

## Council Approves Changes to ICAM Fee Structure

The newly approved structure under which annual membership fees are assessed were put forward as proposed changes for member comment in November of 2009 with a comment deadline of January 8, 2010. At its meeting on January 27, 2010, the ICAM Council approved the proposed changes to the ICAM fee structure.

ICAM Fee Structure			
<i>Effective April 1, 2010</i>			
	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/EI/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.

### **Impact of Changes**

The new fee structure will 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).

### ***Summary of Rationale Behind New Fee Structure***

- 1.0 The ICAM Membership Committee reviewed the current 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.
- 1.1 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.
- 1.2 The rationale behind the attached Proposed ICAM Fee Structure is outlined below:
  - 1.2.1 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.
  - 1.2.2 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.
  - 1.2.3 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.
  - 1.2.4 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.

- 1.2.5 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.
- 1.2.6 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.
- 1.2.7 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.
- 1.2.8 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.
- 1.2.9 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.