

THE ACTUARIAL FOUNDATION OF CANADA  LA FONDATION ACTUARIELLE DU CANADA

TO: Members of the Actuarial Foundation of Canada

FROM: Actuarial Foundation of Canada (AFC)

SUBJECT: **Annual Member Report from the Director's on 2015/2016 Activities**

DATE: June 15, 2016

This Annual Report to the Members' of The Actuarial Foundation of Canada (**AFC**) provides a brief summary of activities undertaken by the AFC for the 12 month period since the last AFC Annual Member Report in June 2015.

Support of the AFC: The CIA's support of the AFC leading up to its creation in 2003 and ever since has been the cornerstone of the AFC efforts to be the philanthropic focus of the actuarial profession in Canada. The AFC is delighted to report that the CIA has approved 2016 AFC funding of \$30,000. The AFC is extremely grateful for the high level of support it continues to receive from the CIA. It is a tribute to accomplishments of the AFC and its volunteers. The AFC is also grateful for the invaluable administrative services that the CIA Secretariat provides. Without these services the AFC could not function effectively.

In addition, funding has also been approved for the AFC from the Casualty Actuarial Society and the Society of Actuaries. The amounts for 2016 are \$US7,740 and \$US20,000 respectively. The AFC is appreciative of the funding, and hopes to continue this partnership.

AFC Programs: The Board of Directors of the AFC has recently re-evaluated its programming and funding. On a go forward basis, the AFC will focus on Youth Education. The Financial Literacy Committee and Research Committee have been disbanded with thanks.

The Youth committee has been overwhelmed by requests for funding and the challenge now is the selection of programs to be funded from the many worthy candidates. By supporting the Actuarial Foundation of Canada (**AFC**), you help make a difference to Canadian youth's development of mathematical and financial education through

worthwhile programs and activities delivered during primary and secondary school education as well as some programs delivered post-secondary education.

The Research Committee has been challenged to find appropriate projects to fund in light of the fact that the CIA already has a robust research section. It was therefore felt that funds for research would be better sourced directly through the CIA.

The Financial Literacy committee has reached out and attempted to partner with several organizations in order to enhance the financial literacy of consumers in the areas of insurance and finance. Despite efforts of assistance, the organizations contacted have been noncommittal to accept support. The Board of Directors of the AFC has then concluded that the AFC would be better served by redirecting the resources, both people and financial, to other responsibilities within the AFC. However, applications for funding financial literacy initiatives would be entertained on an ad-hoc basis.

Youth Education Math and Finance Programs: The AFC is diligent in its review of new programs to ensure that AFC funding supports quality programs that make a difference, in areas that further AFC objectives, and promote a positive image of the actuarial profession. Many funding requests are turned down if they do not meet our mandate. The Youth Education Committee follows a comprehensive and robust and effectively leverages its limited budget.

In 2016 the AFC has increased this budget again to \$130,000 reconfirming its support of Youth Education. The AFC has continued its support of the following programs in 2016:

1. Junior Achievements in Ontario, Quebec, and Nova Scotia
2. The Science and Mathematics in Action (SMAC, Laval) Project, which promotes math and science for youth and the general population;
3. The Canadian Mathematical Society, which provides math enrichment camps for grades 8-11; and
4. The Youth Science Foundation, which provides six awards for projects that demonstrate effective use of mathematics, database and statistical analysis.
5. The Pacific Institute of Mathematical Sciences (PIMS): PIMS is a consortium of the main universities in Western Canada, which is working with the First Nations in British Columbia to improve First Nation math programs and interest in math in First Nation communities.
6. Big Brothers Big Sisters of Guelph – The AFC sponsors the Bank Buddies program where school children can be taught financial basics by local bank employees.
7. The Toronto Foundation for Student Success – The TFSS jointly (with Centsible Students) runs Beyond 330, an after school program in the schools for at-risk kids in grades 6 to 8 around the GTA.
8. The St. John Loan Fund which develops and delivers financial literacy training and education for low income youth.
9. Glenforest STEM conference – one day conference for high school students in the GTA area focused on STEM careers.

These commitments add up to \$116,000 leaving \$14,000 yet to be funded. New programs are currently being reviewed. The funding requests far exceed the available funds and will require difficult decisions as there are a lot of quality youth education programs being reviewed.

Hugh White Memorial Fund scholarships and the James Anderson Bursary Fund:

The AFC supports high school and university students to pursue math and actuarial education through the Hugh White Scholarship program, which the AFC administers, and the University of Manitoba James Anderson Bursary fund, which the AFC helped establish. Sponsored by the Hugh White Fund scholarships are presented to graduating students at two high schools – in London, Ontario and Erin, Ontario. The scholarships are awarded to students intending to pursue university programs in actuarial or mathematical studies. Recipients are invited to attend the annual meeting of the Canadian Institute of Actuaries, if it is in Toronto.

