

IUPAC Finance Committee Meeting

Monday, 21 February 2005

Minutes

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

Dr. Przybylowicz welcomed the members of the Finance Committee to the meeting and expressed the committee's appreciation of the excellent arrangements by Reber Rechtsanwälte. He proposed that the Committee discuss the possibility of moving the Union's investment portfolio to Wachovia bank under Item 11. There were no further changes to the proposed Agenda.

2. MINUTES OF 2004 MEETING

There were no comments on the Minutes of the 2004 meeting or matters arising not already on the Agenda.

3. FINANCE COMMITTEE MEMBERSHIP

Dr. Przybylowicz noted that Dr. Senti had agreed to accept the Chairmanship of the Committee for 2006-7, subject to approval by President Sydnes. He also asked the members to suggest possible candidates for the vacancy on the Committee that will be available for 2006-7.

4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU

Dr. Przybylowicz briefly reviewed the excerpts in the Agenda Book. There were no comments on these items.

5. FINANCIAL REVIEW

5.1. STATEMENTS OF ACCOUNTS – 2004

Dr. Jost reviewed the Statement for the third quarter of 2004. There were no comments.

5.2. COMPARISON OF ACCOUNTS TO BUDGET – 2004

Dr. Jost noted that the budget was on track to be on plan. The comment was made that given the cost of the printed Handbook, the Union consider no longer printing the Handbook and relying instead on the web version. Dr. Jost noted that while the web version of the Handbook, especially the "Directory" section, was more up to date than the printed version, many members still relied on the printed version. In addition, some members viewed their appearance in the printed Handbook as a source of recognition. There was general consensus that with adequate notification, the web version of the Handbook should replace the printed version. A savings of up to \$40,000 could be realized per biennium.

5.3. RESERVES AND SPECIAL FUNDS

The Committee, after a brief discussion, approved an imputed interest rate of

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6 % for the special funds based on the current return from fixed income investments.

5.4. FINANCIAL RESULTS FOR SELF-PUBLISHING *PAC* IN 2004

Dr. Jost reviewed the financial data presented in the Agenda Book and noted that while the number of institutional subscribers continued to decline, the income from *PAC* had been maintained by the increases approved by CPEP. The Committee recommended that the institutional subscription rate continue to be increased to maintain income.

6. SUBSCRIPTIONS

6.1. OVERDUE NATIONAL SUBSCRIPTIONS PAYMENT STATUS

Dr. Jost reported that there had been no change in the status of the NAOs in arrears since the material in the Agenda Book was compiled. Argentina has not paid their National subscription for 2001, 2002, 2003, and 2004; Chile has made a partial payment for 2002 and has not paid the National Subscriptions for 2003 and 2004. Brazil has made a partial payment for 2002 and has not paid the National Subscriptions for 2003 and 2004; Egypt has made a partial payment of the 2003 National Subscription and has not paid for 2004.

Dr. Jost reviewed the sanctions for Argentina, Brazil, and Chile that had been agreed by the Bureau at its meeting in October 2004. No response has been received from Argentina and Chile. The Chairman of the Brazilian Chemistry Committee for IUPAC has informed the Treasurer that efforts are being made to obtain the necessary funds from non-governmental sources.

6.2. 2004-5 NATIONAL SUBSCRIPTION PAYMENT STATUS

In addition to the four NAOs that are in arrears for 2003 and earlier, three NAOS, Korea, Pakistan, and Portugal are in arrears for 2004. All seven NAOs have been informed that if payment of the National Subscriptions for 2004 and earlier is not received before the Council meeting, they will not be able to have voting delegates to the Council and they will not be eligible to receive support for the travel expenses of one delegate for their NAO. The four NAOs in arrears for 2003 and earlier have also been informed that the Executive Committee will be obligated by the Bylaws to request the Council to revoke or suspend their NAO status.

6.3. SPECIAL SITUATIONS

Dr. Jost reported that he had received a message from the Brazilian NAO requesting a postponement of the payment deadline set by the Bureau of 1 March for one month, to 1 April. The Committee agreed to grant this postponement.

The Finance Committee approved a recommendation to the Executive Committee that Council be asked to suspend the NAO status of Argentina, Brazil, Chile, and Egypt if payment is not received of the amount agreed by

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the Treasurer to constitute payment in full by 31 December 2005. (“Suspension” means that once the arrear dues are paid, the country is reinstated. “Removal” would mean that if the country wished to rejoin IUPAC, they would have to reapply for membership.)

In discussing National Subscriptions, it was noted that billing in local currency has resulted in a net gain for the Union as a result of the weakening of the dollar. This situation is expected to even out over a long period of time, however, in the few years since this policy was implemented, there has been a net gain for the Union.

7. REVIEW OF BUDGET –2006-7

Dr. Jost reviewed the proposed budget. The main feature is that the total national subscription is planned to increase by 1 %. The Committee agreed that a small but non-zero increase was justified by the increased general level of prices in the global economy.

