

**Association for Investment Management and Research**

**BOARD OF GOVERNORS  
MEETING MINUTES  
7-8 February 2003  
Boston, Massachusetts**

Notice: 29 January 2003

Governors Present: Robert E. Angelica, CFA  
Theodore R. Aronson, CFA  
Thomas A. Bowman, CFA  
Dwight D. Churchill, CFA  
Jeffrey J. Diermeier, CFA  
Frank C. Dohn, CFA  
Denise M. Farkas, CFA  
Khalid Ghayur, CFA (via  
telephone)  
Emilio Gonzalez, CFA  
Monique E.M. Gravel, CFA  
Amaury Jordan, CFA  
Cheryl-Ann E. Lister, CFA  
Janet T. Miller, CFA  
George W. Noyes, CFA  
Yoshiharu Okazaki, CFA  
Philippe A. Sarasin, CFA  
John C. Stannard, CFA  
Malcolm M. Trevillian, CFA  
Donald W. Trotter, CFA

Governors Absent: Vincent Duhamel, CFA

President Council  
Representatives

Present: Daniel P. Broby  
Christopher G. Dunmall, CFA  
Jeffrey L. Evans, CFA  
Warren A. Johnson, CFA  
William K. Kovalchuk, CFA  
Joseph Y.S. Lim, CFA  
Todd Parker Lowe, CFA  
Daniel S. Meader, CFA  
John M. Rickel, CFA  
William R. Warnke, CFA

AIMR  
Management  
Present:

Moira J. Coleman, Senior Vice President, Corporate Services,  
AIMR  
Sharon J. Glover, Assistant Corporate Secretary, Office of General  
Counsel, AIMR  
Raymond J. DeAngelo, Senior Vice President, Stakeholder  
Services and Global Relations, AIMR  
Robert R. Johnson, CFA, Senior Vice President, Curriculum and  
Examinations, AIMR  
William P. McKeithan, Senior Vice President and General  
Counsel, AIMR  
Timothy G. McLaughlin, Senior Vice President and Chief  
Financial Officer, AIMR

Keith R. Payne, Senior Vice President, Information Technology,  
AIMR

Katrina F. Sherrerd, CFA, Senior Vice President, Educational  
Products, AIMR

Randall R. Smith, Consultant, AIMR

Patricia D. Walters, CFA, Senior Vice President, Professional  
Standards and Advocacy, AIMR

Materials

Distributed

Prior to Meeting: AIMR Board Book

Chair: Dwight D. Churchill, CFA

Meeting Secretary: Sharon J. Glover

**Opening Remarks**

**External Relations and Volunteer Involvement Committee (ERVIC) Report**

The Board was provided with an overview of ERVIC initiatives. There is still an ongoing search for additional personnel to fill Advocacy roles but there has been some difficulty in finding appropriate candidates. Pat Walters is going to prepare recommendations regarding further delineation of the role of the DRC for discussion, possibly at the next Board meeting.

**The Gravel Report**

A primary focus of ERVIC has been what has come to be known as “The Gravel Report”. The Report reflects society views and opens up a dialogue between the Board, Management, PCRs and Societies. It is considered a work in progress and additional input is still sought. Responses have been received from about 50 percent of the societies so far.

A task force formed to address the critical issue of charter requirements will present a series of recent recommendations at day’s end. Also to be brought up later in the day will be a motion for changes to admissions requirements for societies and chapters.

**Public Awareness**

Public awareness is another focus of ERVIC. It is currently AIMR’s largest budget line item at \$6.8 million per year. It was announced that the current membership survey’s preliminary results seem to indicate that we should spend even more but everyone seems to be very pleased with the progress over the last few years. There will be a one-day

meeting of the Public Awareness Group in Chicago on April 7, 2003 if anyone is interested in participating.

Finally, there was discussion of the member's survey. The survey is not due for another week but so far response is at 24 percent. Results will be reported when they are available.

