

IUPAC Finance Committee Meeting

Monday, February 21, 2000, 9:00 AM - 5 PM
Offices of Reber, Dietschi, Hagmann, Wyss and Uhl
Rechtsanwalte, Dufourstrasse 43
CH-8034 Zurich, Switzerland

Minutes

Present: Dr. C. F. Buxtorf (Treasurer), Dr. G. Martens, Dr. J. Miyamoto, Dr. H.-L. Senti,
Dr. A. Hartman (Guest, in part), Prof. J. M. Ward (Guest)

Absent: Dr. E. P. Przybylowicz (Chairman)

Secretary: Dr. J. W. Jost

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

Prof. Ward informed the Committee that Dr. Przybylowicz had been snowed in and would not be at the meeting. Prof. Ward had been asked to act as Chairman in Dr. Przybylowicz' absence. The members expressed their regret at Dr. Przybylowicz' absence and expressed their gratitude to Prof. Ward for his assumption of the duties of Chairman for the meeting. Prof. Ward welcomed Dr. Hartman to the meeting. The Committee expressed its thanks to Dr. Reber for hosting the meeting in the offices of his law firm.

2. APPROVAL OF MINUTES OF 1999 MEETING

The minutes of the 1999 meeting were approved with no changes.

3. FINANCE COMMITTEE MEMBERSHIP

Prof. Ward reviewed the membership situation. Dr. Senti and Dr. Miyamoto agreed to serve a second term if nominated. The Committee agreed with Dr. Przybylowicz' suggestion that a new member be added to the committee in 2002 to provide continuity.

4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE, BUREAU AND COUNCIL

Prof. Ward reviewed the items from the minutes of the Executive Committee, Bureau, and Council meetings in 1999 that related to the work of the Finance Committee. He especially noted that the recommendations of the SDIC, as modified by the Bureau, had been accepted by the Council at its meeting in Berlin.

5. ITEMS FROM MEETINGS OF THE OUTGOING/INCOMING OFFICERS

Dr. Buxtorf noted that Prof. Ward had provided him with notes on the duties of the Treasurer. These notes have been most helpful.

Prof. Ward noted those items from the Action Items that related to the work of the Finance Committee. Of special interest were the evaluations of the costs of providing free copies of *Pure and Applied Chemistry* to the Associate National Adhering organizations and of all IUPAC publications to developing and economically disadvantaged countries.

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6. FINANCIAL REVIEW

6.1. STATEMENTS OF ACCOUNTS- 1999-AUDITORS REPORT

Dr. Jost reported that the auditors were conducting the field part of the audit this week (21-25 February 2000). Their final report was expected by the end of March.

6.2. COMPARISON OF ACCOUNTS TO BUDGET - 1999

Dr. Jost noted that the small surplus was due, in part to the fact that the IUPAC Handbook was not printed until January, rather than in December as had been planned. In addition, the cost savings due to the change in the publisher for Chemistry International, from Blackwell to IUPAC, had not been in the original budget. Dr. Jost also pointed out that due to the implementation of the new project based system, beginning in early 1999, expenditures had been approved that were not in the original Division budgets. As new projects had been approved, the Division budgets had been increased by the approved amount, while the unallocated reserve had been decreased by the same amount. He also noted that some of the approved projects would continue through 2000, with some of them continuing into 2001. This would require that the unspent allocations be carried forward into the 2000 budget.

6.3. RESERVES AND SPECIAL FUNDS

Dr. Jost noted that the reserves and special funds were in good shape. The Committee approved the transfer of USD 50 000 from the operating reserve to the Southern Hemisphere Fund. The Committee also approved the transfer of any funds above the total of the previous two years actual expenses from the Operating Reserve to the Endowment Fund.

6.4. TAX LIABILITIES RELATED TO RESERVES AND SPECIAL FUNDS

Dr. Jost noted that two of the funds in the portfolio are subject to US tax withholding. This will be recovered by filing the appropriate tax returns for 1998 and 1999.

6.5. CAPITAL BUDGETS

Dr. Jost noted that the anticipated capital expenditures for 2000 were USD 6000. This was approved by the Committee.

7. SUBSCRIPTIONS

7.1. 1999 NATIONAL SUBSCRIPTION PAYMENT STATUS

Dr. Jost reviewed the status of National Subscription payments. The only National Adhering Organization that has not paid its subscription for 1998 is the Pakistan Chemical Society. Pakistan has not responded to repeated

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inquires as why they have not paid their 1998 and 1999 subscriptions. All other subscriptions for 1999 either have been paid or are in the process of being paid.

7.2. 1999 AND 2000 NATIONAL SUBSCRIPTION CALCULATIONS

Dr. Jost reviewed the calculation of the National Subscriptions for 1999 and 2000. The only significant change from the procedure used in previous years was the use of CEFIC data for chemical turnover where available, rather than UNIDO data. This was done in order to have a more complete and up to date set of data.

7.3. SPECIAL SITUATIONS

Dr. Jost noted that the National Subscriptions for Argentina and Korea were reduced for 1999 by arrangement with the Treasurer. The National Subscription for 2000 and 2001 has been reduced for Argentina.