7.1. INCREASED BUDGET FOR DIVISION IV AND COCI

The Committee approved the proposed increase in the total budget of Division IV by USD 5000 and the proposed project budget for COCI of USD 20 000.

7.2. BUDGET FOR DIVISION II AND COMMISSION II.1

Dr. Buxtorf reviewed the request of Division II to allocate part of the Division budget to Commission II.1. To facilitate this, the Division has asked for an increase in its budget of USD 2000. This request was approved. The proposed IUPAC budget will be adjusted accordingly by decreasing the Division Reserve.

8. ALLOCATION TO IUPAC BODIES

8.1. ALLOCATIONS FOR 2006-7

Dr. Jost noted that the proposed budget left the allocations to Divisions unchanged from the previous biennium, other than the changes in the budgets of Divisions II and IV noted above.

8.2. ALLOCATION METHODOLOGY

Dr. Buxtorf noted that the current allocations to Divisions were the result of history and were not based on any general principle. A general discussion of possible alternative allocation methods followed. It was concluded that there did not seem to be any generally applicable principle that could be used to determine the Division allocations. It was decided to continue to make adjustments in specific cases based on the then current situation.

9. ALLOCATION OF ROYALTIES FROM PUBLICATIONS TO SPECIFIC IUPAC BODIES

Dr. Jost reviewed the request of the Subcommittee on Solubility and Equilibrium

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Data to have the royalties of a book developed by the Subcommittee assigned to the Subcommittee for its use in its work. While this is an unusual situation, it is not unique. The royalties from certain books have been assigned to specific IUPAC bodies to support the work of developing new volumes of a series in certain specific instances.

Dr. Przybylowicz commented that while in general royalties from books should be treated as general income of the Union, in this case the assignment of the royalties to the Subcommittee was justified because of the close connection with the origin of the book and the work of the Subcommittee. The Committee approved the assignment of the royalties from this book to the Subcommittee with the note that this should not be viewed as setting a precedent. The Chairman was asked to draft a set of guidelines to govern future requests of this nature.

10. INVESTMENT PORTFOLIO

10.1. INVESTMENT TRANSACTION HIGHLIGHTS

Dr. Przybylowicz reviewed the transactions in the investment portfolio for the previous 12 months presented in the material in the Agenda Book. The major changes in position were taken as a result of the recommendations made at the previous meeting of the Finance Committee. The portfolio has been moved more into bonds and into Euro denominated investments. Dr. Przybylowicz noted that cash had been taken out of investments for use in operations due to a temporary cash flow problem. This money has now been returned to the investment portfolio.

10.2. PERFORMANCE 2004

Dr. Przybylowicz reviewed the performance of the Union's investment portfolio as compared to various broad measures of investment performance of equities and bonds. The Union's equity investments had slightly underperformed while the bond portfolio had performed better than the industry standards.

10.3. UPDATE OF INVESTMENT AND FUND STRATEGIES

Dr. Przybylowicz noted that the Equity Income S&P 500 Fund and the Consults Fund had not performed as well as other investments. After some discussion, it was decided to sell these funds and buy a US and a European Index Fund.

Note: As of April 1, 2005, the sale of positions in the Consults program and the S&P 500 fund have not yet been carried out pending review of moving the entire portfolio to Wachovia. We are trying to establish what Wachovia would do with some of the ML investments in terms of replacing them with investment instruments that they carry. Rather than incur transaction costs at ML in moving from one investment instrument to another, the Chairman of the FC, after consulting with in-coming Chairman Senti and Treasurer Buxtorf agreed that we should first get the decision on Wachovia made and then

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realign our portfolio. This is in process.

11. OTHER BUSINESS

Dr. Przybylowicz noted that at the previous meeting of the Finance Committee it had been decided to investigate the possibility of moving the Union's investment portfolio from Merrill Lynch to Wachovia Bank. This decision was based on the perception that Merrill Lynch was not providing any services other than brokerage and custodial services. These could be provided by any capable institution. Wachovia Bank already provides banking services to IUPAC, especially in the handling of bank transfers in various currencies. The Secretariat has been very satisfied with the quality of these services.

Dr. Senti met with a representative of Wachovia at the Secretariat to review their capabilities. He reported that he was satisfied that Wachovia bank could provide all the necessary brokerage and custodial services for IUPAC's investments. The Committee discussed the proposal and agreed that if, on further investigation, the Chairman and Treasurer were satisfied that Wachovia Bank could provide the necessary services, that the Union's investment portfolio should be transferred to Wachovia. This should be done as soon as reasonably practicable, preferably before the end of 2005. Dr. Przybylowicz and Dr. Senti planned to review the available information and then make a recommendation to the Committee that could be approved by correspondence.

12. DATE AND LOCATION OF NEXT MEETING

The next meeting of the Finance Committee will be on 13 February 2006.