



## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF MANITOBA

### Consultation Paper – Annual Membership Fees and Changing Demographics

November 16, 2009

Response Date: January 8, 2010

The Council of the Institute of Chartered Accountants of Manitoba is seeking comments from the membership with respect to proposed changes to the structure under which annual membership fees are assessed.

Council believes that it has outlined and considered the major issues and concerns that may be raised by the proposed changes to the fee structure. However, before a final decision is made with regard to the proposed changes, it is seeking feedback from the members as to whether there are other major issues and concerns that have not been identified.

All comments will be considered to be information that is available to the general membership and will be posted on the ICAM website at [www.icam.mb.ca](http://www.icam.mb.ca). Anonymous comments will not be posted. The Institute reserves the right to reject or edit comments that include offensive or inappropriate language.

Comments are requested, preferably by e-mail, **by January 8, 2010**. Comments may be sent

by e-mail to:

[icam@icam.mb.ca](mailto:icam@icam.mb.ca)

(with the subject line "Response to AMF Proposal")

in hard copy to:

**AMF Proposal  
ICAM  
500 – 161 Portage Ave E.  
Winnipeg, MB R3B 0Y4**

or by facsimile to:

**(204) 943-7119**

## **Demographics and the Membership Fee Environment**

1.0 There have been a number of shifts in the demographic composition of Manitoba's CA profession over the past several years, and those shifts have current and future impacts on the profession as a whole. Like society in general, our membership is subject to impacts created by the baby boomer generation. Current retirements are already making an impact and predicted retirements of the boomers will be even more significant. The impacts include effects on the number of active versus inactive or retired members, the difference in gender representation and the tendency toward phased or partial retirement. Specifically, ICAM has noted a number of trends and issues related to the changing demographics of our membership that have implications for Annual Membership Fees (AMFs):

1.0.1 Our members are aging – as at April 2009, 42% of our membership was over the age of 55 and 64% of our membership was over the age of 45. To compare, in 2005, 39% of the members were older than 55 and 53% were over the age of 45 ;

1.0.2 Our members are tending toward phased retirement rather than leaving full-time work for full-time retirement. This trend means that many of them continue to actively earn some level of income;

1.0.3 Some of our semi-retired members continue to work in areas that relate to the work they did during their careers (business consulting, contract accounting services etc.) while others work in areas that are not at all related their careers as a CA. These members in unrelated or non-professional jobs may be working part-time in retail sales positions or as golf course marshalls, for example;

1.0.4 The current fee structure does not provide any AMF exemption or reduction to a sole practitioner in public practice who is winding down a practice and whose income is therefore declining. There is some question about whether it is reasonable to assess full AMFs against such a public practitioner when a reduction is available to another member who continues to provide other consulting services. Such public practitioners are also assessed an additional practitioner's assessment, in part to offset the additional services that are provided to them. The amount of AMFs that are assessed against them is not relevant to public protection as that protection is provided through standards in the areas of professional development requirements, liability insurance and practice review for such public practitioners;

1.0.5 The current income tests for fee exemptions were established roughly five years ago and most other provincial institutes have income tests that are set at higher levels - the current "15 times AMF" threshold should be evaluated;

1.0.6 The current reduced AMF for semi-retired members is set at a flat rate – is a flat rate reasonable or should any future AMF reduction be based on a flat fee or replaced by a "percentage of fee" reduction; and

1.0.7 While the numbers are not extremely large overall, there are growing numbers of members who are on career breaks, most notably female members on maternity leave. This number may continue to grow as the proportion of females among our younger members grows.

## **Impact on the CA Profession**

2.0 There are a number of implications arising from an aging demographic. Ultimately, the very existence of the profession is at risk if the aging members are not replaced by new members. The leadership of the profession is addressing this issue as a strategic priority separately from this discussion. However, the future viability of the profession is also at risk if the remaining dues-paying active (and presumably younger) members cannot afford to sustain the cost of the profession.