### **Planning Committee (PC) Report**

The Board was provided an overview of the PC's recent activities. The Private Client Task Force has submitted a report containing a final proposal for a Private Wealth Management Advisory Committee. Management has been asked to analyze this proposal in the context of its review of products, services and their delivery. The PC agrees that Management needs to continue to vigorously analyze the costs of producing and delivering materials. The PC will continue to discuss this topic and will report back to the Board.

### **China Strategy**

The PC has also been involved in formulating China strategy. A presentation was made to the Board, noting that candidate growth is still bullish in China and some anticipated issues just have not emerged or have been managed. The situation in China will continue to be closely monitored for problems.

Discussion of Advocacy was tabled until later in the meeting and there was no discussion of budget.

### **Performance Oversight and Audit Committee (POAC) Report**

POAC reported great progress to the Board on goals relating to benchmarking and the audit process. In November POAC reviewed financial statements with the auditors, had a final wrap-up meeting with the auditors in December and approved financial statements for the Board's review in January.

POAC continues to work on developing the MPS Committee and will bring the issue back to the Board in May.

POAC reports that the Continuing Education Committee has determined that the grace period should be eliminated since the program is not mandatory. The Committee has also renamed itself the Professional Development Committee.

Several members of POAC have spent a significant amount of time reviewing Sarbanes Oxley materials and analyzing whether we are in line with best practices.

In November, after approving the addition of a Designated Compliance Officer, the Board also approved the formation of the Audit Committee. This committee will derive from POAC and will stand alone at the beginning of the next fiscal year. POAC has prepared a charter along with policies and procedures, and all comply with Sarbanes Oxley best practices guidance.

There was discussion of other projects such as an investment fund recommendation to be reviewed by the Executive Committee in May, and creating an RFP policy for AIMR. A presentation was also made regarding the financial model developed to assist with business planning.

PWC is assisting in the creation of an internal audit process. It is hoped that by May or July a plan for a more formal process can be put forward for approval. In line with this discussion of PWC, a policy for hiring a consultant, specifically one who is currently affiliated with the audit firm, was considered. In that regard, the following resolution was passed unanimously.

RESOLVED, that there will be a refutable presumption that we will not hire a consultant currently affiliated with the audit firm without pre-approval by the Audit Committee.

### **The Audit Report**

The Audit Report was discussed in preparation for a vote on approval. The numbers presented were noted to be the same as seen in November, just finalized. There was some discussion regarding SFAS 136 and donations of scholarship funds to the research foundation. Classification issues present with restrictive funds and related entities have been noted. The Board then unanimously passed the following resolution:

RESOLVED, that the Audit Report of the POAC substantially in the form as presented at this meeting is accepted and approved.

### **The Audit Committee**

The Board approved the creation of an Audit Committee in November and the charter defining structure was submitted for approval at this meeting. It was observed that some of the Audit Committee's responsibilities are not new but are being transferred over from POAC. It was then noted that the shifting of audit responsibilities away from POAC and adding a new member to the Executive Committee will require a proxy vote.

POAC's name will change to either POC or OC. All involved were congratulated on the good work in drafting the charter and with that, the Board unanimously approved the resolution set forth below:

RESOLVED, that the AIMR Board of Governors accept and approve the Audit Committee Charter that outlines the proposed structure for the Audit Committee that will become operational 1 September 2003; and

FURTHER RESOLVED, that the Chair of the Audit Committee shall be a member of the AIMR Executive Committee; and

FURTHER RESOLVED, that the Audit Committee amendments to the AIMR Bylaws be submitted to a vote by the membership at the May 2003 Annual Meeting of Members in accordance with the provisions of the Virginia Non-Stock Corporation Act.

Discussion on the RFP policy was tabled until the May meeting, with the possibility of a telephonic Board meeting to be set up before then. Other issues may also be addressed at this interim meeting such as the MPS. The transparency policy discussion was moved into executive session.

