

IUPAC Finance Committee Meeting

Monday, 9 February 2004, 9:00 AM - 5 PM
Offices of Reber Rechtsanwälte, Dufourstrasse 43
CH-8034 Zurich, Switzerland

Minutes

Present: Dr. E. P. Przybylowicz (Chairman), Dr. C. F. Buxtorf (Treasurer),
Prof. J. Corish, Dr. H.-L. Senti, Dr. I. P. Thonus, Dr. A. Hartmann (Guest)

Secretary: Dr. J. W. Jost

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

Dr. Przybylowicz welcomed the members of the Committee to Zürich and thanked our hosts, Reber Rechtsanwälte, for the arrangements. He noted that since the last meeting of the Committee, our colleague, Dr. Junshi Miyamoto had passed away. Dr. Miyamoto will be remembered for his many contributions to IUPAC and especially for his work in the environmental area. His dedication and tireless work for IUPAC will be missed.

The Chairman welcomed two new members of the Committee, Prof. Corish, a former President of the Inorganic Chemistry Division and Dr. Thonus, the Executive Director of the Royal Netherlands Chemical Society.

Dr. Przybylowicz then noted that one item would be discussed as part of Item 10, Any Other Business. This will be a discussion of the possibility of moving IUPAC's investments from Merrill Lynch to the Wachovia Bank. There were no other changes to the Agenda.

2. MINUTES OF 2003 MEETING

There were no comments on the Minutes of the 2003 meeting. These Minutes had been approved by correspondence.

3. FINANCE COMMITTEE MEMBERSHIP

The Chairman noted that in 2005 he would reach the limit for his service on this Committee (12 years, as extended by the Executive Committee). Dr. Luzius Senti also reaches the end of his second term as a member. Since the sum of years as a Titular Member and Chairman cannot exceed ten years, it is possible for Dr. Senti to stay on the Committee for an additional two years as Chairman. With his agreement, to maintain the continuity of the Committee, the Dr. Przybylowicz will propose to the Executive Committee that Dr. Senti become Chairman for 2006-2007.

4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU

These items were presented for information; there was no further discussion of the material presented.

5. FINANCIAL REVIEW

5.1. STATEMENTS OF ACCOUNTS – 2003

Dr. Jost reviewed the statement for the third quarter as prepared by our

IUPAC Finance Committee Meeting
Minutes

accountant. As part of his review, Dr. Jost explained the difference between the cash accounting used in the financial part of the statement and actual plus commitments accounting used in the management reports.

5.2. COMPARISON OF ACCOUNTS TO BUDGET – 2003

Dr. Jost reported that the statement was consistent with the budget for the biennium and it was anticipated that no significant deviations from budget would occur in the fourth quarter.

5.3. RESERVES AND SPECIAL FUNDS

Dr. Jost briefly reviewed the purpose of the special funds. The Committee approved the increase of the endowment funds by 5 % and the addition of USD 50 000 to the General Assembly Special Fund.

5.4. FINANCIAL RESULTS FOR SELF-PUBLISHING *PAC* IN 2003

Dr. Jost reviewed the financial results for self publishing IUPAC's journal, *Pure and Applied Chemistry*. These clearly show the financial advantages to IUPAC of self-publishing over the past three years compared with the earlier Blackwell arrangement. In addition to reviewing the financial results, Dr. Jost drew the Committee's attention to a report that reviewed the entire publication process for *PAC*. In addition to the financial advantage, self-publishing puts more control in the hands of the Union. While the number of institutional subscribers is slowly decreasing, it will be 10-15 years before they fall to a level at which decisions will have to be made regarding the continuation of the print edition of *PAC*. Currently the net income from publishing is about USD 500 000 – a significant part of IUPAC's annual income stream.

6. SUBSCRIPTIONS

6.1. 2002-3 NATIONAL SUBSCRIPTION PAYMENT STATUS

Dr. Jost reported that six National Adhering Organizations had not paid their 2003 National Subscriptions. Of these six NAOs, three, Argentina, Brazil, and Chile, were in arrears for years before 2003. The IUPAC Officers at their meeting in December agreed to give the three NAOs until the end of March to pay the amounts in arrears. If this were not done, members of IUPAC bodies from these NAOs would not be eligible to receive financial support from IUPAC.

6.2. 2004 NATIONAL SUBSCRIPTION PAYMENT STATUS

Dr. Jost reported that five countries had already paid their 2004 National Subscriptions, including one payment using our new Euro account.

