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Annual treasurer's report



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After a lively meeting in October, the 1999 SOA budget, which included some major changes to the budget originally proposed, was approved. However, even with the changes, which include some increases in dues and fees, the budget still shows a modest deficit. The SOA Board and committees will be 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 short summary of the SOA finances is that they are okay right now. The SOA went to a calendar year basis of accounting last year. Therefore, the last numbers to be audited were those for the five months ended Dec. 31, 1997. The 1998 budget, which was originally anticipated to run a deficit, appears to be developing somewhat better than anticipated because of some expense savings.

The summary of the 1999 budget, as approved by the SOA board in October, is as follows:

	Amounts (In \$1,000s)
Income	\$ 17,229
Operating expenses	17,274
Change in net assets	\$ (46)
Anticipated member equity as of Dec. 31, '99	\$ 6,478

The membership equity position of \$6.5 million is about 38% of the annualized expenses. This is in line with our

target equity position of 30% to 50% of annualized expenses. The finance committee conducted a survey in 1998 and found that, for nonprofit associations of similar size to the SOA, the average equity being held is a little above 40%. Equity is there for both large one-time expenses (e.g., the initial funding of The Actuarial Foundation), and to cover unanticipated contingencies.

Not included in the surplus position of the SOA is the \$1,482,000 of surplus of the special interest Sections and other restricted funds. These monies benefit the membership but are not controlled by the SOA board.

The complete GAAP financial statements and the report of the independent auditors, Selden, Fox and Associates, Ltd. for each fiscal year will be published in the *TSA Reports*. 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, 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. Member services receive 75% of the dues and 5% of all education income.

Basic education

For 1999, it is expected that the basic education segment, which has total expenses of about \$5.8 million, will run a deficit of about \$300,000 (after its 10% and 5% contributions to research and member services respectively, which total \$970,000). Behind this situation is the possibility that fewer people are taking the exams; it is likely some will resume after the exam

changes in 2000. (See section, "Building for the future," page 16.)
Continuing education

The continuing education segment — which includes the spring and annual meetings, seminars, and symposia — has expenses of about \$3.8 million. This segment typically runs fairly close to break-even. In 1999, some increases in continuing education fees are expected to generate a positive contribution to the SOA of about \$333,000. (One increase stems from a board decision to charge spouses attending activities at the spring meetings \$100 and a higher fee for the annual meeting in 1999 because of the 50th anniversary celebration.)

Research

In 1999, the SOA plans to spend approximately \$2.5 million on research. This includes funding of Foundation expenses, which amount to approximately \$450,000. After allocation from other segments, this area had been running slight deficits. However, due in part to a board decision to cut the allocation to research in 1999, it is anticipated that this segment will have a net contribution of about \$200,000.

Member and office support

In 1999, the total expected expenditures on member services are about \$5.2 million. This includes membership services (such as *The Actuary*, the *North American Actuarial Journal*, and other publications and services), which account for about \$2.8 million; public information programs, \$0.4 million; international support, about \$0.4 million; and administration, about \$1.6 million. Even with the allocations from the other segments, this area is anticipated to run a 1999 deficit of about \$300,000.

The future

The five-year fiscal plan shows some losses in the basic education segment due in part to the major changes in the education and examination system. It also recognizes that we cannot count

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Looking outward

Expanding SOA relationships was theme of 1997-98 year

In her address at the 1997 SOA annual meeting, incoming president Anna Rappaport gave high priority to "further develop(ing) multidisciplinary joint ventures with other professional associations and academia, including facilitating the exchange of ideas between academics and practitioners."

Rappaport's presidential year was marked by continuous efforts linking the Society and the profession with other disciplines. Both the Society's programs and Rappaport's individual activities as president reflected her commitment to her presidential year's theme, "Reaching Out to Make a Difference."

Rappaport's commitment stemmed from the value such relationships can bring to the profession. In a time when institutions and disciplines are merging even as new discoveries are made in financial areas, multidisciplinary projects offer actuaries a way to gain and contribute to new knowledge that is richer and, therefore, perhaps more complete than that of the past. When actuaries take prominent roles in such projects, the importance of actuaries and their work can become visible in a highly positive way to leaders outside the profession.

Building relationships across professions, borders
As Rappaport's presidential year began, the Society staged a multidisciplinary seminar that was the second phase of a three-phase joint research project

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related to social security systems. The project, "Impact of Mortality Improvement on Social Security: Canada, Mexico, and the United States," set the tone for the year. It brought actuaries together with leaders in several important disciplines to address a critical societal topic, social security, affecting people worldwide. Also, the issues involved in projecting mortality are important to actuaries in life, health, and pension practices.

The project began a few months earlier with a review and analysis of existing literature on mortality improvement and its measurement. It continued on Oct. 30, 1997, in Washington, D.C., with an invitation-only seminar of 80 experts from academia, government, and business in the fields of actuarial science, demography, economics, medical research, and public policy. A survey of these experts asked their opinions and best estimates on several mortality measurement topics, including the expected range of mortality improvement in each NAFTA country. Phase three examined projections for social security financing in light of the experts' views, and the results were presented at a session held Feb. 17 during the 150th annual meeting of the American Association for the Advancement of Science (AAAS) in Philadelphia. A six-member panel of

four eminent actuaries, a top administrator of Mexico's social security system, and an academic dean presented the project's results, which indicated that social security financing is adequate for the foreseeable future.

The project's reach was extended in March when Michael M.C. Sze, chair of the project oversight group, made a presentation to the International Institute for Applied Systems Analysis. Based in Austria, the 13-country organization had sent a representative to the AAAS meeting, where the representative heard the Society's presentation and recommended it to the institute's leaders. This highlights one of the values of visibility with multidisciplinary groups such as the AAAS.

Also early in the presidential year, risk experts from several disciplines gathered for the SOA's conference, "Integrated Approaches to Risk Measurement in the Financial Services Industry." The conference, held Dec. 8-9, 1997, in Atlanta, recognized the ongoing mergers of financial institutions and, therefore, the need to manage risk for the full range of financial vehicles, including insurance, within an institution. Discussion centered on many of the key methodologies, especially value at risk, underlying risk management. Speakers represented the fields of economics, accounting, risk management, and finance and came from academia and eminent financial services firms. With

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on continued growth in the number of students taking exams. To reduce the expected losses, certain dues and fees will be increased. For 1999, dues for Fellows and Associates who became Associates prior to 1996 will increase

by \$25, and the dues for Associates who become Associates after 1995 will increase by \$15.

Cutting programs when necessary is hard. Yes, it is true that we had a phrase, "The board hasn't met a

program it didn't like," but for the SOA to remain fiscally responsible, costs will continue to be monitored and steps taken to contain them when needed.