

REPORT BY THE HONORARY TREASURER FOR THE FINANCIAL YEAR 2017 INCLUDING FORECAST 2018 AND BUDGET 2019

FINANCIAL ACCOUNTS 2017

The accounts of the Actuarial Association of Europe for the financial year 2017 have been communicated to the Membres Titulaires in July of this year. The accounts have been reviewed by Grant Thornton as agreed during the General Assembly in 2013. The Independent Practitioner's Review Report is included as Annex 1 of 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 call on 21 June 2017 and confirmed the fair presentation of the annual accounts.

Summary of the accounts

The net current assets of the AAE end 2017 equal EUR 647,676 (2016: EUR 605,888) an increase of EUR 41,788 compared to 2016. All available assets are invested in two current accounts corresponding with the investment principles of the association.

Income during 2017 was EUR 460,231 (2016: EUR 533,501). Expenditure for the year equals EUR 418,443 (2016: EUR 551,185).

Income and expenditures¹

ANNUAL CONTRIBUTIONS FROM MEMBER ASSOCIATIONS

The number of qualified actuaries for whom the member associations pay the subscription to the AAE has increased by 771 to 22,746 (the list with the number of qualified actuaries per member association is available on 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 member associations has increased to EUR 451,653.

¹ Comments on deviations > 4,000 EUR only

AAE MEETINGS

The net costs (income minus expenditure) for AAE meetings in 2017 are EUR 16,384 (2016: EUR 8,074). The 2016 amount includes the 2017 Presidents' Meeting, committee meetings in Brussels, Reykjavik and Copenhagen and the (external) handling of the AAE meeting registrations. The increase is mainly caused by partly financing the meetings in Reykjavik.

THE EUROPEAN ACTUARY

The costs for the production of "The European Actuary" magazine have decreased to EUR 6,920 (2016: 12,557). This is the direct result of the decision to circulate electronic copies of the magazine only.

SALARY/FEE COSTS OF SECRETARIAT

The numbers are in line with the agreed contractual obligations.

BRUSSELS OFFICE – RENT/UTILITIES

In 2016 the expenditure included the costs for the move of the office.

PROFESSIONAL FEES

This concerns the professional advice we seek from our Swiss and Belgian, legal and tax advisors.

CHAIRMAN'S /OFFICERS' EXPENSES

The AAE is continuing to strengthen its presence at meetings with European institutions and member associations. The reimbursement policy has been strictly applied so that the costs are reflecting the increased activity.

IT SUPPORT

The increase is caused by the increased demand for additional mailboxes and listservers (including the necessary updates).

WEBSITE

The increase is caused by the investments for building the new website and is not structural.

PUBLICATIONS (INCL. EU NEWSLETTER)

Several position papers have been published in 2017 with high circulation figures. The decreased costs are a direct result of the decision to circulate papers by electronic means only.

OTHER INCOME AND EXPENDITURES

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

Result and Reserve

The surplus of income over expenditure of EUR 41,788 has been added to the Reserves of the AAE, resulting in an amount of EUR 647,676 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, if no income is received.

FORECAST 2018

The accounts 2018 are updated to end of August 2018. The positive result is estimated at around EUR 80,000. The composition of this result can be found in Annex 2 of this report.

The expected main differences with the budget 2018 are².

ANNUAL CONTRIBUTIONS FROM MEMBER ASSOCIATIONS

Income will be at a higher level than expected in the budget, the number of members is growing fast leading to a membership number of 24,198 (1 Jan 2018) in our 36 member associations.

EUROPEAN CONGRESS OF ACTUARIES

Some initial costs will be made to start-up the website for the congress in 2019.

THE EUROPEAN ACTUARY

Starting in 2018 the AAE will publish three issues per annum instead of two. On the occasion of ICA2018 the June issue of TEA has been distributed in hard copy (2,500) during the congress in Berlin.

SECRETARIAT TRAVEL & EXPENSES

The secretariat and office expenses are expected to be lower than budgeted, due to less travel in 2018.

CHAIRMAN'S /OFFICERS' EXPENSES

The Board expenses are expected to stabilize. 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.

IT SUPPORT

The increase is caused by the on-going demand increase for additional mailboxes and listservers (including the frequent updates).

PROMOTIONAL SEMINAR

In 2018 three promotional events have been planned: Solvency II webinar (April), Code of Professional Conduct webinar (October) and CRO Round Table (November).

