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Dear Fellow SOA Member:

Over the past year I have come to appreciate that the anticipation of the journey often never fully prepares one for the actual experience. When I was nominated for office, my initial perception was that being the SOA’s 58th president would be largely ceremonial and include a tremendous amount of travel, speeches and lively meetings with the Board and my professional colleagues to advance the profession. What I learned was that the true work of the SOA president involves a real “roll up your sleeves” responsibility and some decisive calls for immediate action. Reflecting upon the year, I can say that it has been a terrific challenge. It has been a pleasure to serve as your president.

In this, my last letter to you, I have the honor of introducing the stories—snapshots, if you will—that highlight some of this year’s achievements and share the common theme “Bringing the Future into Focus.” Guided by your Board and section council leaders and through the work of thousands of dedicated volunteers, the SOA is demonstrating its leadership on that theme.

On page 32, I am delighted to spotlight the SOA’s new executive director, Gregory W. Heidrich. Greg joins us after 24 years at the Property Casualty Insurers Association of America. His experience in association management, his long record of proven capabilities and last, but not certainly least, his knowledge of the actuarial profession, made him the right person to help us advance our future.
At this year’s Annual Meeting in our nation’s capital, I will turn the presidential gavel over to Bruce D. Schobel. Bruce has been my right hand throughout this past year and has devoted more than 30 years of his high energy and talents to the SOA. I know he will continue this as your new president.

The SOA’s mission is clear. Our vision is relevant, and the journey and its opportunities are exciting. Read ahead with an eye on the future.

Sincerely,

Edward L. Robbins, FSA, MAAA, FCA
President
Society of Actuaries
“How should the SOA respond to the changing issues that impact our profession?”
“It is important to keep members aware of new and emerging opportunities.”

—Kathy Wong, FSA, MAAA

A key responsibility of the Society of Actuaries’ Board is to provide strategic direction for issues that could impact the future of the profession and members of the SOA. The Strategic Management System and, specifically, its Issues Advisory Council (IAC), provide a disciplined process to help the Board bring that future into focus.

The IAC is the clearinghouse for strategic concerns raised by the SOA members, sections or other groups. After determining an issue merits the Board’s attention, the IAC oversees the fact-finding process to assess the full scope of the issue. That can include commissioning new research or gathering input from sections or the four Strategic Action Teams (SATs). The four current SATs address issues related to marketplace relevance, knowledge management, membership value and the professional community.

“The IAC’s purpose is to promote dialogue, deliberation and strategic decision-making among the SOA’s leadership,” said Harry Panjer, FSA, FCIA, CERA, chair of the IAC and past president of the SOA. “The IAC is a virtual test market. Through our process, an issue has been thoughtfully considered by at least 25 members and staff before it goes before the Board for consideration and disposition.”

Kathy Wong, FSA, MAAA, a member of the Knowledge Management Strategic Action Team (KMSAT), contends it is important that the SOA keep members aware of new and emerging opportunities and provide the training they need to excel. “Through the IAC, the SOA Board can then connect the SOA’s strategic direction to issues of concern to members,” she said.

“Any member or group of the SOA is welcome to suggest issues they believe to be strategic to the IAC through the Important Issues submission process on the SOA Web site,” Panjer added. “We rely on this input to increase our awareness of the challenges and opportunities facing the profession.”
“Can actuaries play a leadership role in enterprise risk management in an increasingly competitive professional environment?”
“CERAs are trained to model future events by converting data into information that leads to strategic decisions.”

— S. Michael (Mike) McLaughlin, FSA, FIA, MAAA, CERA

For Sheetal Kaura, associate director of Insurance at Fitch Ratings, the actuarial exam process was anything but a series of tests. Now an ASA and recently certified Chartered Enterprise Risk Analyst (CERA), Kaura credits the exam curriculum with her decision to pursue the emerging field of enterprise risk management (ERM).

“Risk management has always been a familiar concept, but it wasn’t until I read through the content on the Society of Actuaries’ exams that I truly became interested in ERM and realized the possibilities for actuaries to become involved in non-traditional roles,” Kaura said. An actuary for three years, Kaura believes that many of her peers will embrace the CERA as a unique opportunity to pursue an actuarial credential that is not only relevant to today’s evolving business landscape, but also applicable outside the profession.

