



TO: Members of the Actuarial Foundation of Canada

FROM: Actuarial Foundation of Canada (AFC)

SUBJECT: Annual Member Report from the Director's on 2013/2014 Activities

DATE: June 11th, 2014

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 2013.

Highlights for 2013/2014

CIA 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 2014 AFC funding of \$30,000. This is the highest level of CIA funding since inception of the AFC. It is a much appreciated show of support for the AFC's accomplishments and direction. The AFC is also grateful for the invaluable administrative services that the CIA Secretariat provides. Without these services the AFC could not function effectively.

Curtis Huntington: It is with great sadness that the AFC marks the passing of Curtis E. Huntington on October 7, 2013 after a four year battle with cancer. Curtis was a Director and tireless supporter of the AFC, helping in many ways over the last ten years to shape the AFC to what it is today. His work as chair of the AFC Research Committee was much appreciated.

AFC Programs: The AFC continues to focus on three aspects of programming – Youth Education, Financial Literacy (formerly Consumer

Education) and Research. The Youth Education initiative is well established, but continues to break new ground. After a period of soul searching and strategizing in 2013, the Consumer Education initiative has been reborn as an exciting new Financial Literacy strategy with considerable success already. In Research, the AFC looks to partner with other organizations such as the CIA Research Committee, the SOA, corporate sponsors and/or TAF to fund worthy projects. The latest research project is on the verge of publication.

The National Task Force on Financial Literacy, chaired by Don Stewart documented the need for action to improve the financial literacy of Canadians. The latest OECD Assessment indicates that Canada has dropped to 13th ranking in math education (from 6th in 2006, & 10th in 2009). The broader implications are alarming, as are those for the future of the actuarial profession in Canada.

By supporting the Actuarial Foundation of Canada (**AFC**), you help make a difference to Canadian math education and financial literacy. For several years, the AFC has funded a broad range of programs across Canada that target youth math education for all ages from pre-school to university.

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. In the past year, the Youth Education Committee updated and redesigned its criteria and procedure for selecting programs to ensure that the selection process it follows is comprehensive and robust and effectively leverages its limited budget.

In 2014, the AFC renewed its support of well-regarded youth math and finance education programs that it has funded for a number of years: 1) Jeunes Entreprises du Quebec (“Economics for Success”); 2) Junior Achievement in Ontario (“Dollars and Sense”); 3) “*The Science and Mathematics in Action* (SMAC, Laval) Project”, which promotes math and science for youth and the general population; 4) the “*Canadian Mathematical Society*”, which provides math enrichment camps for grades 8-11; and 5) the “*Youth Science Foundation*”, which provides six awards for projects that demonstrate effective use of mathematics, database and statistical analysis. The following three bullets provide summaries of programs initiated in 2013/2014.

❖ **Pacific Institute of Mathematical Sciences (PIMS):** In 2014, the AFC renewed its funding for a second year, to support a math teacher-training program in British Columbia for aboriginal and at-risk youth students through the “*Pacific Institute for the 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.

In its 2014 report to the AFC on “Aboriginal Outreach Programs”, it was noted that Aboriginal youth are Canada’s fastest growing demographic, accounting for 20% of labour force growth between now and 2026. Yet tragically, the First nations high school completion rate is 36% compared to the Canadian average of 72%. Of Aboriginal people aged 15 and, over almost 44% do not hold any certificate, diploma or degree in 2006, compared to 23% for the Canadian population. By funding this program, the AFC is able to help Aboriginal and at-risk youth discover the joys of mathematics.

- ❖ **Laurier Little Counters:** In 2014, the AFC renewed its funding for a second year of a program “Laurier Little Counters”. This program is linked to Wilfrid Laurier University. It targets math numeracy in children 1-3 years of age. AFC funding supports training of early childhood educators and expansion of the program to low income and aboriginal families.
- ❖ **Nova Scotia Junior Achievement:** In 2014, the AFC provided funding for the second year to support Junior Achievement Nova Scotia in their delivery of the “*Dollars With Sense*” program for Grade 8 students in Nova Scotia. In 2013, this was a new initiative on their part and AFC funding was critical to its launch. Based on its success, the AFC has renewed its support in 2014.