² Comments on deviations > 4,000 EUR only

BUDGET 2019

The proposed budget 2019 is included as Annex 2 of this report. The budget 2019 is based on the assumption that no structural changes will occur in the organisation during 2019.

VAT

To note that AAE providers (within the EU, but outside Belgium) apply reverse charges for VAT payments. The EU created the concept of Reverse Charging VAT in order to simplify trade within the Single Market. The Reverse Charge moves the responsibility for the reporting of a VAT transaction from the seller to the buyer of a good or service. This will therefore not have an effect on the result.

ECA

A positive result is expected on the ECA2019. However, an outcome of zero is currently not remote. Therefore we have included a zero result in the budget 2019.

RESULT 2019

A positive result of 62,576 EUR is expected in 2019 taking into account prudent assumptions for membership developments and the contribution level as agreed in September 2017.

5-year projection

The 5-year projection is based on the trends observed in recent years and assume that no structural changes in the organisation will be introduced. 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 mostly indexation linked (2.5% per annum).

APPROVAL OF FINANCIAL STATEMENTS 2017 AND BUDGET 2019

In accordance with the Statutes, the General Assembly is invited to approve the audited financial statements for the year 2017 and the budget for 2019.

APPROVAL OF ANNUAL FEE 2020

In accordance with the Statutes, the General Assembly is invited to approve to maintain the annual fee for 2020 at EUR 20 per full member per Member Association.

Lutz Wilhelmy
Honorary Treasurer
September 2018

ANNEX 1.1

THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

Statement of Income and Expenditure for the year ended 31 December 2017

	2017 <u>EURO</u>	2016 <u>EURO</u>
<u>INCOME</u>		
From members		
Annual contributions due from National Associations	451.653	433.982
Other		
ECA	-	90.169
AAE Meetings	8.578	6.260
The European Actuary	-	3.500
Interest received	-	-409
	<u>460.231</u>	<u>533.501</u>
<u>EXPENDITURE</u>		
ECA	-	142.248
AAE Meetings	24.962	14.334
The European Actuary	6.920	12.557
Salary / fee costs of Secretariat	202.476	211.383
Secretariat travel & expenses	24.733	25.037
Brussels office - rent/utilities	14.621	18.861
Professional fees	25.972	30.023
Chairman's / Officers' expenses	48.579	43.936
IT Support	7.425	3.209
Conference calls	4.532	4.830
Web site	28.283	3.112
Promotional Seminar	-	417
Publication	24.227	36.445
Taxes: Swiss/Belgian	1.657	1.026
VAT	890	1.338
Bank charges	445	1.243
Depreciations	2.722	1.186
	<u>418.443</u>	<u>551.185</u>
Total income	460.231	533.501
Total expenditure	<u>418.443</u>	<u>551.185</u>
Surplus of income over expenditure	<u>41.788</u>	<u>-17.683</u>

THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

Balance Sheet at 31 December 2017

	2017 <u>EUROs</u>	2016 <u>EUROs</u>
NON CURRENT ASSETS	8.816	11.040
<i>Tangible Fixed Assets</i>	<i>8.816</i>	<i>11.040</i>
Acquisition value	12.723	12.225
Accumulated depreciations	-3.907	-1.186
CURRENT ASSETS	686.572	644.803
<i>Trade Receivables</i>	-	149
<i>Cash at bank</i>	<i>686.572</i>	<i>644.655</i>
Ciasse d'Epargne current account	392.175	330.924
Ciasse d'Epargne term deposit account	-	313.731
VISA Card	117	-
BNP Paribas Current Account	294.281	-
Cash	-	-
<i>Accrual interest to receive</i>	-	-
CURRENT LIABILITIES	47.713	49.955
<i>Accruals Invoices to receive</i>	<i>47.713</i>	<i>49.955</i>
NET CURRENT ASSETS	647.676	605.888

REPRESENTED BY:

Reserves at 31 December prior period	605.888	623.571
Surplus of income over expenditure	41.788	-17.683
Reserves at Year end	647.676	605.888

THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

Valuation Rules at 31 December 2017

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Income

Income from members comprises amounts receivable for annual contributions invoiced, registration fees for colloquia and other services provided.

Other income includes income receivable from outside the membership such as bank interest and sponsorships.