2.1 There are arguments in support of providing AMF relief to members who have “paid their dues” in the form of AMFs over a sustained period of years, however, if there are too many non-dues-paying members, the burden that must be transferred to the remaining dues-paying members may simply make membership unaffordable.

2.2 The issue for members at or nearing full or semi-retirement is the question of whether and how much they are willing to continue to pay to support their profession as a whole to sustain it into the future. The tolerance of some members to continue to provide financial support to a profession with which they may no longer feel a strong or relevant connection may decrease to a point where they are willing to return their membership certificates and resign. However, most members attach value, sentimental or otherwise, to their membership in the Institute. And such longstanding members, through the contributions they have made and continue to make, provide value to the profession. Complicating the issue is the fact that the AMFs of many of these members were previously paid by their employers and those fees may very well be coming from their own pockets in full or semi-retirement. There is a delicate balance to be struck to encourage the continued financial support of these members at a cost which is reasonable and fair to both them and the rest of the profession.

2.3 For younger members, the stakes are arguably higher – they and their employers will bear the cost of sustaining the profession in the future. The profession runs the risk of ultimately pricing itself out of existence if the number of remaining dues-paying members drops to a point that creates an unacceptable burden on those remaining members.

2.4 There are a number of questions that arise related to assessing fees against members who are fully or semi-retired and these questions have implications for members who are on career breaks as well.

2.4.1 Should fully retired members be fully exempt from AMFs?

2.4.2 Should semi-retired members be expected to continue to pay full or partial AMFs?

2.4.3 Should the source of their income matter – that is, if the member earns income from employment that is clearly unrelated to the member’s career, should the member still be required to pay AMFs? Should those AMFs be reduced?

2.4.4 Should a part-time public practitioner be expected to pay full AMFs regardless of level of income if a non-public practice business consultant qualifies for reduced AMFs?

2.4.5 At what income level should a member be expected to pay full AMFs?

2.4.6 Should members qualify for fee relief on the basis of their age or years membership or both? If so, at what point?

2.4.7 Should there be a reduction or waiver of AMFs for members who are on a career break?

2.4.8 Should the reason for the break be a factor – that is, should a reduction or waiver depend whether the member is on leave for parental or other caregiving, educational, or medical purposes or whether the member may be temporarily unemployed or has chosen permanent part-time work?

### **Summary of Rationale for Proposed Fee Structure**

3.0 The ICAM Membership Committee reviewed the issues and questions described above in light of the current fee structure (see Appendix B – Current ICAM Fee Structure), information gathered from other provincial institutes and the fee structures of other professional bodies in Manitoba. The goal of this review was to identify a reasonably simple and understandable fee structure that would address most if not all of the issues and provide some flexibility for adjustment to address future issues as they arise. Based on its review, the Membership Committee proposed a new fee structure to Council, which is included as Appendix A - Proposed ICAM Fee Structure.

3.1 Council debated the proposed fee structure and approved it in principle. Council also believed that, before reaching a final decision, the proposal should be shared with the membership to obtain feedback on any other issues or concerns that members might identify.

3.2 The rationale behind the attached Proposed ICAM Fee Structure is outlined below:

3.2.1 In general, it is appropriate to continue to provide full AMF relief to members who are fully retired. Full retirement can be defined in terms of both the level of income that a member earns from non-retirement sources and a “magic number” formula that takes into account both age and years of membership. Such an approach provides for recognition of longstanding membership and also considers whether a member continues to actively earn income or not.

3.2.2 The “magic number”, the combination of age and years of membership, should be 95. This figure is based on the earliest age at which one could become a member, age 25, and retirement at age 60, which translates to 35 years of active membership. Therefore most members would reach “magic 95” in their early 60’s, which is a common retirement age. Thirty-five years of membership represents an appropriate length of membership that merits recognition in the form of a waiver of AMFs. It might be argued that even such longstanding members should be assessed a nominal fee to retain their membership. However, it might also be argued that these longstanding members who are no longer actively employed merit a certain level of appreciation and respect, which is provided under this proposal.