“As more information becomes available to the public, companies will be forced to think about the risks in all aspects of their business, not just on the financial side,” Kaura stated.

Several years ago, Mike McLaughlin, FSA, FIA, MAAA, CERA, realized a similar trend. While managing and mitigating risk had long been the domain of actuaries, the changing nature of risk now encompassed financial and operational risks. Better known as ERM, organizations of all types were taking a 360-degree view of their risk profile, signaling an opportunity for actuaries to become leaders in this emerging practice.

“Soon after I was elected to the SOA Board in 2002, I read...
that the number of people registering for membership as chartered financial analysts just that one year exceeded the total number of members of the SOA,” McLaughlin said. “Clearly the business world was relying on professionals who can convert risk into opportunity. Because actuarial training offers both qualitative and quantitative insights into risk management, I knew our profession was uniquely positioned to play a leadership role in ERM.”

In June 2005, the Board charged the ERM Credential Task Force and Knowledge Management Strategic Action Team (KMSAT) with the task of developing a curriculum and implementation plan. Designed to encompass the most comprehensive and rigorous demonstration of enterprise risk management available, the CERA credential stems from the same rigorous process through which all actuaries earn their credentials. To date, more than 90 individuals have achieved the credential.

“Actuarial principles have traditionally helped the world understand risk, and the CERA credential signifies an evolution of the actuarial profession,” said SOA President Ed Robbins, FSA, MAAA, FCA.

As new roles in ERM continue to grow, CERAs will be qualified for risk manager leadership positions in all types of organizations, including insurance, benefits, broader financial services and the energy, manufacturing, transportation and health care industries. CERAs will likely hold positions such as risk analyst, risk manager and chief risk officer.

Building upon the profession’s inherent rigorous training, the CERA credential provides
CERAs are qualified for risk manager leadership positions in all types of organizations, including insurance, benefits, broader financial services and the energy, manufacturing, transportation and health care industries.

opportunity beyond “traditional” choices, offers an avenue for differentiation from the competition and increases actuaries’ expertise in risk, thus enhancing the profession’s image in ERM overall.

To earn the new credential, candidates are required to successfully complete five examinations, as well as an educational module and professionalism course, to help prepare for leadership in the identification, measurement and management of risk within complex, risk-bearing enterprises. The CERA curriculum (www.CERAnalyst.org) includes the following topics:

- Probability
- Financial Mathematics
- Financial Economics
- Micro and Macro Economics
- Construction of Actuarial Models
- Advanced Finance and Enterprise Risk Management
- Financial Reporting and Operational Risk
- Professionalism

McLaughlin noted that while the CERA credential responds to market needs, it also better positions the profession for a competitive future.

“The introduction of the CERA and the corresponding marketing campaign for this credential has created a level of excitement among many young actuaries,” Kaura explained. “At my former employer, I was involved with recruiting and interviewing potential staff, and candidates frequently inquired about ERM. It has truly become a practice that is recognized and embraced by actuaries just entering the field.”
“How can actuaries revitalize the profession’s image to be viewed as valuable 21st century thought leaders?”
In 2005 the SOA launched the Marketing and Market Development Plan (MMDP), a strategic initiative that is designed to revitalize the profession’s image beyond the profession itself and equip actuaries with the skills necessary to be valuable thought leaders for 21st century business, especially in managing risk.

Since then, a revitalized brand was successfully launched at the SOA’s 2006 Annual Meeting, guided by this brand positioning statement: *Actuaries bring a complex future into focus by applying unique insight to risk and opportunity. Known for their comprehensive approach, actuaries enable smart, more confident decisions.*

The work of the MMDP is overseen by the Marketplace Relevance Strategic Action Team (MRSAT), chaired by Dan McCarthy, FSA, MAAA, EA.

“In 2007, our focus is external communications to highlight the ways in which actuaries are, indeed, bringing that complex future into focus,” McCarthy said. “An important primary audience is the employer community, who, over time, will realize that actuaries do, in fact, have strong leadership qualities. With that realization, we will begin to see more actuaries filling more leadership positions.”

