

IUPAC Finance Committee Meeting

Monday, 13 February 2006, 9:00 AM - 5 PM
Offices of Reber Rechtsanwälte, Dufourstrasse 43
CH-8034 Zurich, Switzerland

Agenda

- | | |
|---|----------------|
| 1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA | HLS |
| 2. MINUTES OF 2005 MEETING | HLS |
| 3. FINANCE COMMITTEE MEMBERSHIP | HLS |
| 4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU | HLS |
| 5. FINANCIAL REVIEW | |
| 5.1. STATEMENTS OF ACCOUNTS – 2005 | JWJ |
| 5.2. COMPARISON OF ACCOUNTS TO BUDGET - 2005 | JWJ |
| 5.3. RESERVES AND SPECIAL FUNDS | JWJ |
| 5.4. FINANCIAL RESULTS FOR SELF-PUBLISHING <i>PAC</i> IN 2005 | JWJ |
| 6. SUBSCRIPTIONS | |
| 6.1. OVERDUE NATIONAL SUBSCRIPTIONS PAYMENT STATUS | JWJ |
| 6.2. 2006 NATIONAL SUBSCRIPTION PAYMENT STATUS | JWJ |
| 7. REVIEW OF BUDGET –2006-7 | CFB/JWJ |
| 8. ALLOCATION TO IUPAC BODIES | CFB |
| 8.1. ALLOCATIONS FOR 2006-7 | |
| 8.2. ALLOCATION METHODOLOGY | |
| 9. PROPOSAL FROM DIVISION V REGARDING STABILITY CONSTANTS DATABASE | JWJ |
| 10. INVESTMENT PORTFOLIO | |
| 10.1. INVESTMENT TRANSACTION HIGHLIGHTS | HLS |

IUPAC Finance Committee Meeting
Agenda

- | | | |
|-------|--|-----|
| 10.2. | PERFORMANCE 2005 | HLS |
| 10.3. | TRANSFER OF PORTFOLIO TO WACHOVIA SECURITIES | HLS |
| 10.4. | UPDATE OF INVESTMENT AND FUND STRATEGIES | ALL |

11. OTHER BUSINESS

- | | |
|--|------------|
| 12. DATE AND LOCATION OF NEXT MEETING | HLS |
|--|------------|

IUPAC Finance Committee Meeting

13 February 2006

Minutes

Members present: Dr. H-L. Senti (Chairman), Dr. C. F. Buxtorf, Prof. J. Corish,
Dr. D. Schutt, Dr. I. Thonus,
Guest: Dr. A. Hartmann
Secretary: Dr. J. W. Jost

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

Dr. Senti welcomed the members and asked that members introduce themselves since there was a new member at this meeting. Dr. Senti asked that the Committee give a vote of thanks to Dr. Przybylowicz, the retiring Chairman of the Committee, for his years of dedicated and capable service to IUPAC. This motion was approved unanimously. There were no changes to the Agenda.

2. MINUTES OF 2005 MEETING

The Minutes were received as read and there were no comments.

3. FINANCE COMMITTEE MEMBERSHIP

Dr. Senti noted that he would retire from the Committee at the end of 2007 and that a new Treasurer would be elected at the General Assembly in 2007 at Torino. He asked that the members send him any suggestions for new members of the committee.

4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU

There were no items from the meetings of the Executive Committee and Bureau in 2005 of special interest for the Committee.

5. FINANCIAL REVIEW

5.1. STATEMENTS OF ACCOUNTS – 2005

Dr. Jost reviewed the report on the accounts of the Union through the second quarter of 2005. There were no items of note to discuss. It was suggested that the word foreign on page 9 of the report was not needed.

5.2. COMPARISON OF ACCOUNTS TO BUDGET – 2005

Dr. Jost reviewed the comparison of estimated actual expenses and income for 2005 with the budget and reported that the results for the year were expected to be on budget. There was a brief discussion of the report but no significant items were noted.

5.3. RESERVES AND SPECIAL FUNDS

Dr. Jost reviewed his proposal to change the way in which the Operating Reserve and the Endowment Fund were calculated. The proposal is to set the General Endowment Fund at a fixed amount and to calculate the Operating

IUPAC Finance Committee Meeting
Minutes

Reserve by difference. When the Operating Reserve calculated in this way is greater than the net operating expense for the biennium, the Finance Committee can increase the General Endowment Fund, while if it is less than the net expense, the General Endowment Fund remains the same. This treats the General Endowment Fund in the manner one would expect for an Endowment Fund; that is it changes only if the total investment portfolio increases.

After some discussion, the Committee approved this change. The revised Fund Policy Statement is attached. The Committee also approved setting the value of the Endowment Fund at USD 2 400 000.