3.2.3 It is appropriate to continue to provide some form of fee relief to members with reduced earned incomes. A multiple of AMFs continues to be a flexible, simple and transparent means of establishing income thresholds for fee reduction purposes. However, the current thresholds of 1 time and 15 times AMFs should be updated.

3.2.4 The lower end of the earned income threshold should be approximately \$5,000 and therefore, a multiple of 5 times AMFs is appropriate to establish the low end of the amount of earned income at which a fee reduction would be provided.

3.2.5 The upper end of the earned income range should be approximately \$25,000, or 25 times AMF. This increase from the current range of 15 times AMFs recognizes the levels of part-time income that semi-retired members are likely to earn. It also addresses, at least in part, issues related to the source of earned income.

3.2.6 The “source of income” issue presents several difficulties. There is support for the suggestion that income that is not “professional” in nature should be excluded from inclusion in the calculation of earned income. However, there are also concerns that the distinction between “professional vs. non-professional” income is easily blurred and that monitoring such distinctions could quickly become a very resource-intensive exercise for the Institute. Ultimately, in the interest of simplicity and on the premise that work in “non-professional” areas is likely to be lower paying than work as a professional, the upper limit was set at roughly \$25,000. This upper limit should allow most members pursuing part-time non-professional employment to qualify for reduced AMFs, although AMFs would not be fully waived for all such members.

3.2.7 A sole practitioner winding down a practice should not be required to pay more fees than a “semi-retired” CA outside of public practice who earns the same level of income. Accordingly, under the proposal, the fact that part-time income is earned from the practice of public accounting would no longer disqualify a member from a fee reduction.

3.2.8 There is some question whether members who are on a career break or who are unemployed for various other reasons should receive fee relief that is similar to longstanding members when the longstanding members are less likely to “trade” on the CA in the future. The proposal does allow for “young” members who may choose to work part-time (ie. less than 25 times AMFs) to pay reduced fees. However, as related to the lowest income members, this approach recognizes that members of long standing have “paid their dues” while younger members may not have done so to the same extent. The establishment of the Magic 95 provides a full waiver of AMFs to longstanding members with income below the minimum threshold, while those younger members on career breaks for a variety of reasons with similar income would still be assessed partial AMFs.

3.2.9 A related issue is whether there should be some limit placed on the number of years that members who have not attained Magic 95 could qualify for reduced fees. Such a restriction has been rejected for two reasons. It might be unfair to certain members such as caregivers who are on extended parental leave with more than one child or who require extended medical leave. It also adds a level of complexity that is unnecessary given the limited number of members in this situation.

**Your Opportunity to Contribute to the Discussion**

The proposed fee structure that is attached was developed on the basis of all of the considerations outlined above. It aims to achieve fairness and is intended to provide a reasonable value proposition for members at or near retirement as well as for younger members. It also provides some flexibility for future adjustment as necessary and is relatively simple and transparent, particularly in comparison to the current model. Finally, it provides for a reasonable level of revenue sufficient to ensure that the Institute has the resources to fulfill its mandate to properly regulate the profession in the public interest.

Council is asking for comments from members on the proposed fee structure, and in particular whether there are additional issues or concerns which may not have been addressed by this consultation paper.

Written comments, with the name of the commentator, should be provided to [icam@icam.mb.ca](mailto:icam@icam.mb.ca), by facsimile to (204) 943-7119 or by regular mail to 500 – 161 Portage Ave. E. Winnipeg, MB R3B 0Y4 **by January 8, 2010**. Comments will be made available on the ICAM website. The Institute reserves the right to reject or edit comments that include offensive or inappropriate language.