Some of the major programs that were developed to support the MMDP in 2007 included:
ACTUARIES IN ACTION —
A videotaped case study collection of more than 50 leading actuaries from throughout the profession talking about their career paths, challenges and insights on the future of the profession. These case studies will have multiple uses, including identifying strong media spokespeople and inspiring young actuaries with their professional insights highlighted on the Image of the Actuary Web site.

SPEAKERS BUREAU —
Highlighting actuarial expertise by securing high-profile speaking opportunities at conferences attended by C-suite executives, such as the Conference Board’s Enterprise Risk Management Conference, where two members of the SOA are featured presenters, offering the actuarial perspective of ERM, alongside other leading senior financial executives.

LONGEVITY & RETIREMENT —
External communications that primarily support the SOA’s Retirement 20/20 initiative. Among other activities, SOA Staff Fellow Emily Kessler met with many of the nation’s top-tier retirement and pension reporters, including those from The Chicago Tribune, The New York Times and The Washington Post, to raise awareness of the need for new retirement systems and the role actuaries are playing in helping devise solutions.
Actuaries bring a complex future into focus by applying unique insight to risk and opportunity. Known for their comprehensive approach, actuaries enable smart, more confident decisions.

RISK . . . AS AN OPPORTUNITY —
Helping employers appreciate the unique insights of actuaries in enterprise risk management. Through outreach to business-oriented news media, the SOA presented Decisions, Decisions: Businesses at Perilous Crossroads, which outlined the five guiding principles actuaries recommend to help business deliver on the promise of ERM.

“Our research of more than a dozen C-suite executives during the development of the profession’s brand positioning tells us that employers are interested in actuaries’ ability to guide strategic responses,” McCarthy said. “The work of the MMDP will show that through their rigorous training actuaries are uniquely qualified to anticipate and manage the challenges of today and tomorrow.”
“How can actuaries help meet the retirement needs of an aging population in a global marketplace?”
The SOA members, its employers and clients don’t need to look any further than the headlines of the day to see that the business world is changing in a significant way. Increased globalization has added new pressures on how companies compensate employees and fund their retirements. The U.S. population has exceeded 300 million—and people are living longer than ever before. Businesses are merging or going under, which has a significant impact on companies and their retirement packages. And it’s nearly impossible to ignore the fact that the Baby Boom generation is getting ready to enter retirement.

For all these reasons—and many others—the landscape for retirement systems is changing significantly. Thought-leading pension actuaries, including SOA Staff Fellow Emily Kessler, FSA, EA, MAAA, FCA decided this was an important challenge to address.

“Fewer companies are able to offer the 50- or 80-year commitment of a defined benefit plan, so that burden is increasingly transferred to employees through defined contribution plans,” said Kessler. “But defined contribution plans are just savings vehicles, and they are inefficient in terms of managing retirement risks and difficult for many people to manage successfully on their own.”

So Kessler did what actuaries do best: she set out to find an answer to the complex and important problem of retirement systems for the 21st century.

“Historically, changes to our retirement systems have come through tweaks here and there to the current defined benefit system. What we need now is a new choice—not a replacement for or slight revision to the current systems. We need to start building from the ground up.”

—Emily Kessler, FSA, EA, MAAA, FCA
and defined contribution systems,” Kessler said. “What we need now is a new choice—not a replacement for or slight revision to the current systems. We need to start building from the ground up.”

Kessler and the Pension Section Council realized that such large-scale changes to the current landscape would affect a number of important stakeholders. Harnessing their input and support from the outset would be critical to overall success. That was the genesis of Retirement 20/20, an initiative that brought together those key stakeholders with an interest in developing new retirement systems. The first Retirement 20/20 conference, held in September 2006, leveraged the insights of more than 60 experts, including leading pension and retirement actuaries, corporate benefits managers, attorneys, public policy advocates and academics.

Anne Button, FSA, EA, MAAA, a Pension Section Council member, said, “The Pension Section Council had been concerned about the decline of defined benefit plans, because we know these plans provide protection against many retirement risks. The breakthrough with Retirement 20/20 was realizing the issue wasn’t about the decline of the defined benefit plan, but the need for new solutions to meet the needs of the 21st century.”

