

Association for Investment Management and Research

**BOARD OF GOVERNORS
MEETING MINUTES
10-11 May 2003
Arizona Biltmore Resort & Spa
Phoenix, Arizona**

Notice: 1 May 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
Vincent Duhamel, CFA
Denise M. Farkas, CFA
Khalid Ghayur, CFA
Emilio Gonzalez, CFA
Monique E.M. Gravel, CFA
Amaury Jordan, CFA
Yoshiharu Okazaki, CFA
Cheryl-Ann E. Lister, CFA
Janet T. Miller, CFA
Philippe A. Sarasin, CFA
John C. Stannard, CFA
Malcolm M. Trevillian, CFA
Donald W. Trotter, CFA

Governor Absent: George W. Noyes, CFA

Governor Nominees

Present: Anthony H. Cagiati, CFA
Shirley Shea DeJarnette, CFA
James M. Lyon, CFA
Alex K.G. Ng*
Nicola Ralston

President Council

Representatives

Present: Daniel P. Broby
Kathleen C. Chrisman, CFA
(Incoming as of 1 September 2003)
Christopher G. Dunmall, CFA
Jeffrey L. Evans, CFA
Warren A. Johnson, CFA
William K. Kovalchuk, CFA
Todd Parker Lowe, CFA
Daniel S. Meader, CFA
John M. Rickel, CFA
William R. Warnke, CFA

AIMR

Management and

Staff Present:

Jonathan Boersma, Vice President, Standards of Practice, AIMR
Moira J. Coleman, Senior Vice President, Corporate Services,
AIMR
James M. Cudahy, Vice President, Marketing & Communications,
AIMR

* Present via Telephone

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Charles W.L. Deale, Vice President, Member & Candidate Services, AIMR
Raymond J. DeAngelo, Senior Vice President, Stakeholder Services and Global Relations, AIMR*
Helen A. Hatzenbeler, Associate, Stakeholder Services and Global Relations, AIMR
Robert R. Johnson, CFA, Senior Vice President, Curriculum and Examinations, AIMR
Joseph P. Lange, Corporate Secretary, Office of General Counsel, AIMR
Alecia Licata, Vice President, Investment Performance Standards, 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

Also Present: Patrick Hyland, Sirota Consulting
Jeff Saltzman, Sirota Consulting

Materials
Distributed
Prior to Meeting: AIMR Board Book

Materials
Distributed
at the Meeting: Strategic Plan – Strategy Framework
2003 AIMR Membership Survey Results – Executive Summary and Board Presentation
Revised Membership Criteria Resolutions

Chair: Dwight D. Churchill, CFA

Meeting Secretary: Joseph P. Lange

Open Session - Saturday, 10 May 2003

Opening Remarks

The Chair of the Board of Governors welcomed everyone to Phoenix, Arizona, and noted changes to the meeting agenda and clarified the governors upcoming event schedule.

External Relations and Volunteer Involvement Committee (ERVIC) Report

The Chair of ERVIC gave an overview of the group's activities. It was emphasized that ERVIC has had a full agenda over the course of the fiscal year and proceeded to update the Board on the following matters:

- Society and Chapter Admissions – Created criteria for future admissions of societies with the emphasis to continue to cultivate societies in areas which are strategically important in terms of candidates and to AIMR. The focus is on AIMR's global growth with the establishment of country societies.
- Society and AIMR Compact – Renamed the principals of affiliation which has been combined with the development of service level guidelines. The topic originally surfaced from the AIMR planning retreat to establish and understanding of expectations between both societies and AIMR.
- Sponsorship Guidelines – To develop guidelines for societies who use corporate sponsorships to put on events or specific offerings for their membership. The guidelines may also be beneficial to societies trying to obtain corporate sponsorships by presenting ideas on how they may go about organizing such events.
- Reviewed Member Survey Results – Findings to be presented to the Board later at this meeting.
- Advocacy Issues – The next major focus area for ERVIC.
- The Gravel Report – The final edited version has been presented to the Board and it was emphasized that the report should be considered a working document of issues and not solutions.

Performance Oversight and Audit Committee (POAC) Report

The Chair of POAC gave an overview of the group's activities. The Board was updated on the following matters:

- CFA Examination Committee – Approved by the Board in February with the chair and members now appointed the group has begun working on the 2003 exams.
- Internal Bench Marking – Developed as a tool to enhance and support the Board's ability to govern at an appropriate strategic level and to focus on important issues facing the organization and its members is included in the Board books for discussion and feedback.

- Performance Oversight Committee (POC) Charter – With the establishment of the Audit Committee, the new charter which removes the audit function from POAC was being presented to the Board for review and comments.
- Current Budget Implications – Continue to monitor the financial implications to AIMR with regards to the administration of the December Level I exam and the affect of the Severe Acute Respiratory Syndrome (SARS) on the administration of the June exams.
- Information Technology (IT) Project – This matter continues to be on time and under budget.
- Policies and Procedures Project – In accordance with best practices, senior AIMR management is currently compiling and reviewing all departmental policies and procedures to determine which ones are appropriate to be at the board level.

Next, it was explained that PricewaterhouseCoopers (PwC) recommended and POAC approved that AIMR should create an internal audit function that would report to the Audit Committee and to the CEO. Key risks identified were the integrity of the CFA exam, relationship between the Board and Management, and the organizational structure. PwC suggested that given the size of AIMR this may not require a full-time staff person to handle, however, the Board noted that the terms of implementation and process issues would be dealt with at a later date. Estimated costs for implementing this matter were pegged at 1.3% of revenues. The following resolution was passed unanimously.

