



SOCIETY OF ACTUARIES

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Annual treasurer's report



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The SOA's budget for 1999, even with a \$25 increase in dues (for Fellows and for those who have been Associates for four years or more) had a projected loss of \$46,000. The SOA Board wanted to improve these results for the year 2000 budget and spent considerable time early this year debating budget policies and objectives. One objective adopted early in the process was to make future dues increases consistent with general inflation. For 2000, dues for Fellows and for Associates who became ASAs prior to 1997 will increase by \$10 to \$335, and the dues for Associates who became Associates after 1996 will increase by \$5 to \$165.

Policies also were adopted on target budget goals for each of the four main service segments (basic education; continuing education; research; and member services, overhead, and other activities). These policies have an immediate impact on decisions such as the pricing of the year 2000 exam syllabus and the year 2000 spring and annual meetings. Longer term, these policies will influence the level of

general services provided and/or stimulate the leadership to seek additional sources of revenue.

The numbers

The SOA Board wanted the 2000 budget to break even. The summary of the budget, as approved by the board in October, is compared below with the 1998 actual and 1999 budget:

| | Amounts (In \$1000's) |
|---|--------------------------|
| Income | |
| 1998 Actual | \$16,328 |
| 1999 Budget | 17,229 |
| 2000 Budget | 19,655 |
| Change in Net Assets | |
| 1998 Actual | 72 |
| 1999 Budget | (46) |
| 2000 Budget | (3) |
| Anticipated member equity as of Dec. 31, 1999 | \$6,782 |

The above figures are on our management basis of accounting, which is slightly more conservative than GAAP. The complete GAAP financial statements and the report of the independent auditors will be published in the *TSA Reports*.

The current budgeted membership equity position of \$6.8 million is about 35% of annualized expenses, compared with the target minimum of 30%. As of mid-November, it was difficult to predict 1999's results. The September financials overall were close to budget, but it seemed likely that the year-end actual figures would exceed budget. If this happens, the membership equity will be somewhat reduced, but it should still be above the 30% level. Not included in the surplus position is approximately \$1.6 million of restricted funds (mostly Sections' surpluses).

Commentary on 2000 budget

Basic education revenue is budgeted at \$8.3 million. Sales of study notes are

expected to provide a one-time bulge in revenue next year, the first year of the new syllabus. For the year 2001, we expect basic education to just meet its budget objective.

Continuing education – which includes the spring and annual meetings, seminars, and symposiums – has been asked by the board to increase its activities to support continuing education for existing members and the professional development component of the Fellowship track. At the same time, it is expected to pay its own way and even contribute a little to the bottom line. The 1999 results are skewed by the 50th Anniversary Annual Meeting. For the year 2000, some expense reduction and/or revenue enhancements will be needed for the meetings, compared with 1998.

Research expenses for 2000 include \$0.4 million for support of The Actuarial Foundation, \$1.0 million for experience studies (offset by \$0.8 million of experience studies revenues), and \$1.3 million for other research activities. The board recently approved an agreement with the Foundation that controls the level of support, and the board plans to address the efficiency of other research activities in the coming year.

The member services, overhead, and other activities category, which is largely supported by dues revenue, has \$6.2 million of budgeted expenses for the year 2000, a 30% increase over 1997. This increase is attributable to new staff and programs. Future growth will need to decrease significantly unless other revenue sources are found.

The SOA has an adequate surplus, but budgets in 2001 and later will be more difficult to balance because contributions from basic education are expected to decline. Some tough decisions will need to be made.