The first report of the initiative, “Building the Foundations for New Retirement Systems,” came out of the conference findings and examined retirement systems against the needs, risks and roles of all stakeholders.
The 2006 Retirement 20/20 conference participants developed six major themes they feel will need to be addressed in designing new retirement systems:

- Systems should consider new norms for work and retirement and the role of the normative retirement age.
- Systems should align stakeholders’ roles with their skills.
- Systems should be designed to self-adjust.
- Systems should be better aligned with financial markets.
- Systems should clarify the role of the employer.
- Retirement systems will not succeed without improvements in the health and long-term care systems.

contributing to or benefiting from the current systems.

The 2006 Retirement 20/20 conference participants developed six major themes they contend will need to be addressed in designing new retirement systems. (See “Themes of the Retirement 20/20 Initiative” above.) The group is now delving into each of those themes; its most recent conference in September 2007 focused on aligning stakeholders’ roles with their skills. Throughout 2007, Kessler has also been conducting interviews with some of the country’s most influential pension and retirement journalists to begin to build public awareness of the potential solutions to the pending retirement challenges.

The Retirement 20/20 initiative will next address research, including focusing on how systems might self-adjust, what it means to change retirement signals, default distributions and how we can challenge markets to better meet retirement risks.

Kessler said the key to designing the retirement system of the 21st century is balance.

“How can a balance be established with the needs of the stakeholders in the system in a way that best protects them against risk, meets their needs most efficiently and best aligns their roles with their skills?” she asked.

“That’s the challenge of Retirement 20/20. And it’s a challenge actuaries are best equipped to meet.”
“How can we redesign our education and exam system to meet the needs of the next generation of actuaries?”
When you ask Ken Guthrie, senior director of education, (left), why he uprooted his family and moved halfway around the world to join the SOA staff, his answer is simple: “innovation.”

Drawn to the SOA because of its development and investment in e-Learning, Guthrie left Australia, where this type of work was just beginning.

“At the SOA, the e-Learning system is better resourced and more advanced,” Guthrie said. “There is a real sense that we are preparing our profession for the future and starting to place greater emphasis on education.”

A clear illustration of this push to modernize the education process is the new design.

“The structure of the e-Learning system allows content to be swapped out more easily than in the past,” explained Martha Sikaras, director, international activities. “As the SOA looks to maintain the value of the ASA, FSA and new CERA credentials, this redesign enables us to react to emerging trends and evaluate candidates on more relevant material.”

The Education and Examination redesign was initiated in 2001, when a large group of dedicated volunteers, with the support of SOA staff, directed their efforts toward meeting the initiative’s three stated objectives:

- Reduce travel time toward the achievement of a designation
- Introduce practical applications of key concepts
- Prepare actuaries for a competitive future by identifying emerging fields of practice

“Our emphasis in e-Learning is on educating actuaries in solving complex, unstructured problems in a wide range of actuarial endeavors.”

—Stuart Klugman, Ph.D., FSA
A key component of the SOA’s education redesign is the development of the Web-based Fundamentals of Actuarial Practice (FAP) course and several Web-based Fellowship modules. Volunteers and staff members created significant new content with a two-fold purpose in mind: to bring the material up-to-date and take advantage of the e-Learning platform. Today, more than 5,000 candidates have experienced this new form of education.

Redesign Co-Chair Stuart Klugman, Ph.D., FSA, noted that, “Our emphasis in e-Learning is on educating actuaries in solving complex, unstructured problems in the context of a wide range of actuarial endeavors. We’re no longer asking candidates to memorize and then regurgitate lists—this is a great side benefit of this change.”

Intended to educate candidates about the business environment and expose them to real-world situations, the FAP course provides knowledge of various areas of practice through practical examples, exercises and two assessments. Looking to incorporate member and employer input into the redesign, the SOA launched an evaluation program to measure candidate and employer feedback on the FAP course.

The SOA was overwhelmed with positive responses. One FAP candidate’s comment is typical of the many received.

“I expect that my model development will be much more organized, well-documented and better managed,” the candidate wrote. “I also feel that I am in a better position..."
to mentor junior-level actuarial students and describe to them what it means to be an actuary and what different opportunities exist for our profession.”

