



Long Term Planning

Joe Mannes '80

Long Term Planning: What Is It?

“Do we have sufficient funding to meet our needs as the class matures?”

- Joe Mannes, Class of 1980
- A tool to develop a line of sight into the class financial future, and identify changes you may need to make today
- Every class is different

 *What is your plan?* 

Long Term Planning: Summary



Key Levers

- Cash reserves
- Dues participation and amount
- Future project needs and funding model (pass-through vs. funded)
- Other costs (e.g., major and mini reunions)
- Mortality rates

Overview

- While the Class of 1980 has compiled a significant amount of cash over the years, the question was raised by our Co-presidents as to whether it was sufficient to meet our needs as our class "matures".
- Class of 1980
 - Next reunion, 40th, is 2020
 - [950] classmates living
 - Good historical dues participation: 45-50%
 - Cash balances in excess of \$130,000
- This effort attempted to address this question.
 - Tried to take conservative approach

Process

- Set horizon: 60th reunion (2040)
- Start with annual budget
 - Each year the treasurer presents projected budget to EC
- Key assumptions
 - Revenues: Dues
 - Expenses: Projects and reunions
- Build long term financial statements in Excel
 - Income Statement
 - Balance Sheet

Key Assumptions: Revenues

- Primary Driver: Dues
 - Who's paying? How much?
- Went to the CDC webpage for mortality rates
 - % projected to pass away each year.
 - Uses general population, our group may be different
- Reduced our headcount annually using the CDC mortality data.
 - These are 10 year cohorts, so the mortality rate stairsteps up every 10 years.
- Left our dues participation % level
 - Even during reunion years, which typically have higher participation rates
- Left our dues amount, \$45, level
 - For the entire 21 year period.
- Impact: By the 60th reunion year headcount is projected have gone from 954 to 521, and dues payers from 448 to 245.

Extract from Mortality Tables

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Worktable 23R. Death rates by 10-year age groups: United States and each state, 2007

[Rates per 100,000 population in specified group. Rates are based on populations estimated as of July 1, 2007]

Area	All ages 1/	Under 1 year 2/	1-4 years	5-14 years	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65-74 years	75-84 years	85 years and over
United States.....	803.6	684.5	28.6	15.3	79.9	104.9	184.4	420.9	877.7	2,011.3	5,011.6	12,946.5
Alabama.....	1,009.0	1,027.4	30.9	19.6	129.1	157.9	281.8	592.3	1,179.7	2,544.2	5,790.2	13,954.3
Alaska.....	506.7	643.5	34.9	28.9	120.4	119.1	226.4	423.0	796.1	2,008.6	5,107.0	11,754.3
Arizona.....	748.7	685.0	28.4	17.4	102.4	112.8	199.7	410.5	890.7	1,788.8	4,224.7	10,008.7

* Figure does not meet standards of reliability or precision.
 0.0 Quantity more than zero but less than 0.05.
 1/ Figures for age not stated included in "All ages" but not distributed among age groups.
 2/ Death rates for "Under 1 year" (based on population estimates) differ from infant mortality rates (based on live births).

Source: CDC/NCHS, National Vital Statistics System, Mortality.

- Source webpage: <https://www.cdc.gov/nchs/nvss/mortality/gmwk23r.htm>
- Document: https://www.cdc.gov/nchs/data/dvs/mortfinal2007_worktable23r.pdf
- Match up classmates' age to mortality table
 - Used VLOOKUP

Key assumptions: Expenses

- Various project needs
 - Two pass-through projects
 - No incremental requirements
 - One hybrid pass-through: Memorial Book Fund
 - Classmates contribute and class makes up difference
 - Assumed that the class collected no more \$\$ for the Memorial Book Fund from classmates after 2018
 - Class then assumed to fund \$2,000 per year until 2040
 - Total need is estimated at \$50,000 (about \$50/classmate)
 - We believe that will cover all the costs of the program.
 - Funded the reunion-based Parker Small award each reunion year, escalating slightly each time to \$2,750 in 2040.
 - NON-pass-through projects
 - Two current projects funded out of class resources
 - Assumed \$6,000 annually (current level: \$3,000 each)
 - \$1,000 increases every five years (the reunion years, so \$7,000 starting in 2025, \$8,000 in 2030, etc.)

Key assumptions: Expenses

- Mini-Reunions
 - Assumed mini-reunion expenses of \$2,500 per year
 - Escalated \$500 every five years (in reunion years).
- Full Reunions
 - Assumed the class funds each reunion
 - \$10,000 typically
 - \$15,000 for our 50th
 - Note: while we have budgeted this in the past 3 reunions, we have not actually had to touch the funds--but we are still budgeting this for the purpose of long term planning.
- Other
 - Assumed expense levels consistent with previous years.

Numbers

- Develop projected income statements
- Build projected balance sheet
 - Plug for cash
- Review over time
- Do sensitivity analysis
 - Increase dues!
 - Reduce project commitments

Summary Information

- Class population assumptions
- Dues payment assumptions
- Displaying 5 year intervals

Reunion Years	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Dues Calculation					
Age	62	67	72	77	82
Beginning Headcount	938	878	793	673	521
Mortality rate	0.878%	2.011%	2.011%	5.012%	5.012%
Participation rate	47.0%	47.0%	47.0%	47.0%	47.0%
Dues payers	441	413	373	316	245
Annual Dues	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00
Gross Dues Collection	\$ 19,845	\$ 18,585	\$ 16,785	\$ 14,220	\$ 11,025

Summary Information

- Income Statement/Balance Sheet
- Note: for purpose of projections, Book Fund assumes no disbursements

Summary Income Statement	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Income (Dues Collection)	\$ 19,845	\$ 18,585	\$ 16,785	\$ 14,220	\$ 11,025
<i>Expenses</i>					
Class Projects	10,000	11,250	12,500	13,750	15,000
Reunions	12,500	13,000	18,500	14,000	15,000
Other Expenses	5,250	5,250	5,250	5,250	5,250
Total Expenses	27,750	29,500	36,250	33,000	35,250
Net Operating Income	\$ (7,905)	\$ (10,915)	\$ (19,465)	\$ (18,780)	\$ (24,225)
<i>Assets</i>					
Memorial Book Funds	19,515	29,515	39,515	49,515	57,515
Residual Cash	106,302	108,832	89,927	58,462	2,367

Conclusions

- The short answer: Cash net of Memorial Book commitments at our 60th reunion is projected to be about \$2,300.
- Sensitivity Analysis
 - Increasing annual dues one-time to \$50 starting 2025 increases residual to \$29,500.
 - Project gifts, 2019-2040, are \$226,750
 - Reunion support, 2019-2040, is \$127,500

Conclusions

- Every class is different
 - Size/Mission/Age
- We wanted to be able to make long term commitments and see the impact.
- What is your plan?