### **Nominations Review**

Information was presented to the Board from the Task Force set up to review the nominations process. The Task Force has defined their mission and selected a consultant on governance: PWC. Going forward, there will be discussion of the issues and input gathered from the various constituencies and then the Task Force will plan a more comprehensive meeting in May to evaluate all data. It is hoped that a proposal may be put before the Board in July.

### **Awards Committee Report**

The nominations for awards to be given at the Annual Meeting were announced. The Board unanimously approved the resolutions below:

RESOLVED, that the Report of the Awards Committee substantially in the form presented at this meeting is accepted and approved; and

FURTHER RESOLVED, that the following award nominees are hereby approved:

- Award for Professional Excellence: Charles Ellis
- Forrestal Award for Professional Ethics and Standards of Investment Practice: Charles Tschampion
- Morley Distinguished Service Award: Fred Speece
- C. Stewart Sheppard Award: Thomas Welch
- Hansberger Leadership in Global Investing Award: George Long
- Molodovsky Award: Robert Merton
- The Special Service Award: David Woodyatt

Ole Jacobson has been selected for the Society Leader Award. The James R. Vertin Award nominee has not yet been selected by the Research Foundation, nor has the FAJ announced the nominee for the Graham and Dodd Award.

It was noted that the names of the nominees for awards are confidential at this time.

### **Nominating Committee Report**

The Chair of the Nominating Committee announced the nominations for fiscal year 2004. Dwight Churchill's term will be ending in August but he will continue on as immediate past Chair. Frank Dohn, Amaury Jordan, Cheryl Ann Lister, Yoshiharu Okazaki and Donald Trotter will be leaving the Board at the end of August 2003. In terms of nominees, The Committee sought out geographical diversity, good client perspective, managerial, governance and society experience. A slight increase in Asian representation was felt to be important due to candidate/member growth trends.

The Board then unanimously approved the following resolutions:

RESOLVED, that the report of the AIMR Nominating Committee substantially in the form presented at this meeting is accepted and approved;

FURTHER RESOLVED, that pursuant to Article 9 of the AIMR Bylaws, the nominations of Anthony Cagiati, Shirley Shea DeJarnette, James Lyon, Alex Ng, Nicola Thomas Ralston and T.K. Yap are approved;

The Board then approved the nomination for Chair with one abstention by Ted Aronson and the nomination for Vice Chair was approved with one abstention by Monique Gravel. The approved resolutions are as follows:

RESOLVED, that pursuant to Article 9 of the AIMR Bylaws, the nominations of Ted Aronson and Monique Gravel to the offices of Chair and Vice-Chair are approved; and,

FURTHER RESOLVED, that the Secretary of AIMR is directed and authorized to submit the nominees to the AIMR Regular Members in Good Standing for election at the 2003 Annual Meeting of Members.

The current Chair, Dwight Churchill, expressed everyone's heartfelt appreciation to those Board members whose terms expire at the end of August 2003. It was then stated that all Board nominees for fiscal year 2004 have accepted their nominations.

### **Proxy**

It was noted that the Board has already approved the establishment of the Audit Committee so the necessary Bylaws change will be included on the proxy. Changes in

the names of committees and the slate of nominees for the Board and Officers will also be featured. Deadlines for the next proxy solicitation were discussed and it was agreed that equivalents to EST be included. It was decided that language will be revised to reflect that the President of AIMR will not serve on the Audit Committee, nor vote on the selection of Audit Committee members. It was also noted that there is room to be flexible in the number of members on the Audit Committee.

