

## **IUPAC Finance Committee Meeting**

19 February 2007, Zurich, Switzerland

### **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 of the Committee to the meeting and thanked the staff of Reber Rechtsanwälte for the excellent arrangements. He noted that the additional item proposed by Dr. Jost for consideration under Item 9, any other Business, "Recovery of funds from completed and abandoned projects" seemed to go with Item 7, Review of Budget 2008-9, and Dr. Senti proposed that this should become a new Item 7.2. There were no other changes to the Agenda.

#### **2. MINUTES OF 2006 MEETING**

The Minutes of the 2006 meeting had been approved by correspondence. There were no comments or issues from the Minutes not covered in the Agenda.

#### **3. FINANCE COMMITTEE MEMBERSHIP**

Dr. Senti reported that he had discussed the naming of a new Chairman for the term 2008-11 with Prof. Henry, President of IUPAC, and he had agreed that Prof. Corish should be appointed. He also reported that he had been discussing membership in the Committee with a Swiss chemist. This would be a replacement for Dr. Senti. There was then a discussion of the desirability of adding a member from one of the other major NAOs, preferably from Asia. The Executive Director was asked to draft a message to the relevant NAOs asking for nominations. After this had been circulated to Dr. Senti and Prof. Corish, it would be sent in the name of the Chairman by the Executive Director to all NAOs.

#### **4. ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU**

Dr. Jost reported that the Executive Committee and the Bureau had adopted the proposal of the Finance Committee, made at the 2006 meeting to rename the Division reserve the Strategic Opportunities fund and to dedicate it to support of projects considered important for the achievement of the Union's strategic objectives. Projects submitted by the Divisions and standing committees would be reviewed by the Project Committee and approved by the Executive Committee. The approval process would be managed by the Secretary General and Treasurer for the Executive Committee.

#### **5. FINANCIAL REVIEW**

##### **5.1. STATEMENTS OF ACCOUNTS – 2005**

This item was for information only; there were no comments on the accounts

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as presented by the auditors. The auditors had reported no items of concern in the accounts. Dr. Jost reported that the audit of the 2006 accounts was scheduled for the week of 25 February and the audit accounts were expected to be available in May.

5.2. REVIEW OF EXPENSE VS. BUDGET – 2006-7

Dr. Jost reported that the expenses and income for the current biennium was expected to be on budget. Dr. Buxtorf commented on a letter he had sent to Division Presidents and Standing Committee Chairmen reminding them of the need to maintain control of their budgets, and especially to be careful not to exceed the guidelines for spending on operational expenses without sufficient reason.

5.3. REVIEW OF NATIONAL SUBSCRIPTIONS IN NATIONAL CURRENCIES

When the Union converted to a system of billing National Subscriptions in national currencies, it was recognized that this would expose the Union to exchange rate risks. The Executive Director had been asked to review the situation for the Committee regularly. Dr. Jost noted that for the previous biennium there was a favorable balance of USD 109 000. The estimate for the current biennium, 2007-8, is USD 80 000. Thus for the first two biennia since the change to billing in national currencies IUPAC has benefited from changes in the value of the USD versus national currencies, principally the Euro and the GBP. It is expected that in future years there could be losses if the value of the other major currencies fell with respect to the dollar. The Committee still expects that the gains and losses from these exchange rate changes will, over time, be small.

5.4. RESERVES AND SPECIAL FUNDS

Dr. Jost noted that the only significant change in Reserves and Special Funds this biennium was the contribution of Samsung Total Petrochemicals of an additional USD 25 000 to the special Fund for Division IV. Dr. Hartmann noted the need to increase the total reserves by at least the rate of annual inflation.

The Committee approved an interest rate to be used for Special Funds of 5 %.