5.4. FINANCIAL RESULTS FOR SELF-PUBLISHING PAC IN 2005

Dr. Jost reviewed the financial results for publishing PAC. He reminded the Committee that the results shown are based on a comparison to the situation when an official publisher was responsible for the editing, printing, and distribution of the journal. After some discussion the Committee suggested that the analysis also include the other costs associated with the journal, mainly the staff costs at the secretariat. Dr. Jost also noted that the current subscription price for an electronic only subscription was based on the add on costs of providing electronic access. As the number of institutional subscribers to the print edition decreases it will become necessary to increase the subscription to the electronic edition in order to fully recover the costs of producing the journal.

6. SUBSCRIPTIONS

6.1. OVERDUE NATIONAL SUBSCRIPTIONS PAYMENT STATUS

Dr. Jost reported that there were four NAOs in arrears for years before 2004 at the beginning of 2005: Argentina, Brazil, Chile, and Egypt. These NAOs were informed that the EC had approved sanctions, which included the ineligibility of representatives from these NAOs receiving support to attend Division and Standing Committee meetings, including those at the General Assembly. Council approved a motion imposing sanctions on all NAOs in arrears for 2003 and earlier by the end of 2005. Three of these, Argentina, Brazil and Chile, paid their arrears for 2003 and earlier before the end of 2005. As of 17 January, Egypt was still on arrears on part of its 2003 National Subscription, Chile and Egypt were in arrears for all or part of their 2004 NS. Eight NAOs are in arrears for 2005: Argentina, Brazil, Chile, Croatia, Egypt, France, Kuwait, and Turkey.

There was a brief discussion of the difficulty of obtaining payment from some NAOs and ways in which IUPAC might assist NAOs in obtaining the necessary funding. The suggestion was made that a special group be set up to study this issue.

IUPAC Finance Committee Meeting

Minutes

6.2. 2006 NATIONAL SUBSCRIPTION PAYMENT STATUS

Dr. Jost reported that seven NAOs had paid their 2006 National Subscription as of 17 January: Australia, Bulgaria, Czech Republic, Jamaica, Puerto Rico, Slovenia, and South Africa. There was no further discussion of this item.

7. REVIEW OF BUDGET –2006-7

Dr. Jost reported that no changes had been made in the 2006-7 Budget as approved by Council. This item was presented for information only.

8. ALLOCATION TO IUPAC BODIES

8.1. ALLOCATIONS FOR 2006-7

Dr. Jost briefly reviewed the allocations to Divisions and Standing Committees as approved by the Bureau. He noted that the Treasurer had suggested to the Divisions that they use 70 % of their allocation to fund new projects and 30 % for operations, as compared to the 25 %/ 75 % suggested for the previous biennium. There was no further discussion of this item.

8.2. ALLOCATION METHODOLOGY

Dr. Buxtorf reviewed the current method for determining allocations to Division and Standing Committees, which is based on history. He discussed two alternatives. One is to allocate funds based on the goals of the Strategic Plan the other is to reward success, that is to increase or decrease allocations based on the performance of the Division or Standing Committee's project portfolio. He noted that if there is to be a change it must be approved by the Bureau in October so that it can be implemented in the development of the 2008-9 budget. The Executive Committee has requested that the Finance Committee make a recommendation for consideration by the Executive Committee at its meeting in April.

There was an extensive discussion of this subject. It was concluded that allocation based on the Strategic Plan would be both difficult and could lead to large changes in allocations from biennium to biennium, which was viewed as undesirable. Likewise it was felt that judging the performance of the project portfolios was both difficult and uncertain, especially due to the long time necessary to judge the significance of many projects.

The Committee concluded that a better alternative would be to change the focus of the current Division Reserve from a pool of money available to Divisions that had allocated all their available project funds to a Strategic Opportunities Fund. This Fund would continue to be administered by the Treasurer and Secretary General but it would be fixed at approximately its current value (USD 97 400) and its focus would be to fund projects deemed to be especially significant in relation to the Union's Strategic Plan.

IUPAC Finance Committee Meeting
Minutes

9. PROPOSAL FROM DIVISION V REGARDING STABILITY CONSTANTS DATABASE

Dr. Jost reviewed the proposal and noted that the Executive Committee had requested that the Finance Committee review the business plan and comment on its feasibility. After an extensive discussion, the Committee concluded that what was proposed was not a business, but an IUPAC activity, part of whose costs would be recovered through sale of the database produced. The Committee recommended to the Executive Committee that all the costs for this activity be itemized and a decision to fund be made on the basis of the value of this activity to the scientific community and to IUPAC.

10. INVESTMENT PORTFOLIO

10.1. INVESTMENT TRANSACTION HIGHLIGHTS

This item was presented for information only.

