ACTUARIAL ASSOCIATION OF EUROPE
ASSOCIATION ACTUARIELLE EUROPÉENNE

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Report by the Honorary Treasurer for the Financial Year 2016, including Forecast 2017 and Budget

Financial accounts 2016

The accounts of the Actuarial Association of Europe for the financial year 2016 have been communicated in July of this year.
The accounts have been reviewed for the third consecutive year by Grant Thornton as agreed during the General Assembly in 2013. The Independent Practitioner's Review Report is included as annex to this report and concludes that "nothing has come to the attention that causes to believe that these financial statements are not prepared, in all material respects, in accordance with BE GAAP and the accounting policies disclosed with the financial statements". Grant Thornton, represented by Dirk Van den Broeck and Nico De Clerck, registered auditors, have presented and explained the report during a meeting on 30 June 2016 and confirmed the fair presentation of the annual accounts.

Summary of the accounts

The net current assets of the AAE end 2016 equal EUR 605,888 a decrease with EUR 17,683 compared to 2015. All available assets are currently invested in a current account at BCEE and a second bank account was initiated late 2016 and effectuated early 2017 with BNP Paribas Fortis in Belgium. This corresponds with the investment principles of the association.

Income during 2016 was EUR 533,501 or EUR 109,201 more than in 2015. Expenditure for the year equals EUR 551,185.

Income

The number of qualified actuaries for whom the member associations pay the subscription to the AAE has increased in 2016 with 816 to 22,791 (the list with the number of qualified actuaries per member association as per 1 January 2017 is available at our website).

Based on the annual fees as agreed by the General Assembly at the meeting in Brussels on 1 October 2010, the income from members has increased to EUR 433,982.

Interest income is low as a result of the short term interest rate on savings accounts.

Expenditure

European Congress of Actuaries

The ECA 2016 took place in April, one month after the terrorist attack in Brussels. The participation was less than planned on beforehand also because of this unexpected event, so that the expenditure exceeded the income with EUR 52,079.

AAE Meetings

The net costs for AAE meetings in 2016 are EUR 8,074, compared to EUR 2,368 in 2015. The 2016 amount includes the 2016 Presidents' Meeting, the Round Tables on Risk Management, reimbursement of travel costs for speaker at the General Assembly and the (external) handling of the Barcelona meetings.

The European Actuary

The AAE has taken over the publication of The European Actuary, with positive reactions of members. The corresponding cost of EUR 12,557 has in 2016 incidentally been compensated by publicity income of EUR 3,500.

Salary/fee costs of Secretariat

The new Executive Assistant, Monique Schuilenburg, joined the AAE on 1 November 2017, while Michael Lucas retired on 31 December 2017.
The VAT due on fees of the secretariat has now been included in the costs of the secretariat unlike the previous years.

Chairman's/Officer's expenses

The AAE is continuing to strengthen its presence at meetings with European institutions. The expense policy is strictly applied so that the costs are reflecting the increased activity.

Printing

Several position papers have been published in 2016 with high circulation figures. The decision has been made to avoid printing costs in the future and to circulate electronic documents only.

Actuarial House

The AAE office has moved in 2016, and agreed to keep the rent at the same level as before. Some costs linked to the move are reflected in the corresponding expenditure.

Miscellaneous

Other income and expenditures are in line with the normal daily management of the organisation.

Result and Reserve

The deficit of income over expenditure of EUR 17,683 is affecting the Reserves of the AAE resulting in an amount of EUR 605,888 at year end.

Following the AAE's finance policy it is the intention to hold a reserve allowing to continue the business for two years.

Forecast 2017

The accounts 2017 have been registered up to the expenses and income of August. This allows for an accurate forecast for end 2017: the positive result is estimated at EUR 25,200. The composition of this result can be found in annex 2

The differences with the budget 2017 are:

- Income is at a higher level than expected in the budget, the number of members is growing faster leading to a membership number of 22,791 in our 37 member associations.
- The cost for the secretariats employment is lower than budget: in the light of the strategic exercise going on it has been decided not to recruit any new resources or to use any other external resources.
- The web site has been redesigned and will be launched soon. The cost has been fully registered in 2017.
- The Officer's expenses continue to increase. Officers and other delegates of the AAE are more and more present in meetings with European institutions. At the same time it can be observed that employers or local associations are less compensating travel costs. It can be confirmed that the Reimbursement Policy, as available on the web site, is applied strictly.
- Meetings are increasingly organised in the Brussels office, implying additional catering and facilities.