Potential New Youth Math Education Projects: AFC hands are full exploring exciting new potential partnerships. As in past years many more proposals are rejected than approved. Some of the proposals still under consideration are from:

- A college that is developing an on-line program that teaches how mathematics can be used to solve financial problems in business.
- A group of volunteers from the banking sector that introduces students to math and financial concepts using activities and games.
- An organization that has developed an on-line program designed to demonstrate the value of math in a life context.
- JUMP Math has a very successful program for teaching math, which is used by over 95,000 students (grades 1-8) in over 400 schools.

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.

Research Project: In conjunction with the SOA Committee on Knowledge Extension Research, the AFC currently supports a research project entitled “The Impact of the Financial Crisis on the Financial Welfare of Canadian Seniors”. The AFC has ownership rights and control over publication. The paper is in its final stages of publication in the Canadian Journal of Public Policy.

Financial Literacy Programs: In late 2012, a committee was set up to review consumer education goals, strategies and processes and to make long-term recommendations. This has led to the transformation, reinvigoration and rebranding of the Consumer Education Committee as the Financial Literacy Committee. The Committee has been actively and successfully pursuing a financial literacy strategy designed to meld the expertise of volunteer actuaries, with the resources and scope of organizations promoting financial literacy in Canada.

❖ **Financial Consumer Agency of Canada (FCAC):**

In the summer and fall of 2013, the AFC successfully facilitated collaboration between a volunteer actuary, Marc-Andre Vinson, and the “*Financial Consumer Agency of Canada*” (**FCAC**) on an on-line tool consisting of integrated retirement, debt and savings calculators. More details of this initiative can be found in a January 2014 CIA Bulletin article.

The FCAC Commissioner thanked the AFC for their contribution at the event held to launch this new tool. The 1-page brochure distributed by the FCAC at the launch includes the words, “The Actuarial Foundation of Canada was created by Canada’s actuarial profession to advance the knowledge and education of Canadians concerning personal financial management issues. We were delighted to participate with the FCAC. We expect this new tool will prove to be a valuable addition to the financial literacy resources available to Canadians through the FCAC website.”

This type of positive portrayal of the AFC and the actuarial profession is an integral part of every program supported by the AFC.

In February, 2014, Al Edwards, a director of the AFC, provided overall input and detailed revisions to the on-line, life event, module, “Planning Your Retirement” which the FCAC is revising. Senior FCAC management has indicated strong interest in future collaboration with

volunteer actuaries as project consultants, as participants in conferences and workshops and in other capacities.

In March 2014 the AFC held a productive teleconference with Jane Rooney, a Director of the FCAC, and senior FCAC staff. They praised and thanked the AFC for past contributions to the FCAC and spoke enthusiastically about future prospects for our growing partnership. This included collaboration in development of, and participation in, FCAC sponsored workshops and conferences, documents, and on-line materials.

With the passage of Bill C-28, “An Act to amend the Financial Consumer Agency of Canada Act” in March, 2013, the first concrete step was taken to implement the recommendations of the National Task Force on Financial Literacy. The FCAC is poised to take an even stronger role. This is underlined by the recent appointment of Jane Rooney as the *Financial Literacy Leader* for Canada under the Bill enacting recommendations from the National Task Force Report on Financial Literacy. This is a pivotal role in the financial literacy arena in Canada. Recent contact with Jane signalled her continued interest in partnership with the AFC both in her new role and in the FCAC.

Investor Education Fund (IEF):

“The Investment Education Fund (IEF)” is a charitable Canadian organization that has developed the most visited Canadian on line site in the Financial Literacy arena. On February 14, 2014 Ellen Whelan and Nancy Yake, two AFC Directors, recorded six short videos with Rob Carrick of the Globe and Mail on aging, retirement and health issues. The videos are expected to be released to the public by the IEF in the summer of 2014.

In February, the AFC met with the president, VP marketing and other IEF staff, who expressed strong interest in partnering with the AFC. Areas identified include development of, and participation in, IEF sponsored workshops and conferences, documents, and on-line materials.

Foundations of Finance:

Over several years, Ellen Whelan and her husband have developed on line modules referred to as “Foundations of Finance” that cover a wide range of financial literacy topics, aimed at high school students. Before they put the final touches on these modules, a partner is being sought who has the distribution capacity to make the modules available to a wide range of users. The modules have been provided to FCAC and IEF, who are currently reviewing them. The AFC expects to make these modules available through its redesigned website, when it is launched later this year.