Contributions in 2016

The AFC is most grateful to the individuals and organizations that provide funding support. In addition, the AFC appreciates the administrative support from the CIA. Without this support the AFC would be unable to function, since the AFC has no paid staff and could not afford to take on paid staff. The AFC has a number of initiatives being examined to increase future contributions, both individual and corporate.

CIA and SOA Funding in 2016:

The CIA has confirmed budgeted AFC funding for 2016 of \$30,000. The AFC is pleased with continued support of the AFC by the CIA and will do all it can to ensure the funds entrusted to it are well used. The SOA has confirmed budgeted AFC funding for 2016 of US\$20,000. The Casualty Actuarial Society has confirmed the contribution of \$US7,440 for 2015, and a further \$US7,740 for 2016.

Financial Targets:

In 2012 the AFC set 2 financial measures which are used to monitor the financial health of the organization:

- 1) **Program Spending Ratio:** The ratio of (program spending) to (total donations for the previous year) should be in the range of 90-95% where donations are rising year by year. This ratio was 124% and 135% in 2015 and Budget 2016, respectively. The 2015 ratio was considerably higher because in the 2015 budget we made a conscious effort to accommodate as many programs as possible and use up some of the surplus that had built up on the AFC balance sheet. In 2016 we decided to largely maintain that level while looking for ways to increase awareness of our programs and therefore increase the level of donations.
- 2) The **Growth Rate in Unrestricted Assets** should be in the range of 5-10% each year where donations are steadily increasing. Net unrestricted assets decreased 9.7% in 2015, largely as a result of a decline in donations. The AFC Board will continue to monitor this ratio regularly.

Budgeting: Typically, 98% of cash contributions to the AFC arrive in the fall (64% arriving in December). Consequently, these donations fund expenditures in the coming year and AFC financial statements represent the “high water mark” for assets in the AFC yearly cycle. Currently, the AFC has ongoing program commitments of \$114,000 in place over the next three years, but these are not recognized as liabilities on the statements, because they are not legally binding yet. However, this year for the first time we have included this important information in the notes to the financial statements.

With this cycle of “end of year” receipts, the AFC aims to have unrestricted net assets at Dec. 31 equal to at least two years spending. That covers the upcoming year, plus a cushion of one year’s spending if our next fundraising campaign falls short. This cushion is needed to unwind our programs, most of which are established with a renewable three year commitment. While we retain the right to terminate early, abrupt suspension of expected funding is always negative for any organization and would destroy the goodwill we have built.

Despite lower levels of donations in 2015, the 2016 AFC budget, approved in March 2016, set funding for Youth Education Math Projects at \$126,000 in recognition of the large number of projects currently on the go and proposed new projects submitted to the Youth Education Committee. Non-program expenditures (other than those covered by the CIA’s contributions in kind) are budgeted at \$1,900. At Dec. 31, 2015 the AFC’s unrestricted net assets were \$214,723, representing 185% of 2015 spending.

Financial Statements, CRA Filings and Annual Member Report: Copies of the 2015 audited AFC financial statements and the 2016 Annual Member Report will be posted to the AFC web-site shortly after the June 2016 AFC member’s meeting. Copies of the 2016 audited financial statements have been provided to the CIA. The required 2015 filing was submitted to CRA in May 2016. Receipt has been confirmed.

Communication Committee: In the second half of 2014, the AFC Communication Committee completed a 2 year project to entirely replace the existing AFC website with a well thought out, exciting and attractive online presence. The new website is frequently updated to highlight AFC activities, reports and new donors. In addition, the creation of a secure governance database containing critical information for directors, also a 2 year project, has been completed. A public level of this database has been made available that contains non-confidential documents. In 2015, the Communication Committee worked with the CIA to educate their new Board members on the mission and activities of the AFC and to explore use of Twitter, Facebook and other social media.

Planning, Strategy, Training: The AFC Board has gone through a significant transition with many new directors and committee heads as past directors have retired. Education and training of directors has been ongoing through reaching out to past directors as well as ongoing communication with The Actuarial Foundation, the AFC’s U.S. counterpart.

Canada Not-For-Profits Corporation Act: The AFC must comply with the Canada Not-For-Profits Corporations Act. Recommendations based on legal advice and careful review and consideration by the AFC Directors presented for approval at the June 11, 2014 Annual Member's Meeting have been successfully implemented.

Conclusion: In conclusion, the AFC is working hard on initiatives that hold considerable promise, especially in the field of youth math education where there is a strong link to the actuarial profession. Together with the AFC's ongoing programs, the AFC meets its philanthropic goals and promotes the positive image of the actuarial profession in youth education. As evidenced by the strong demand for support of youth education programs, the AFC is well positioned for future growth of all of its good works programs, but is facing challenges in obtaining the level of donations needed to maintain this effort

Respectfully submitted
Paul Reaburn.

Chairperson, Actuarial Foundation of Canada