Employers commended the program for providing FAP actuarial students with new job skills specific to writing, communication and modeling. Employers and candidates agreed that the FAP content was spot-on in terms of how it addresses practices in business, industry and technology today.

Exemplified by the FAP, the SOA continued its efforts in 2007 to provide its membership with the most up-to-date and relevant educational process. For instance, Computer-Based Testing (CBT) was introduced for Exam P (probability) in mid-2005, with Exam FM (financial mathematics) expected to be in CBT format by mid-2008. CBT enables the SOA to provide more frequent offerings of exams. For example, Exam P will be offered on five occasions in 2008. Another benefit of CBT is that candidates receive unofficial results immediately after finishing the exam. The SOA also introduced processes that allow candidates to access and print their transcripts.

“The SOA is making great strides to reduce travel time, simplify the examination process and provide more extensive offerings to its members, therefore helping actuaries advance on their career journeys,” Guthrie said. “The SOA is helping to propel the profession forward, allowing individuals to put their actuarial training to use sooner.”
“How can actuaries provide solutions for financial, business and societal problems involving uncertain future events?”
The mission of the SOA is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems involving uncertain future events. The SOA’s endeavors in this area span multiple disciplines and industries.

“At the SOA, our research is essential to advancing the understanding of issues within and beyond the scope of the profession,” said Bruce Iverson, managing director of actuarial research. “Whether we are developing projects based on historical experience or crafting research to provide expanded knowledge for members, our work provides the foundation for our profession.”

Here are two highlights from some of the key research projects conducted this year:

**ERM RESEARCH**
With the expanding breadth of risks affecting organizations, actuaries are instrumental in helping their organizations with their enterprise risk management processes. To address this prominent issue and position actuaries as leaders in this growing field, the SOA created a new research team in 2005 dedicated to producing ERM-related materials. Many notable projects were completed in 2007 including:

- **Cross-Industry Evaluation of Risk Management Terminology**
Exploration of the Linkage of Risk Management, Capital Management and Financial Management

A Survey of Pension Risk Management

Taking a holistic approach to risk management, the SOA’s research projects strive to evaluate risk across all industries, acknowledging that risk analysis must extend throughout the entire organization. All of these efforts are pushing the boundaries of knowledge and providing a platform for showcasing actuaries as experts in risk management.

INDIVIDUAL ANNUITY EXPERIENCE TABLE

The intent of this work is to develop a new valuation standard to replace the 2000 Annuity Table. As people live longer and purchase more annuities, there is added pressure on life insurers’ reserves, making the revision of annuities tables all the more important.

“In keeping with our commitment to provide research on emerging trends, the SOA has launched a number of research projects related to principles-based valuation topics and is contemplating research in areas such as obesity and its impact on mortality, morbidity and financial costs,” explained Iverson. “These topics are timely and should provide interesting and valuable information to members.”
The Committee on Knowledge Extension Research (CKER) of the Society of Actuaries, the Casualty Actuarial Society and The Actuarial Foundation sponsored the 2007 Individual Grants Competition to support the advancement of knowledge in actuarial science.

The recipients of the 2007 grants and their research projects are:

**LAURA BALLOTTA AND VLADMIR KAI SHEV**, “Efficient Numerical Methods for Fair Valuation of Participating Life Insurance Contracts with Variable Bonus Components”

**ERHAN BAYRAKTAR AND MICHAEL LUDKOVSKI**, “Relative Hedging of Systematic Mortality Risk”

**STEPHENV D’ ARCY**, “Property–Liability Insurance Loss Reserve Ranges Based on Economic Value”

**SAM EFROMOVICH, PANKAJ CHOUDHARY, JEROME TUTTLE, WIM VIJVERBERG AND HAROLD ZHANG**, “Theory, Methodology and Methods of Multivariate Conditional Density Estimation and Its Application to the Analysis of a Credit Scoring as a Fair Rating Variable”

**EDWARD FURMAN AND RICARDAS ZITIKIS**, “Weighted Premium Calculation Principles and Risk Capital Allocations”

**PATRICE GAILLARDETZ AND YOUSSEF LAKHMIRI**, “Pricing and Hedging Equity–Indexed Annuities Using Iterated Conditional Tail Expectation”