6.3. SPECIAL SITUATIONS

In addition to the situations discussed in Item 6.1 with regard to Argentina,

IUPAC Finance Committee Meeting
Minutes

Brazil, and Chile, the Committee discussed the requests from Korea and Turkey for reductions in their 2004 National Subscriptions. In both cases, reductions had been made in the 2002, and 2003 National Subscriptions. Dr. Buxtorf reviewed the situation with regard to both NAOs, including the reasons given for requesting another reduction in the National Subscription. After some discussion, the Committee concluded that the issue was no longer one of a sudden change in the exchange rate, but rather a structural problem in the NAO's ability to find the necessary funds. The Treasurer was asked to write to both NAOs explaining that while the Committee was sympathetic to their difficulties, it felt that it was necessary that they solve their funding problems and to pay the full amount requested.

7. REVIEW OF BUDGET –2004-5

Dr. Jost reviewed the budget for 2004-5 as approved by the Council at Ottawa. No changes were expected to be necessary. There was no further discussion.

8. ALLOCATION TO IUPAC BODIES

8.1. ALLOCATIONS FOR 2004-5

Dr. Jost reviewed the allocations made to the Divisions and Standing Committees as part of the 2004-5 budget. He noted that the allocations were based on historical patterns and the basic allocation differences among the Divisions had not been changed for many years. A paper was included in the Agenda materials, prepared by Dr. Becker, the former Secretary General, reviewing the history of the allocations.

8.2. FUTURE ALLOCATION METHODOLOGY

Dr. Buxtorf noted that some of the Divisions felt that the allocations made did not have a good justification. He commented that he agreed, but that devising a more equitable distribution formula was difficult and discussions to date had not shown a way forward. He then noted that the Division Reserve Fund had been created to allow flexibility in the system and that this seemed to be working as planned. After some discussion, the Committee concluded that major revisions in the allocations should wait until the budget for the next biennium. It was felt that at that time there would have been enough experience with the project system to make allocations based on the actual amounts of project funds requested and used by the Divisions.

9. INVESTMENT PORTFOLIO

9.1. INVESTMENT TRANSACTION HIGHLIGHTS

Dr. Przybyłowicz reviewed the transactions made because of the decisions taken at the 2003 meeting of the Committee.

IUPAC Finance Committee Meeting
Minutes

9.2. PERFORMANCE 2003

Dr. Przybylowicz reviewed the performance of the Union's investment portfolio. He reported that due to the move to more investment in bonds over the past few years, the portfolio had performed well, compared to standard indices. The Union's equity investments had increased in value since early in 2003, in line with the general recovery of the global equity markets. One result of this increase in value for the Union's equity investments was an increase of the ratio of equity to bond investments in the portfolio above the target set by the Committee at its meeting in 2003.

The Chairman raised the question of investing in bond funds as a way of spreading risk in the bond market and reducing abrupt changes in yields when bonds are called or redeemed. The downside of a bond fund is that while they are delayed in responding to market conditions eventually they will follow the market down. The management fee of a bond fund reduces the yield in the same way a premium does. At the conclusion of this discussion, Dr. Hartmann said that he could not object to a few hundred thousand dollars in such a fund but that we should not consider putting our entire bond ladder in such funds.

9.3. UPDATE OF INVESTMENT AND FUND STRATEGIES

After some discussion, the Committee agreed that the investment balance should be moved still further in the direction of bonds, as had been indicated last year. It was decided to sell the position in the MLIIF US Equity Fund Class Q2 and use that money plus the money in the money market accounts to purchase more Euro bonds. Before this is done, the performance of the Euro bonds that were purchased in 2003 should be analyzed to be sure we fully understand their performance to date.

10. OTHER BUSINESS

The Committee discussed the issue of transferring IUPAC's investment portfolio to the Wachovia Bank. Presently, they could provide us with all services except the purchase of Euro-denominated bonds and mutual funds. A merger in process with Prudential Securities will change this situation. It was agreed that we would try to learn more about the timing of that event and look at the investments that would have to be changed to have our entire portfolio with Wachovia. Dr. Jost was asked to pursue this with Wachovia and learn more about their on-line information system.

11. DATE AND LOCATION OF NEXT MEETING

The next meeting of the Finance Committee will be on 7 February 2005 at the offices of Reber Rechtsanwälte from 9:00 to 17:00.