



SOCIETY OF ACTUARIES

Article from:

The Actuary

December 1990 – Volume 24, No. 11

Annual report from SOA Treasurer

by Michael J. Cowell
 Treasurer, Society of Actuaries, 1986-90
 Address at SOA Annual Meeting
 October 15, 1990
 Orlando, Florida

The Society operated in fiscal 1990 with a budget of \$10.2 million in revenue and just under \$10.1 million of expenses, a margin of only 1% of budget. The results for the year exceeded those budgeted, producing a contribution to surplus of \$918,000, the largest in the Society's history.

The following charts show the sources of Society revenue, and how these funds were spent. For the fiscal year ended July 31, 1990, total revenues of \$10,022,000 were 98% of budget, while total expenses of \$9,104,000 were only 90% of budget.

Self-supporting activities

Three major activities – Education and Examination (E&E), Meetings, and Seminars – are budgeted to operate on a self-supporting basis. This means that these activities are expected not

only to break even, but also to provide a margin to contribute to the Society's membership equity. Table 1 shows a trend of substantial growth in both revenue and margin contribution from these activities.

Table 1
Summary of Self-Supporting Activities
Total of E&E, Meetings, and Seminars
 (000's)

	Revenue	Expense	Margin
1986	\$3,038	\$2,878	\$ 160
1987	3,849	3,710	139
1988	4,954	4,492	462
1989	6,028	5,581	447
1990	7,075	5,871	1,204

E&E activities continue to be by far the largest single source of gross revenue, accounting for more than 50% of total Society revenue. As in recent years, E&E again had the largest excess of revenue over expense, accounting for \$1,109,000 of the total margin from the self-supporting activities.

Membership programs, which comprise meetings, seminars, and symposia, made a combined contribution to surplus of \$95,000.

Research

At the 1988 Annual Meeting, the Board of Governors made a major commitment to expand the Society's research activities. Prior to that time, research expenses consisted mainly of the annual cost of experience studies, which were more than covered by revenue from this activity. Until funding of the Society's research efforts becomes sufficient to cover expenses, it is anticipated that the margins from the three major self-supporting activities will partially offset deficits from research. Table 2 reflects this increased commitment to research over the past few years.

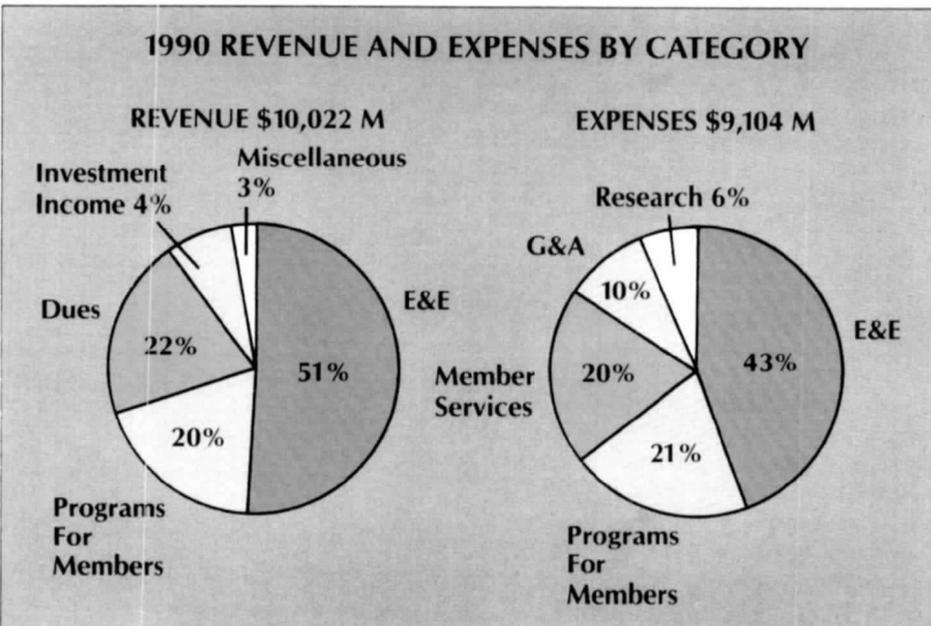


Table 2
Research Activities
 (000's)

	Revenue	Expense	Margin
1986	nominal	\$139	\$(139)
1987	nominal	179	(179)
1988	nominal	217	(217)
1989	535	811	(276)
1990	20	558	(538)

Other activities

Expenses for all other Society activities – Membership Services, Public Information, and General Administration overhead – exceeded income by

Treasurer cont'd

\$139,000. This reduced the operating surplus to \$527,000, which together with net investment income of \$391,000, accounted for the \$918,000 record contribution to surplus.

These other activities are principally funded by membership dues. Dues now account for only 22% of total revenue, and support only 24% of total expenses for the Society. These percentages have shown a declining trend that will continue into the 1990s.

Membership equity

As of last July 31, membership equity stood at \$3,438,000, or about 28% of expenses in the proposed budget for the fiscal year 1991.

A complete report of the Society's finances and an audited statement from Ernst and Young are published in *Transactions*. They have been reviewed by the Administration and Finance Committee and the Executive Committee and approved by the Board of Governors.

Over the past year, the Administration and Finance Committee has worked closely with the Society office staff and the Vice Presidents responsible for E&E, meetings, seminars and symposia to develop schedules of fees that will keep these activities self-supporting and provide the margins necessary for their appropriate contribution to membership equity. In addition, the Committee made a number of recommendations to the Board regarding the funding of research and an appropriate policy for treating surplus.



After four years as Treasurer, Mike Cowell (right) turns over responsibilities – and his bow tie – to Mike Winn.

Dues

At the Board meeting in October, the Administration and Finance Committee presented a 1991 budget of \$12.1 million, largely supported by growth in income from self-supporting activities. However, continuing with our efforts to more equitably balance revenue for membership activities with expenses, the Committee recommended what we believe is an extremely modest increase of approximately 4% in dues for 1991.

These recommendations were approved by the Board to produce a budget with a projected excess of revenue over expense of \$205,000 for the fiscal year ending July 31, 1991. The years ahead show further increases in the trend of the Society's income shifting away from dependence on dues and more toward fee-for-service activities.

While the five-year projection shows revenues staying ahead of

expenses through the mid-1990s, we expect to make further adjustments to maintain an appropriate balance between self-supporting functions and general membership activities. The Committee will direct continued attention to research and publications to try to bring these activities closer to operating on a self-supporting basis over the long run.

In closing, we extend our thanks to John O'Connor, Executive Director, and to Bill Kepraos, Director of Finance, and the other Society office staff for their dedicated efforts in managing Society funds to best serve all members.

It has been a privilege to have served the Society as Treasurer for the past four years, and it is with pleasure that I turn over my responsibilities to Mike Winn, who I know will do an excellent job in the coming year.

Membership Statistics		November 1, 1990	
Membership, Nov. 1, 1989			
Fellows	6,241		
Associates	5,543		
Total		11,784	
Increase through:			
Examination		818	
Election		38	
Reinstatement		17	
Decrease through death or withdrawal			
		(198)	
Membership, Nov. 1, 1990			
Fellows	6,460		
Associates	5,999		
Total		12,459	