**YIJIA LIN AND SAM COX**, “Bounds for Ruin Probabilities and Value at Risk”

**MANUEL MORALES AND ENRICO BIFFIS**, “On a Generalization of the Gerber–Shiu Function”

**LIANG PENG, XIAOHONG CHEN AND JIAN CHEN**, “Tail Copulas and Time–Varying Tail Copulas in Risk Management and Insurance”

**ROBERT SERFLING**, “Multivariate Modeling in Actuarial Science Allowing Heavy Tailed Distributions, via the L–Moments/L–Comoments Approach”

“How do actuaries guide the strategic vision of their profession?”
SOA President Ed Robbins refers to the sections, Board and staff as the three pillars supporting the activities of the SOA. In 2007, the SOA sections continued to leverage the energy of their members.

With 70 percent of the membership belonging to one of the 18 professional interest sections, it is clear that the sections are instrumental in driving the strategic direction of the SOA.

“The sections have always been a large component of SOA networking, producing 80 percent of SOA publications and acting as major providers of content in SOA continuing education,” said Meg Weber, director of Section Services.

This year also saw the emergence of the sections as key players in the SOA Strategic Management System (SMS).

“With many diverse projects in the pipeline, the SMS will see strategic issues come from both practice area sections and special interest sections in 2008,” Weber added.

Further engaging the real-life experiences and concerns of its members, three key issues from the sections were brought to Board-level discussion this year. With changes in the landscape of retirement planning and a continued shift in the marketplace from defined benefit plans to defined contribution plans, the SOA is reviewing the issue of a shifting marketplace for pension actuaries. The Board also recognized another pressing issue presented by the sections—the need to drive change within the retirement system planning. Embarking on a long-term project, the SOA initiated Retirement 20/20 this year in an effort to re-envision retirement for

“It is imperative the sections engage all professionals as they work to execute large ideas and elevate member issues to the SOA board.”

—Graham Mackay, FSA, MAAA, FCIA
the future. Continuing to work on future-focused initiatives, the sections also recognized untapped opportunities in the health discipline, highlighting the value and opportunities for the profession, given the rapidly evolving health care landscape.

Recognizing that some areas need to be looked at in a more holistic way, many sections have begun actively recruiting fellow professionals, harnessing their insight into key issues. Today more than 40 percent of the Long-Term Care Section and 15 percent of the Tax Section are comprised of affiliate (non-SOA) members, and the Joint Risk Management Section is co-sponsored with two other actuarial groups—the Canadian Institute of Actuaries (CIA) and the Casualty Actuarial Society (CAS).

“It is imperative that the sections engage all professionals as they work to execute large ideas and elevate member issues to Board-level discussion,” said Graham Mackay, FSA, MAAA, FCIA, and chairperson of the Reinsurance Section Council.

As the role of the sections evolves, the SOA leadership understands that it must foster the professional development of its section leaders to guide the profession forward. Offering educational support such as webcasts, orientation sessions and team-building meetings, the SOA is working to provide its leaders with a skill set that is both applicable and relevant to the business world.

“Moving forward, the role of the sections is only going to increase in scope. By articulating the concerns of our members and responding accordingly, the sections are truly the gateway to our membership,” said Weber.
Initially unveiled to the membership in 2007 at both the Life and Health Spring Meetings, the idea of the Value Ladder is to help members with career development and planning by linking actuarial competencies to market-based activities. These competencies provide value to a wide array of professional roles within and outside of the actuarial realm.

“Our goal is to offer guidance to help our membership consider a full range of actuarial career options and craft a course of professional development most meaningful to them,” said Kara Clark, FSA, MAAA, managing director of the SOA’s actuarial marketplace solutions (above).

Promoting the profession at large, the Value Ladder will not only provide a focus for organizational programs, but will also provide employers with a tool to better assess the value of actuarial credentials and competencies. In 2007, the SOA worked with life insurance employers to ensure that the content of the Value Ladder aligned with the skills and competencies essential for success in that industry. Versions of the Value Ladder that align with other specific types of employers of actuaries are planned for 2008.

