SOA Board of Governors. The SOA management financial statements differ from the GAAP statements; the SOA management accounts for research projects on an "as committed" basis rather than the "paid or accrued" GAAP basis, so the management statements are more conservative than the GAAP statements. The GAAP basis statements also consider the special interest Sections' net assets as part of unrestricted net assets.

## More details

For financial management and budget purposes, the operations of the SOA are broken down into four service segments:

1. Basic Education (examinations)
2. Continuing Education (meetings and seminars)
3. Research
4. Member Services, which also includes general overhead and other activities

There is a revenue-sharing plan, and each area is expected to stand on its own after the revenue sharing.

Research is credited with 25% of the dues and 10% of the basic education income. The Member Services area receives 75% of the dues and 5% of all education income. Of the increase in net assets in 1997, some came from the Basic Education area, some from Continuing Education, and some from Member Services, with Research reporting a small loss. The Finance Committee and the board will continue to monitor the contributions to net assets from the various areas.

## Special programs

On occasion, the SOA board votes to fund special programs or initiatives. In 1997, the board voted to establish a technology fund from a \$200,000 profit generated from the sale of one-third of the SPDRs in the SOA portfolio (see "Picking up the pace with technology," page 14.)

In addition, the board voted to fund a satellite office in Hong Kong to assist in the educational and professional needs of students and actuaries in Asia (see, "Circling the globe" page 10).

## The future

The five-year plan beginning in 1998 projects some losses due in part to the extensive revamping of the education and examination system. It also recognizes that we cannot count on the continued growth in the number of students taking exams. To offset the expected losses, certain dues and fees will be increased. For 1998, dues for Fellows and Associates who became Associates prior to 1995 will increase by \$10 and the dues for Associates who become Associates after 1994 will increase by \$5. Also, the amount waived for retired members between the ages of 55 and 69 has been changed to the amount equal to the current year's dues less \$50.

In closing, the SOA board is working to assure that SOA dollars are wisely managed for the near term and the years ahead.