10.2. PERFORMANCE 2005

Dr. Senti reported that the Union's portfolio continued to perform well compared to industry benchmarks.

10.3. TRANSFER OF PORTFOLIO TO WACHOVIA SECURITIES

Dr. Senti reported that the portfolio had been successfully transferred from Merrill Lynch to Wachovia Securities. There had been difficulties, especially due to a number of non-portable investments that had to be converted to cash before they could be transferred. He noted that part of the investment strategy for the future would be to ensure that all the investments made were in portable assets.

10.4. UPDATE OF INVESTMENT AND FUND STRATEGIES

Dr. Senti reported that the portfolio was currently invested 70 % in fixed income and 30 % in equities with 60 % of the portfolio in dollar denominated investments and 40 % in Euro denominated investments. After some discussion it was decided that it would be prudent to increase the proportion of equities to 35 % and to decrease the proportion of dollar denominated investments to 55 %. It was also suggested that an investment in an Exchange Traded Fund (Index Fund) based on the Dow Jones Europe index or comparable index would be a useful diversification of the portfolio.

Dr. Senti was asked to request that Wachovia Securities prepare a quarterly report showing the performance of the entire portfolio: interest, dividends, and capital appreciation and of the individual investments.

11. OTHER BUSINESS

There was no other business.

IUPAC Finance Committee Meeting
Minutes

12. DATE AND LOCATION OF NEXT MEETING

The next meeting of the Finance Committee will be Monday, 19 February 2007 in the offices of Reber Rechtsanwälte, Zürich.



International Union of Pure and Applied Chemistry

Fund Policy Statements

1. PURPOSE

Biennium Operating Reserve Fund This fund is the prime financial protection for the Union in the event of a severe worldwide economic downturn.

General Assembly Special Fund This fund is to be used to supplement the expense of holding General Assembly meetings in locations where the costs are considerably more expensive than the norm.

IUPAC Endowment Fund This fund is treated as an “endowment fund”, that is, only the interest earned on the principal in this fund will be used for special projects of a broad nature that enhance the stature of the Union.

Special Funds IUPAC encourages individuals and organizations to participate in its mission. While in most cases this takes the form of collaboration and participation in IUPAC projects, it can also be financial aid to various IUPAC activities. Such financial aid can directly support specific IUPAC projects, or it can be set up as a special fund that is used to accomplish certain goals over a period of time or in perpetuity. Special Funds may also consist of those royalty streams from books published by a Division or commission that have an ongoing activity to update the publication.

2. Investment of Funds

The aggregate of these funds is managed as a single long term portfolio according to the IUPAC Investment Policy and the guidelines contained therein.

3. Allocations to Funds

Biennium Operating Reserve Fund This fund shall contain an amount of money approximately equal to the currently approved biennium budget minus the operating funds for the publications.

General Assembly Special Fund The level of this fund shall be set by the Finance Committee at its annual meeting. The maximum held in this fund is \$250,000 USD.

IUPAC Endowment Fund The amount of the Fund will be set from time to time by the Finance Committee based on the overall financial situation of the Union’s investment portfolio

Special Funds Any funds which are set up as Special Funds shall have the amounts designated according to agreements with the Division controlling these funds. These funds will appear as separate line items in the accounting documents of the organization.

4. Disbursement Guidelines from Funds

Disbursement of funds from these accounts must be approved by the Finance Committee, or the Treasurer and Chairman acting on behalf of the Finance Committee.

As needed, funds from the Biennium Operating Reserve Fund and General Assembly Special Fund may be approved for disbursement, decreasing these funds until new levels are established at the annual Finance Committee meeting.



International Union of Pure and Applied Chemistry

Fund Policy Statements

The IUPAC Endowment Fund will maintain its principal and the funds available for disbursement will not exceed the annual yield on this fund at the fixed interest rate (bonds and fixed funds).

Disbursement of Special Funds shall follow the following guidelines:

1. The goals for which such a special fund is established must be consistent with and support the IUPAC mission and goals.
2. The purposes of the fund should be defined and the body or group within IUPAC that is responsible for administering the funds should be specifically identified (i.e. is it a Division Committee, the President of IUPAC etc.).
3. The fund should be categorized as either an endowment (i.e. only the interest on the money will be used to fund projects) or a consumable fund (i.e. a fund in which both the interest and some principal will be used until the fund is exhausted).
4. The money in the fund shall be invested in the long-term IUPAC investment portfolio and shall earn the prevailing interest based on the portfolio of fixed income instruments in the IUPAC portfolio such as bonds and fixed income funds.

The disbursement from these special funds will be under the control of the responsible group subject to all the guidelines contained in this policy and the accepted IUPAC practices for reimbursed expenditures such as travel and subsistence.