5.5. FINANCIAL RESULTS FOR SELF-PUBLISHING *PAC* IN 2006

Dr. Jost briefly discussed the table showing the performance of the IUPAC journal, *Pure and Applied Chemistry*. He commented that despite the continued decline in the number of institutional subscribers, increases in the subscription rate had maintained the Union's net income from *PAC* at about the same level. As had been discussed previously, the expectation was that at some point in the future the number of print subscribers would be too small to justify continued printing of the print edition and the journal would become online only. However that time had not yet come and was still expected to be some years in the future. The Committee noted the need to monitor the

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situation on a regular basis but agreed that nothing could be done in advance of the time that the number of print subscribers fell to an unsustainable level.

**6. SUBSCRIPTIONS**

6.1. OVERDUE NATIONAL SUBSCRIPTIONS PAYMENT STATUS

Dr. Jost reviewed for the Committee the sanctions process approved by the Bureau and Executive Committee in 2006. He reported that two NAOs were in arrears for 2005 and were therefore liable to having sanctions applied. The Executive Committee would consider applying sanctions at its meeting in March. He also noted that there were, in addition to Argentina and Brazil, five NAOs (Belarus, Belgium, Chile, Jordan, Kuwait) that have not paid their 2006 National Subscriptions. These NAOs have been reminded that their delegates will not be able to vote at the Council at Torino if payment is not made.

6.2. 2007 NATIONAL SUBSCRIPTION PAYMENT STATUS

Dr. Jost reported that seven NAOs have paid their 2007 National Subscriptions: Austria, Czech Republic, Hungary, Jamaica, Slovenia, Switzerland, UK. This is normal for this date.

**7. REVIEW OF BUDGET –2008-9**

7.1. PROPOSED BUDGET: 2008-9

Dr. Jost reviewed the key points of the proposed budget, the proposed increase of total National Subscription by 3 % and the increase of the Strategic Opportunities fund (formerly the Division reserve) to USD 120 000. Other items in the budget were unchanged or slightly changed. Dr. Buxtorf commented that he had not asked for a significant increase in total Subscription for the past six years because of the perceived reluctance of the NAOs to approve any increase. He felt that the proposed increase was still modest and well within the inflation in costs to the Union, especially travel related expenses, which represent a significant fraction of the Union's expenses. Dr. Jost commented that for many NAOs the changes in National Subscription due to changes in chemical turnover would be more significant than the change in total National Subscription. He also noted that the increase in the number of NAOs had led to a decrease in many National subscriptions since 2005.

After further discussion, the Committee approved the proposed budget.

7.2. RECOVERY OF FUNDS FROM COMPLETED AND ABANDONED PROJECTS

Dr. Jost reviewed the information presented in his report. The Committee discussed the three options presented. The first would set a target value for the reserves each biennium and if the actual reserves were above the target, allow the budget for the next biennium to show a nominal deficit. The major

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problems with this approach are that it is difficult to estimate the size of the reserves for the next biennium, and normal market fluctuations would cause the budget to vary greatly from year to year. The second approach would be to allow each Division or Standing Committee to reallocate funds from abandoned projects within the biennium in which they are abandoned. The major drawback to this approach is that it would in essence reward Divisions or Standing Committees that have been unable to successfully complete projects. The third option would be to add funds from completed and abandoned projects to the Strategic Opportunities Fund. In addition, the Strategic Opportunities Fund could be allowed to carry over uncommitted funds from one biennium to the next. In practice this would mean that when a project was completed or abandoned the fact would be recorded, as is currently done for approved projects, and the Strategic Opportunities Fund would be increased. At any time the Strategic Opportunities Fund would have three components, the allocation from the current biennium budget, the carryover from the previous biennium, and the total of commitments for projects completed or abandoned in the current biennium.

After some discussion of these options, the Committee agreed that funds from completed and abandoned projects should be recaptured and that this should be done as described above in option three.

7.3. ALLOCATIONS TO IUPAC BODIES FOR 2008-9

Dr. Buxtorf reviewed the proposed allocations to Divisions and standing Committees noting that these were unchanged from the current biennium. He then pointed out that the Organic and Biomolecular Chemistry Division had not funded any new projects so far this biennium with few if any projects under review. He proposed that the allocation for the Division be reduced by USD 6000 and the allocations for the Polymer, Analytical and Chemistry and Human Health Divisions be increased by USD 2000 each. After a brief discussion the Committee approved this change in allocations.