Budget 2018 and later

<u>2018</u>

Based on the Forecast 2017 and assuming no structural changes in the light of the new governance structure, it is possible to budget for income and expenses in 2018.
The result is included in annex 2.

A positive result of 27,045 EUR is expected in 2018 taking into account prudent assumptions of membership and combined with the contribution level as agreed in October 2010.

<u>5 year projection</u>

No structural changes have been introduced, the trends observed in recent years are extrapolated.
The projected income level creates a margin that is decreasing systematically: the projected income is stable as the number of qualified actuaries and the contribution level are not evolving, the expenses are indexation linked.

Approval of financial statements and budget

In accordance with the Statutes, the General Assembly is invited to approve the audited financial statements for the year 2016 and the draft budget for 2018.

Annual Fee

In accordance with the Statutes, the General Assembly is invited to approve to maintain the annual fee for 2019 at EUR 20 per full member per Member Association.

Postscript

I would like to take this opportunity to remind the General Assembly that I shall be relinquishing my position as Honorary Treasurer at the Annual Meeting in Copenhagen on 22 September. I have served in this capacity for two years, and it has been a pleasure and a privilege to do so. I am pleased to be able to hand over a sound financial position to my successor.

Karel Goossens
Honorary Treasurer
September 2017

Actuals 2016, Comparison budget vs. forecast 2017, Budget 2018, Forecast 2019-2022

2017

	2016 actual	2017 Budget	2017 Forecast	2017 Forecast vs. Budget %	2018 Budget	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
	Euros	Euros	Euros		Euros	Euros	Euros	Euros	Euros
Annual Fee		18-20	18-20		19-20	20	20	20	20
Number of Members	21,975	21,000	22,791		23,000	23,300	23,600	23,900	24,200
INCOME									
Contributions (fees)	433,982	438,300	452,000	3.1%	456,145	466,000	472,000	478,000	484,000
ECA 2016	90,169	0	0		0	0	0	0	0
AAE meetings	6,260	0	0		0	0	0	0	0
The European Actuary	3,500	0	0		0	0	0	0	0
Interest received	-409	0	0		0	0	0	0	0
Total Income	533,501	438,300	452,000	3.1%	456,145	466,000	472,000	478,000	484,000
EXPENDITURE									
AAE Secretariat Employment	211,383	210,000	195,000	-7.1%	200,000	205,000	210,125	215,378	220,763
AAE Secretariat Travel	24,003	30,000	25,000	-16.7%	30,000	30,750	31,519	32,307	33,114
AAE Secretariat Office Expenses	1,034	1,000	3,000	200.0%	3,000	3,075	3,152	3,231	3,311
Conference calls	4,830	4,000	4,500	12.5%	5,500	5,638	5,778	5,923	6,071
Brussels office (rent/utilities)	18,861	17,500	18,000	2.9%	18,500	18,963	19,437	19,922	20,421
IT services	3,209	6,000	7,000	16.7%	7,500	7,688	7,880	8,077	8,279
Web Site	3,112	5,000	19,000	280.0%	6,000	6,150	6,304	6,461	6,623
Professional Fees	30,023	25,000	30,000	20.0%	30,000	30,750	31,519	32,307	33,114
Legal costs	0	5,000	0	-100.0%	0	0	0	0	0
Bank Charges	1,243	1,000	600	-40.0%	600	615	630	646	662
Board expenses	43,936	32,000	55,000	71.9%	60,000	61,500	63,038	64,613	66,229
Tax Swiss/Belgian	1,026	2,000	3,000	50.0%	3,000	3,075	3,152	3,231	3,311
VAT payments B (non-Belgian invoices)	1,338	4,000	1,500	-62.5%	2,000	2,050	2,101	2,154	2,208
Publications (incl. EU newsletter)	36,445	25,000	26,000	4.0%	26,000	26,650	27,316	27,999	28,699
AAE Meetings	14,334	7,000	15,000	114.3%	10,000	10,250	10,506	10,769	11,038
The European Actuary	12,557	6,000	8,000	33.3%	12,000	12,300	16,000	16,400	16,810
Promotional events	417	15,000	15,000	0.0%	15,000	15,375	15,759	16,153	16,557
ECA 2016	142,248	0	0		0	0	0	0	0
Depreciations	1,186	0	1,200		1,200	1,230	1,261	1,292	1,325
Total Expenditure	551,185	395,500	426,800	107.9%	429,100	439,828	454,216	465,571	477,210
Income -/- Expenditure	-17,683	42,800	25,200	58.9%	27,045	26,173	17,784	12,429	6,790
Balance EOY	605,888	648,688	631,088		658,133	684,305	702,090	714,519	721,308