Contributions in 2013 were received from:

- 1) Individuals and organizations \$38,145;
- 2) CIA \$5,500;
- 3) SOA US\$20,000
- 4) CAS US\$5,000.

Additional individual donations of \$2,950 were received for the Hugh White Memorial Fund.

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.

CIA and SOA Funding in 2014:

The CIA has confirmed budgeted AFC funding for 2014 of \$30,000. The AFC is pleased with the increase in 2014 CIA funding to the highest level to date and will do all it can to ensure the funds entrusted to it are well used. The SOA has confirmed budgeted AFC funding for 2014 of US\$20,000.

Financial Targets:

In 2012 the AFC set 2 financial targets:

- 1) **Program Spending Ratio:** The ratio of (program spending) to (total donations for the previous year) should be in the range of 90-95%. This ratio was 87% and 169% in 2013 and Budget 2014, respectively. The 2013 ratio was just below target, but this was due to notification in late 2013 that the Math Frog program was being discontinued by the University of Waterloo. Funding of \$10,000 had been allowed for in financial projections. The 2014 ratio is well above target. The high ratio is due to the drop in CIA funding in 2013 (from \$25,000 to \$5,500) and the decision by the AFC to continue program funding in anticipation of resumption of CIA funding at traditional levels.
- 2) The **Growth Rate in Unrestricted Assets** should be in the range of 5-10% each year. Net unrestricted assets declined by 6.5% in 2013 due to the drop in CIA funding in 2013. The budgeted drop in 2014 net

unrestricted assets of -3.0% (using the higher CIA donation of \$30,000, rather than the \$25,000 in the original budget approved in March) is primarily due to the AFC decision to increase program funding due to expanding and exciting opportunities. Continued declines in net unrestricted assets are unsustainable. The AFC Board will monitor and evaluate developments closely.

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 \$80,000 in place annually, but these are not recognized as liabilities on the statements, because they are not legally binding yet.

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.

The 2014 AFC budget, approved in March 2014, increased funding for Youth Education Math Projects from \$80,000 to \$100,000 in recognition of the large number of proposed new projects submitted to the Youth Education Committee. The Financial Literacy and Research Committees have each been provided with \$10,000 budgets for total planned program expenditures of \$120,000. Non-program expenditures (other than those covered by the CIA’s contributions in kind are budgeted at \$6,300 (\$4,300 of which are necessary legal expenditures arising from the enactment of the Canada Not-For-Profit Corporation Act). At Dec. 31, 2013 the AFC’s unrestricted net assets are \$224,831, representing 178% of 2013 budget spending.

Financial Statements, CRA Filings and Annual Member Report: Copies of the 2013 audited AFC financial statements and the 2014 Annual Member Report will be posted to the AFC web-site shortly after the June 2014 AFC member’s meeting. Copies of the 2013 audited financial statements have been provided to the CIA. The required 2013 filing was submitted to CRA in May 2014. Receipt has been confirmed.

Communication Committee: The AFC has been working diligently for 2 years on 2 major projects both of which are expected to come to fruition in the next few months. The first project is to replace entirely the existing AFC website with a well thought out, exciting, and attractive website. The work has included documentation of the goals and features required by

the website if it is to be a great communication tool. The second project is to create a governance database that will contain critical information for directors in a secure level of the database. For those in the general public interested in AFC governance a public level will be available that will contain documents that are not of a confidential nature.

Planning, Strategy, Training: The AFC Board held planning and strategizing meetings in June and September 2013 on fund raising and research. In addition, a group was established to plan and strategize on Consumer Education. Annual new Director's training will be held in September 2014 for the six new directors.

Canada Not-For-Profits Corporation Act: The AFC has been working on changes required by enactment of the Canada Not-For-Profits Corporations Act. Recommendations based on legal advice and careful review and consideration by the AFC Directors will be presented for approval at the June 11, 2014 Annual Member's Meeting.

Conclusion: In conclusion, the AFC is working hard on initiatives that hold considerable promise, especially in the field of youth math education and financial literacy, 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, financial literacy and research.

Respectfully submitted
Robert J. Sharkey

Chairperson, Actuarial Foundation of Canada