7.4. NATIONAL SUBSCRIPTION CALCULATIONS FOR 2008-9

Dr. Jost reviewed the preliminary calculations of the 2008-9 National Subscriptions. He pointed out that these were subject to change when exchange rate data for the first quarter of 2007 became available. He also noted that CEFIC data on Chemical Turnover were now available for all NAOs except Belarus, Croatia, and Serbia. The National Subscriptions for the latter two were set at the minimum based on other information, while the National Subscription for Belarus had been set at USD 4000 by agreement with the Belarus NAO.

Dr. Jost then reported that based on the new data now available for Ukraine in the CEFIC database, it appeared that the National subscription calculated for Ukraine in 2005 for 206 and 2007, had been too high. The difference was significant, USD 13 000 vs. USD 2800. He proposed that Ukraine be informed that their 2006 and 2007 National Subscriptions had been

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recomputed using new, more reliable data. As Ukraine has already paid the USD 13 000 originally calculated for 2006, they will therefore have prepaid their National Subscription for 2006 through 2008. The Committee approved this proposal.

#### 8. INVESTMENT PORTFOLIO

##### 8.1. INVESTMENT TRANSACTION HIGHLIGHTS

Dr. Senti reviewed the major transactions in the portfolio in 2006. These were chiefly a consequence of the move of the portfolio from Merrill Lynch to Wachovia Securities. One bond had been sold near the end of the year to provide cash for operations. Interest and dividends had also been regularly transferred from the investment accounts to the operating accounts.

##### 8.2. PERFORMANCE 2006

Dr. Senti noted that while the value of the portfolio had increased by ~4 % over the course of 2006, this was not to be viewed as a measure of portfolio performance, but rather evidence that the Union had increased its net investments by an amount in line with inflation. The USD portion of the portfolio had an estimated return of 11 %, taking into account net purchases and sales, interest and dividend income, realized and unrealized gains. The EUR portion of the portfolio was all in bonds and the value of the portfolio had increased by ~ 20 % due to the increase in value of the EUR vs. the USD.

##### 8.3. TRANSFER OF PORTFOLIO TO WACHOVIA SECURITIES (UPDATE)

Dr. Senti reported that while the transfer process had been more difficult than expected, it had been successfully completed and the situation was now one of normal operations. He commented that communications between the Secretariat and Wachovia seemed easier than with Merrill Lynch, with transfers between operating and investment accounts being done regularly using Wachovia's online banking facilities. The information provided by Wachovia Securities regarding the investment portfolio, especially online information, was useful and good. He noted that while communication with our financial advisor at Wachovia was good, it could be improved.

##### 8.4. UPDATE OF INVESTMENT AND FUND STRATEGIES

The Committee had an extensive discussion of the current portfolio balance between USD and EUR denominated investments and between equity funds and fixed income investments. There was also discussion of the balance between investments in US equities vs. non-US equities. It was felt that the current balance was too highly weighted towards non-US equities and this should be corrected at the next opportunity. The Committee also decided that over the next few years the balance of equities in the portfolio should be increased to 30 –32 % while the balance of EUR denominated investments should be increased to 35 %. The Committee did not see the need to sell

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investments to achieve the desired rebalancing, but rather proposed that the above guidelines should guide reinvestment decisions. The Committee saw no need to revise the Investment Policy Statement.

Dr. Senti reported that the only bond to mature in 2007 would be a USD denominated bond for USD 45 000 maturing on 22 August 2007. Dr. Jost noted that the operating account should have USD 55 000 available to allow an investment of USD 100 000. The Committee decided that in view of the guidelines described above, that this investment should be made in an equity fund invested in US equities.

**9. OTHER BUSINESS**

There was no other business.

**10. DATE AND LOCATION OF NEXT MEETING**

The next meeting of the Finance Committee will on Monday, 18 February 2008 in the offices of Reber Rechtsanwälte in Zürich.