Income and related accounts receivable are recognized based on the accrual principle.

Foreign Currencies

Assets and liabilities in FX currencies are translated into Euros at the FX rate ruling at the balance sheet date.

Tangible fixed assets

The cost of equipment acquired for use by the Secretary and other employees with

- *an expected useful life of more than 1 year; and*
- *an acquisition value of more than 200 EUR*

is recognized as an asset and is written off on a linear basis over following period:

- *Computer and IT equipment: 3 years*
- *Furnitures: 5 years.*

Equipment with an acquisition value of less than 200 EUR is directly expensed.

**Actuals 2016, 2017, Budget 2018, Forecast 2018, Comparison
budget vs. forecast 2018, Budget 2019, Forecast 2020-2023**

ANNEX 2

2018

	2016 actual	2017 actual	2018 Budget	2018 Forecast	2018 Forecast vs. Budget %	2019 Budget	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
	Euros	Euros	Euros	Euros		Euros	Euros	Euros	Euros	Euros
Annual Fee			19-20	19-20						
Number of Members	21,975	22,746	23,000	24,198		24,400	24,600	24,800	25,000	25,200
INCOME										
Annual contributions from MAS	433,982	451,653	456,145	482,845	26,700 5.9%	486,876	492,000	496,000	500,000	504,000
ECA	90,169	0	0	0	0	0	0	0	0	0
AAE meetings	6,260	8,578	0	8,000	8,000	8,000	8,200	8,405	8,615	8,831
The European Actuary	3,500	0	0	0	0	0	0	0	0	0
Interest received	-409	0	0	0	0	0	0	0	0	0
Total Income	533,501	460,231	456,145	490,845	7.6%	494,876	500,200	504,405	508,615	512,831
EXPENDITURE										
ECA	142,248	0	0	5,000	5,000	0	0	0	0	0
AAE Meetings	14,334	24,962	10,000	18,000	8,000 80.0%	18,000	18,450	18,911	19,384	19,869
The European Actuary	12,557	6,920	12,000	14,000	2,000 16.7%	13,000	13,325	16,000	16,400	16,810
Salary/fee costs of Secretariat	211,383	202,476	200,000	200,000	0 0.0%	200,000	205,000	210,125	215,378	220,763
Secretariat travel & expenses	25,037	24,733	33,000	15,000	-18,000 -54.5%	25,000	25,625	26,266	26,922	27,595
Brussels office - rent/utilities	18,861	14,621	18,500	15,000	-3,500 -18.9%	15,000	15,375	15,759	16,153	16,557
Professional Fees	30,023	25,972	30,000	30,000	0 0.0%	30,000	30,750	31,519	32,307	33,114
Chairman's / Officers' expenses	43,936	48,579	60,000	40,000	-20,000 -33.3%	45,000	46,125	47,278	48,460	49,672
IT support	3,209	7,425	7,500	9,000	1,500 20.0%	10,000	10,250	10,506	10,769	11,038
Conference calls	4,830	4,532	5,500	8,000	2,500 45.5%	8,000	8,200	8,405	8,615	8,831
Web Site	3,112	28,283	6,000	2,500	-3,500 -58.3%	4,000	4,100	4,203	4,308	4,415
Promotional seminar	417	0	15,000	12,000	-3,000 -20.0%	20,000	20,500	21,013	21,538	22,076
Publications (incl. EU newsletter)	36,445	24,227	26,000	33,000	7,000 26.9%	33,000	33,825	34,671	35,537	36,426
Taxes Swiss/Belgian	1,026	1,657	3,000	2,500	-500 -16.7%	2,500	2,563	2,627	2,692	2,760
VAT	1,338	890	2,000	5,000	3,000 150.0%	6,000	6,150	6,304	6,461	6,623
Bank Charges	1,243	445	600	300	-300 -50.0%	300	308	315	323	331
Depreciations	1,186	2,722	1,200	2,500	1,300 108.3%	2,500	2,500	2,500	2,500	2,500
Total Expenditure	551,185	418,443	430,300	411,800	95.7%	432,300	443,045	456,401	467,748	479,379
Income -/- Expenditure	(17,684)	41,788	25,845	79,045	305.8%	62,576	57,155	48,005	40,867	33,451
Balance EOY	605,888	647,676	673,521	726,721		789,297	846,452	894,456	935,323	968,775