Additional discussion focused upon potential changes to the proxy due to a possible alternative slate of nominees and revised language regarding the nominations process covered in executive session. The Board then unanimously approved the resolutions below with the possibility of discussed changes to the proxy to be permitted:

RESOLVED, that the AIMR Annual Meeting of Members shall be held on Sunday, 11 May 2003 at the AIMR Annual Conference in Phoenix, Arizona, USA;

FURTHER RESOLVED, that the 2003 Proxy Package as amended in the meeting (along with the name and background of each individual nominated to serve as Chair, Vice-Chair, or Governor) is hereby approved for submission to the Regular Members in Good Standing;

FURTHER RESOLVED, that the close of business on 3 March 2003 shall be the "Record Date" for determining members eligible to receive the 2003 Proxy Package, including the Notice of Meeting, Proxy Statement, Election Biographies and Statements, and Proxy Ballot for the purpose of voting at the Annual Meeting of Members;

FURTHER RESOLVED, that the 12:00 p.m. (noon) Eastern Time, Friday, 9 May 2003 shall be the "Deadline Date" for tabulating proxies received by Internet, facsimile, or mail; and

FURTHER RESOLVED, that the AIMR Secretary is directed and authorized to send the Proxy Package to the Regular Members in Good Standing of AIMR on or about the "Mail Date" of 13 March 2003 and to take such action as necessary to implement the resolve of the Board.

### **Entrance Requirement for New Chapters and Societies**

A report was made on a proposal to eliminate the category of Member Chapter of AIMR and to focus on Member Societies. The proposed requirements for being recognized as a Member Society are fairly consistent with current requirements but it was noted that there are some differences. A proposal to grandfather in current chapters, while encouraging PCRs and others to assist with growth efforts, was also discussed.

One consideration is to place more emphasis on societies based in large cities or regions that are major financial centers but after discussion it was agreed that AIMR should retain the flexibility to admit societies based elsewhere if there is a compelling reason to do so.

Upon further discussion it was decided to change Item 1 of the Requirements and Procedures to “encourage” societies to be located in world financial centers. With this change, the Board unanimously approved the resolution below:

RESOLVED, that the AIMR Board of Governors accept and approve the elimination of the Member Chapter category and the criteria revisions for admission as a Member Society.

### **50-Mile Policy**

Discussion of this agenda item was moved to Executive Session.

### **Membership and CFA Charter Qualifying Experience**

A presentation was made to the Board about recommendations to modify existing membership and charter requirements policies beginning in 2005. Core considerations include: the impact on future candidates and employers; the impact on candidates already in the program; additional and more qualified AIMR staff needed to review work experience narratives; and, appropriate ways to deemphasize titles and emphasize type of experience. Approval was given to continue presenting recommendations to societies and to put the recommendations out to the members for comment. The final set of recommendations will be brought to the Board for action at the May meeting.

*At this time, the Board meeting went into Executive Session.*

### **Saturday, February 8, 2003 – Continuation of Open Session**

#### **Opening Remarks**

The Chair stated that in Executive Session yesterday a transparency policy was adopted and will be put on the website. In addition, the 50 mile policy, as drafted, was not adopted but the issue will be further explored.

#### **Mission and Vision**

The Board agreed to consider the mission and the vision separately. After additional discussion, the following adjusted resolution was unanimously approved:

RESOLVED, that the AIMR Board of Governors accept and approve the revised Mission statement as follows:

Mission: Lead the investment profession globally by setting the highest standards of education, integrity, and professional excellence.

It was further agreed that consideration of the vision will be revisited at a later time.

### **CFA Examination Committee**

It was reported that the CFA Examination Committee is being formed and hopes to have a first telephonic meeting in May. The Board then unanimously approved the following resolution:

RESOLVED, that the AIMR Board of Governors accept and approve the appointment of Frank K. Reilly, CFA, as chair of the CFA Examination Committee.

### **Internal Benchmarking**

There was discussion and a request for feedback on an ongoing POAC project to develop ways of defining and evaluating financial and non-financial indicators of success within AIMR. Once identified, these benchmarks can be used to chart progress and problems in achieving our strategic objectives. There will be further discussion of the benchmarking project in May.

### **Draft 3-5 Strategic Plan**

Since the November retreat, the Planning Committee has continued to discuss and refine objectives for the next 3 to 5 years. Issues being considered for analysis and action include: ways to extend the influence of AIMR; how to capitalize on intellectual resources; structure and management of AIMR; and global services. Other discussion focused on the impact of the current economic environment and whether the plan needs to be linked to that reality or whether the plan remains the same and the interpretation changes. It was stated that ultimately the Board must approve goals but then hand over the implementation to Management. The Planning Committee seeks feedback by March 1, 2003 so that they can have a revised plan for the Board to review in May.