The National Subscription calculated for Egypt for 1998-9 was incorrect. Correction has lead to a negative balance in the account for Egypt. They have elected to maintain this credit and use it to pay future National Subscriptions.

7.4. REVIEW FORMULA FOR CALCULATION OF ALLOCATION OF NATIONAL SUBSCRIPTIONS

Dr. Jost reviewed his paper on the subject of the origin and derivation of the formula used for calculating National Subscriptions. The Committee after a brief discussion decided not to investigate any changes to the formula.

7.5. HANDLING OF COMPANY ASSOCIATES FEES

Dr. Jost reviewed the letter on this subject that had been sent to those National Adhering Organizations that do not collect their Company Associate fees directly. A small number of responses have been received. These have confirmed either that the Company Associate fees from companies based in their countries should be added to IUPAC's general income or should be held by IUPAC for use by the National Committee.

8. REVIEW OF BUDGETS -2000-1 AND 2002-3

Prof. Ward reviewed the budget for the current biennium. He pointed out that a large unallocated reserve had been set aside to fund the projects approved by the Project Committee and the special allocations made to Divisions by the Secretary General and Treasurer to allow Commissions to complete projects before the termination of Commissions at the end of 2001.

Dr. Jost noted that the income budgeted for publications had been based on the amount in the contract with Blackwell. With the termination of the Blackwell contract, this income was now derived from the cost of self publishing *Pure and Applied Chemistry* and the income from subscriptions. He reviewed the estimate of the costs of self-publishing and the subscription income collected to date. This

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estimate indicates that the budgeted income will be available and will probably be exceeded.

9. ALLOCATION TO IUPAC BODIES -2002-3

Prof. Ward reviewed his paper on the subject. The Committee suggested that the allocation to Divisions and Standing Committees in 2002-3 should be based on the actual approved expenditures for the previous biennium.

10. INVESTMENT PORTFOLIO

10.1. PERFORMANCE 1999

Prof. Ward reviewed the summary of investment performance provided by Dr. Przybylowicz. The portfolio has performed well. Dr. Hartman noted the good reserve position and the good yield on investment. He emphasized that the Union's goal was capital preservation not income maximization and therefore the conservative stance of the portfolio was appropriate. He also noted the good budget position, especially the low arrears in National Subscriptions. This was a welcome change from the situation in past years. The ratios adopted of debt to equity and US to Europe equity are reasonable. He commented that he saw no reason to change from the use of the US dollar as the currency for IUPAC's financial dealings. Dr. Hartman noted that he saw no near term increase in inflation for the major economies or any significant changes in medium to long term interest rates.

10.2. DISCUSSION OF NEAR TERM INVESTMENT STRATEGY

After some discussion the Committee agreed that there should be no change in the near term investment strategy.

11. INVESTMENT POLICY STATEMENT

Dr. Hartman commented that an Investment Policy Statement was a good idea. He, and a number of other members, commented that a much simpler document than the ACS Policy Statement would be appropriate for IUPAC. The Objective and Constraints sections were most important. The section on Asset Allocation was seen as being too restrictive. The establishment of a performance benchmark for the portfolio was also viewed as being valuable.

12. INVESTMENT PROCESS DISCUSSION

Prof. Ward described the proposal by Dr. Przybylowicz to convert the current portfolio to one composed of US and European Index funds plus a Money Market Fund. After some discussion, the Committee proposed that Dr. Przybylowicz set up a shadow portfolio. The performance of this portfolio could then be compared to the performance of the actual portfolio. This comparison would be discussed at the next meeting of the Committee and a decision taken on how to proceed.

The performance of Merrill Lynch as the Union's investment banker was discussed at

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some length. Dr. Jost noted that the banking activities of the Union had been transferred completely to the Wachovia Bank in August of 1998. This arrangement had worked extremely well and therefore Merrill Lynch was acting only as a broker for the Union. Prof. Ward noted the difficulty in obtaining timely information from Merrill Lynch on the performance of the funds in the Union's portfolio. The quality of the investment advice provided by Merrill Lynch was considered to be poor. The Committee recommended that the Treasurer and Chairman solicit proposals from alternative investment bankers for consideration. If a suitable proposal was received, the Committee felt that the Union should change investment bankers.

13. RECOMMENDATION ON OFFICIAL ADDRESS FOR IUPAC IN ZÜRICH

Dr. Reber of the firm Reber and Co. has agreed to act as the Union's official address in Zürich for the annual fee of CHF 1200. Dr. Jost agreed to provide a sign for use on the front entrance of the building in which Reber & Co. is located.

14. OTHER BUSINESS

Dr. Buxtorf noted he had received a proposal from a Swiss private bank to handle the Union's portfolio. In view of the discussion above, he would ask them to provide a more detailed proposal.

15. DATE AND LOCATION OF NEXT MEETING

After some discussion, it was agreed that 12 February 2001 would be the date of the next meeting of the Committee. After the meeting, it was decided that 2 March 2001 would be preferable.