

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 2014/2015 Activities**

DATE: June 10th, 2015

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 2014.

Highlights for 2014/2015

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 2015 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.

AFC Programs: The AFC continues to focus on three aspects of programming – Youth Education, Financial Literacy (formerly Consumer Education) and Research. The Youth Education 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. The Financial Literacy Committee continues to implement its new strategy 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 was published in the December, 2014 issue of Canadian Public Policy.

In recent years, there has been tremendous focus at the Federal level to create an awareness for the need to improve financial literacy across 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. The Youth Education Committee follows a comprehensive and robust and effectively leverages its limited budget.

In 2015, the AFC increased its overall budget for Youth Committee programs to \$130,000. The AFC continued its support of the following programs in 2015:

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.

These commitments add up to \$92,000 leaving \$38,000 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.

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. In December of 2014, the paper, “Canadian Retirement Incomes: How much do financial returns matter?” authored by Bonnie-Jean McDonald and Lars Osberg was published and a link to the report is available on the AFC website.

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.

Contributions in 2015

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 2015:

The CIA has confirmed budgeted AFC funding for 2015 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 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 146% and 119% in 2014 and Budget 2015, respectively. The 2014 ratio was significantly higher than because donations in 2013 were unusually low due to the CIA not providing funding that year. CIA funding has now been resumed at a higher level. 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. The budgeted 2015 ratio is also higher than the target reflecting the desire to fund new youth initiatives through the use of some of the surplus that has built up on the AFC balance sheet.

- 2) The **Growth Rate in Unrestricted Assets** should be in the range of 5-10% each year. Net unrestricted assets grew by 5.7% in 2014. 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 \$92,000 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 2015 AFC budget, approved in March 2015, increased funding for Youth Education Math Projects from \$100,000 to \$130,000 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 \$5000 budgets for total planned program expenditures of \$140,000. Non-program expenditures (other than those covered by the CIA’s contributions in kind are budgeted at \$3,000. At Dec. 31, 2014 the AFC’s unrestricted net assets are \$237,625, representing 193% of 2014 spending.

Financial Statements, CRA Filings and Annual Member Report: Copies of the 2014 audited AFC financial statements and the 2015 Annual Member Report will be posted to the AFC web-site shortly after the June 2015 AFC member’s meeting. Copies of the 2014 audited financial statements have been provided to the CIA. The required 2014 filing was submitted to CRA in May 2015. 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 is coordinating 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 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. 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.

Respectfully submitted
Paul Raeburn.

Chairperson, Actuarial Foundation of Canada