**Appendix A**  
**Proposed ICAM Fee Structure**  
(April 2010 proposed effective date)  
For Discussion Purposes

	Earned Income <sup>(1)</sup> <5X AMFs	Earned Income 5X – 25X AMFs	Earned Income >25X AMFs
<b>No Magic 95</b>	Pay 25% AMF	Pay 50% AMF	Pay 100% AMF
<b>Magic 95<sup>(2)</sup></b>	Exempt from AMF (optional \$50 mail)		

Notes:

- (1) Earned income is based on active income from the previous calendar year and includes income from any source except pension, retirement, investments or insurance/El/top-up benefits. It **includes** such income as Director fees, consulting fees or part-time employment income from any source and **excludes** payments from a firm or business intended to facilitate retirement – “transitional” payments to facilitate the transfer of clients over a limited time period, for example. Salary/dividends received from a business in which the member no longer plays an active management role are considered to be retirement income for this purpose and would be **excluded** from the threshold calculation.
- (2) Magic 95 is the combination of the member’s age and years of membership in any provincial institute in good standing. It is based on the earliest age that one could become a member, age 25, plus 35 years of membership assuming retirement at age 60.

Comments:

This proposal would have some of the following consequences (note that the following figures assume AMFs of \$1,000 for ease of calculation):

1. Unemployed and part-time members could qualify for an automatic reduction of fees, in addition to those on caregiver, education or medical leave, depending on income levels. Current members on caregiver and education leave who now pay \$500 would pay \$250 under the proposed model. Those on medical leave would no longer automatically receive a full waiver.
2. “Early retired” members (i.e. who have not reached Magic 95) would pay AMFs based on earned income (including “non-professional” employment income). For some of these current members the amount of fees would increase from \$200 to either \$250 or \$500 per year. For others (who currently earn between \$15,000 and \$25,000), the fees would decrease from about \$1,000 to \$500 per year.
3. Those members who have reached Magic 95 and who have nominal earned income (less than \$5,000) would receive a full exemption from fees. Currently they must earn less than \$1,000 to receive a full exemption.
4. Those members who have reached Magic 95 and who earn between \$5,000 and \$25,000 would pay \$500 in AMFs. Currently, these members either pay full AMFs (earned income greater than \$15,000) or the flat fee of \$200 (earned income below \$15,000).

**Appendix B**

**Current ICAM Fee Structure  
(effective April 2003\* )**

	Income <1X AMFs	Income 1X – 15X AMFs	Income >15X AMFs
No income from public accounting	Exempt	Pay \$200	Pay Full AMF
Any income from public accounting	Pay Full AMF		
Caregiver/education leave	Pay 50% AMF		Pay Full AMF
Medical waiver	Exempt		
Financial Hardship	Case-by-case – waiver, reduction, instalments		

**“Exempt”** – the member has retired from active employment or business, does not practice public accounting and has income (other than investment or pension income) of less than 1 times annual dues (currently about \$1,000). Such members must provide a declaration that they meet the criteria, but are not required to provide any additional documentation in support of the declaration. These members are exempt from paying annual dues but are assessed an annual mailing fee of \$50 if they wish to continue to receive Institute mailings.

**“Partially exempt/Semi-retired”** – the member has retired from active employment or business, does not practice public accounting and has income (other than investment or pension income) of between 1 and 15 times annual dues (currently about \$1,000 to \$15,000). Such members must provide a declaration that they meet the criteria, but are not required to provide any additional documentation in support of the declaration. These members are assessed an annual membership fee of \$200.

**“Caregiving leave”** – the member is at home caring for a dependant (no age limit) and earns income of less than 15 times annual dues. Such members must provide a declaration that they meet the criteria and are not required to provide any additional documentation in support of the declaration. These members receive a 50% reduction of annual dues.

**“Education leave”** – the member is attending post-secondary education on a full-time basis and earns income of less than 15 times annual dues. Such members must provide a declaration that they meet the criteria and are not required to provide any additional documentation in support of the declaration. These members receive a 50% reduction of annual dues.

**“Financial Hardship”** – members may apply for a waiver, reduction, or deferral of annual dues and each case is considered individually. In most instances, T1’s or Notices of Assessment are requested to support the application.

**“Medical Waivers”** – members may apply for a waiver of annual dues where the request is supported by a medical certificate.

\*Members who retired prior to April 2003 continue to receive a full fee exemption if income is below 15 X AMF.