### **AIMR-PPS After-Tax Standards**

It was reported that the After-Tax Subcommittee was reconstituted in 2002 to address an SEC proposal to introduce mutual fund after tax reporting. It was then decided to also have the subcommittee look at the AIMR-PPS standards to see whether improvements could be made to its after-tax provisions. As a result of much work and industry feedback, modifications are being proposed that would apply to firms that choose to present after-tax composite results. They are intended to supplement the AIMR-PPS standards and deal specifically with U.S. regulations. The effective date would be January 1, 2005.

ERVIC's support was noted and also the recommendation that, following approval by the Board, the Implementation Committee should separately review the feasibility of addressing these issues, or some of these issues, on a global level. The immediate next step is to look at Canadian issues and in another nine months or so the Board will be asked to reapprove the proposal. The Board then unanimously adopted the following resolution:

RESOLVED, that the AIMR Board of Governors accept and approve the final draft of the After-Tax Provisions and Guidance of the AIMR-PPS standards and the accompanying Adopting Release, ensuring that the After-Tax Provision do not create barriers to entry for non-U.S. firms.

### **Approval of Minutes**

The Board unanimously approved the 5 December 2002 Board Meeting Minutes with the following revised resolution:

Resolved, that the AIMR Board of Governors authorize the Council of Examiners to adjust the format of Level II of the CFA Examination to be up to 100 percent item set effective with the 2005 exam administration.

### **Partnership Policy**

The Planning Committee reported that over the years AIMR has been approached by various outside entities about partnering in the development of various kinds of products including the development of curriculum, the development of non-competing regulatory exams, and other projects. The PC is now considering criteria AIMR could look to when determining appropriateness of such ventures. Having a policy in place would also allow Management to gracefully say no to proposed partnerships as well.

Core considerations for inclusion in the policy include the requirement that AIMR perform due diligence before agreeing to a partnership; the partnership would have to provide significant benefit to the AIMR membership and should not provide financial benefit to AIMR alone; there should be no partnership with groups offering competing designations or CFA preparatory courses. Overall, the policy is designed to address long-term relationships and not one-time agreements. The Board has the authority to make exceptions where a partnership may not meet policy criteria but would be worthwhile for strategic reasons. It was then decided that discussion on this issue would be tabled until May so that deliberations may continue.

### **Report on Governance Issues and Policy Alternatives**

It was announced that the Gravel Report will be put on the web for comment. Society leaders have all had a chance to comment on the Report. When the comment period closes after March 15, the PCRs will try to get an interim draft completed for the Annual

Meeting. All members will eventually have a chance to comment on the draft but at this point, only Society Leaders have reviewed.

### **AIMR Lobbying Issues**

The critical question surrounding the issue of lobbying is whether the benefit to our members would justify the potential legal and regulatory consequences. It was noted that AIMR may easily drift into lobbying because of the broad legal definition of lobbying under U.S. law. A recommendation was discussed to develop criteria as to when it would be appropriate for AIMR to lobby, and also, if we were to formally engage in lobbying, to pay the tax incurred on behalf of our members so their dues would remain tax deductible. An important consideration, it was stated, is that we are currently viewed as not just acting on behalf of our membership but also on behalf of the investing public. This status lends credibility to our organization. The Board then unanimously approved developing a proposal on lobbying, requesting that non-U.S. aspects of lobbying also be considered.

### **AIMR Advocacy Outside North America**

It was reported that there is a need for a strategic plan that will fully analyze and consider all available options regarding advocacy outside North America. The Gravel Report presents many ideas for consideration in this regard. It was noted that it is important that AIMR maintain a consistent voice. More detailed proposals will be forthcoming.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Sharon J. Glover