



SOCIETY OF ACTUARIES

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Annual treasurer's report

by Douglas C. Doll, SOA Vice President/Secretary/Treasurer

The SOA's 1999 financial results, because of some adverse variances late in the year, had a management basis loss of \$366,000. This loss is approximately 2% of revenue. We are a nonprofit organization, and occasional losses are not cause for great concern. However, the SOA Board early this year endorsed using some natural attrition and realignment of SOA staff and other cost savings to strengthen the budget expectations for this year. Therefore, although the year 2000 budget called for a loss of \$3,000, our expectations are that this year will end up with a slight gain.

Dues

A budget policy that the Board has not changed from last year is that future dues should increase consistently with general inflation. For 2001, dues for Fellows and for Associates who became ASA's prior to 1998 will increase by \$10 to \$345, and the dues for Associates who became Associates after 1997 will increase by \$5 to \$175.

Results and next year's budget

The summary of the budget for 2001, as approved by the Board in October, is compared below with the 1999 actual and 2000 budget:

	Amounts (in \$1000s)
Income	
1999 Actual	\$17,463
2000 Budget	19,155
2001 Budget	18,442
Change in Net Assets	
1999 Actual	(366)
2000 Budget	(3)
2001 Budget	200
Budgeted member equity	
as of Dec. 31, 2000	\$ 6,462

These 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 included in the *TSA Reports*.

The current budgeted membership equity position of \$6.5 million is about 35% of annualized expenses, compared with a targeted range of 30-50%. As previously noted, the actual results for 2000 are expected to be slightly better than budget. The actual results are dependent not only on income and expenses, but on investment results. The SOA's investment income includes changes in market values, and its assets include approximately \$2 million in S&P indexed funds, which have been accumulated over the past few years. The SOA is not currently purchasing any additional equities. Not included in the \$6.5 million surplus position is an additional \$1.6 million of restricted funds (mostly Sections' surpluses).

Four service segments

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

- ▶ Basic education (E&E)
- ▶ Continuing education (meetings and seminars)
- ▶ Research (basic research, experience studies, and SOA Foundation support)
- ▶ Member services, general overhead and other activities.

Basic and continuing education are expected not only to be self-supporting, but to contribute to research and to help cover overhead. Membership dues are allocated partly to research and mostly to member services.

A couple of years ago, there was considerable uncertainty about the impact of the new exam syllabus on finances. There was



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a decrease in basic education revenue in 1999, as students looked forward to year 2000. The 2000 budget anticipated a large surge in revenue as students converted to the new system. The surge did not occur, but expenses also were less than budgeted. It now appears that both revenue and expenses for year 2000 (and budgeted for 2001) will be similar to 1998.

The future

The new Board intends to revisit the target objectives of the four service segments. Basic education revenue is expected to exceed direct expenses by a significant margin for the next few years, but can this be expected to continue under the long-term changes envisioned by the "Big Tent" and the changes that may be recommended by the Task Force on Education and Qualification 2005? The Board is satisfied with the SOA's current equity position and has a bottom-line objective of having equity grow in line with overall growth of the SOA. The year 2001 budget is a step in that direction.