“Whether individuals are pursuing a technical or business-focused career, the Value Ladder provides a practical framework for shaping their career path,” said Clark. “We want to help our members be the best they can be.”
The Society of Actuaries is a non-profit organization—a financial entity with revenues and costs that must be carefully managed to succeed in fulfilling its mission. In setting the annual budget, the overall goal is to provide resources for ongoing operations and strategic initiatives, while maintaining membership equity at acceptable levels.

The 2006 results and future budgets reflect an investment in the actuarial profession and strategic initiatives determined by 2005 member and candidate research. We at the SOA are striving to provide significant value to members and the resources the organization needs to achieve its core goals and objectives for years to come.

The SOA has three principal revenue streams: member dues, examination fees and fees charged for meetings and seminars. Other sources of revenue include fees for experience studies and research, miscellaneous revenues and investment income.

Total revenues in 2006 were $30.8 million; 2007 revenues are budgeted to be $31.0 million.

Historically, basic and continuing education are not only self-supporting, but also contribute to and help cover research projects and operating costs. Membership dues have been used principally to fund the cost of providing services to members.

Education and examination revenues were strong for 2006 because of an increasing number of candidates, particularly in the early exams. Income from continuing education also increased slightly. Research revenues, less expenses, exceeded...
SOCIETY OF ACTUARIES
31
2007 ANNUAL REPORT

The SOA 2006 financial results showed a management-basis increase in net assets of $1,624,000. This is higher than the budgeted amount, and the increase reflects the SOA’s aggressive work implementing the strategic plan, which is validated by our member research. The 2007 budget continues to provide resources for the SOA to invest in the future of the actuarial profession, with a planned increase in net assets of $1,272,000. A comparison of the actual 2006 budget and the Board-approved 2007 budget is shown in the chart above.

The figures use our management basis of accounting, which is slightly more conservative than GAAP. Membership equity for 2006 does not include an additional $2.2 million of designated funds, which are mostly sections’ surpluses.

Membership equity is measured against the following year’s expenses, standing at 41 percent at the end of 2006. The current budgeted membership equity position of $13.8 million is about 42 percent of annualized expenses. The target range of membership equity established by the Board is 30- to-50 percent.

Under the Board’s leadership, the strength of the SOA’s financial position will move strategic ideas forward and enhance our focus on the future of the profession.

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<th>CHANGE IN NET ASSETS (in 1,000s)</th>
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<td>2007 Budget ........................................................... $ 1,272</td>
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<th>MEMBERSHIP EQUITY (in 1,000s)</th>
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<td>2007 Budget ........................................................... $13,776</td>
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<td>2007 Actual through 7/31/07 ........ $15,479</td>
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The SOA is pleased to introduce Bruce D. Schobel, FSA, MAAA, FCA as the 2007-2008 president of the Society of Actuaries.

Schobel is currently a vice president of New York Life Insurance Company, where he is involved in managing the company’s federal income tax return, withholding and reporting, as well as compliance with the Internal Revenue Code. A graduate of Massachusetts Institute of Technology (MIT), he has previously served as staff actuary to the National Commission on Social Security Reform (Greenspan Commission) and as senior policy advisor to the Commissioner of Social Security.

An active volunteer leader in numerous professional actuarial organizations, Schobel is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries and serves on the boards of the Academy and the CCA. Schobel also chairs the Social Security Committee of the American Council of Life Insurers and serves on the editorial boards of the SOA Taxation Section’s newsletter, Taxing Times, as well as the American Academy of Actuaries’ Contingencies magazine.

In June 2007, the SOA welcomed Gregory W. Heidrich as its new executive director.

Heidrich joined the SOA from the Property Casualty Insurers Association of America, where he had most recently served as senior vice president, policy development research. In that position, he was responsible for working with member insurers to develop public policy positions on all issues facing the industry, including extensive work on terrorism risk and natural catastrophe exposures. He was also instrumental in the development of policy positions in a variety of other areas, including asbestos litigation reform, highway safety and financial accounting.

Heidrich earned his bachelor’s degree in economics from the University of Oklahoma and a master’s degree in economics from the University of Chicago.
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