RESOLVED, that a Risk Assessment and Internal Audit function be created to report to the CEO and Board Audit Committee.

Planning Committee Report

Discussion moved directly to the meeting agenda planning items.

Strategic Plan

The Board received a detailed presentation and discussed in-depth all aspects of the Strategic Plan. AIMR was currently implementing a formal strategic planning process that involved a written five-year plan and a process for assigning accountability and measuring performance. The Board's role will be oriented to strategic objectives while Management will handle 12-month milestones and action plans. Implementation of the plan will lead to the Board having to make strategic choices on the global structure of the organization, product and services delivery strategies, and resource allocations. It was noted that AIMR had updated its mission statement and would leverage its strengths such as reputation, intellectual capital, and relationships. The final version of the Strategic Plan is to be presented to the Board for approval in July 2003.

Partnership Policy

The Partnership Policy was presented to the Board in February and subsequent feedback has been incorporated into the policy. The policy will establish a Board policy as to when management can enter into partnerships. The policy also provides guidelines for management to follow in analyzing potential partnership arrangements. The Board retains the right to entertain additional partnership proposals that they feel might be in the best interests of the organization. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Partnership Policy substantially in the form as presented at this meeting.

Product Delivery Strategy

The Board received an overview of the proposed educational product delivery strategy changes which were strongly endorsed by the Planning Committee. The objective is for members to be able to personalize the type of information they receive from AIMR and for the organization to provide more flexibility and value by making effective use of technology.

The Board discussed alternative delivery mechanisms, pricing structure, partnering with societies to deliver content locally, and the transition timeframe. Given the nature of the change in strategy, the proposal includes a multi year transition plan, in which AIMR builds awareness of the web capabilities and products, encourages members to voluntarily convert to web-based delivery option, and enhances AIMR's web capabilities and content options prior to full conversion to the new delivery strategy. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Product Delivery Strategy substantially in the form as presented at this meeting.

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

Open Session - Sunday, 11 May 2003

Member Survey Results

The membership survey results were presented to the Board by the firm that conducted the survey, Sirota Consulting. The survey procedures and methodology were outlined. It was noted that 56,665 AIMR members were eligible to participate in the survey which was solicited electronically with approximately 14,300 surveys being returned, resulting in a 25 percent response rate. The survey asked for members' feedback on primarily two issues: 1) how well the membership thinks AIMR is doing, collectively, in serving their needs and 2) where the membership would like AIMR to go in the future in terms of

setting strategic priorities and identifying potential new products and services that could be offered. The survey data was discussed in-depth.

Membership and CFA Charter Qualifying Work Experience

A detailed presentation on the matter was made to the Board. This was noted as the number one area of concern among society leaders with one hundred societies responding with mainly positive comments to the proposed recommendations. The objective was to simplify and clarify the process of accepting members into AIMR and societies, strengthen the standards for awarding the charter and membership, strengthen the review process for new applicants, and to insure that society goals and objectives are closely aligned to AIMR's.

The Board had an in-depth discussion over several of the recommendations. Specifically, the Board reviewed and debated potential financial implications, resource allocation issues, and implementation concerns. The following resolutions were passed as noted.

- RESOLUTION #1 (Approved with 1 Abstention)

RESOLVED, that Recommendations #1, 2, 3, 5, 6, 7, 8, 9, 11, 12 as presented by the Membership and Charter Requirements Task Force be approved by the AIMR Board of Governors.

FURTHER RESOLVED, that currently enrolled candidates will be grandfathered and the recommendations will be implemented in time for the start of the June 2005 candidate/membership cycle.

- RESOLUTION #2 (Approved with 1 Opposed)

RESOLVED, that Recommendation #4, *the number of years of Acceptable Professional Work Experience for Regular Membership be four years upon successful completion of the Level I CFA exam, or the passage of the self-administered Standards of Practice (Ethics) exam*, as presented by the Membership and Charter Requirements Task Force be approved by the AIMR Board of Governors.

FURTHER RESOLVED, that currently enrolled candidates will be grandfathered and the recommendations will be implemented in time for the start of the June 2005 candidate/membership cycle.

- RESOLUTION #3 (Unanimously Approved)

RESOLVED, that Recommendation #10, *modify the existing list of job classifications by changing the acceptability of some listings; deleting others; and adding a few new listings. (The task force's recommendation narrows the list of*

acceptable job classifications from the current 51 to a proposed 20), as presented by the Membership and Charter Requirements Task Force be approved by the AIMR Board of Governors.

FURTHER RESOLVED, that currently enrolled candidates will be grandfathered and the recommendations will be implemented in time for the start of the June 2005 candidate/membership cycle.

- RESOLUTION #4 (Unanimously Approved)

RESOLVED, that Recommendation #13, *to eliminate the 50-mile radius Policy*, as presented by the Membership and Charter Requirements Task Force be approved by the AIMR Board of Governors.

FURTHER RESOLVED, that currently enrolled candidates will be grandfathered and the recommendations will be implemented in time for the start of the June 2005 candidate/membership cycle.

Performance Oversight Committee (POC) Charter

The Board was provided a preliminary draft charter for the POC, absent the audit responsibilities, and requested to review and provide feedback.

Nomination for the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF)

The FASB has requested nominations from AIMR for the EITF. AIMR's advocacy management recommends that the Board nominate Ashwinpaul (Tony) C. Sondhi. Mr. Sondhi was identified as highly qualified given his technical expertise and involvement with topics that would be within the province of the EITF. The following resolution was passed unanimously.

RESOLVED, that the following nomination recommendation to the Financial Accounting Standards Board's Emerging Issues Task Force be approved: Ashwinpaul C. Sondhi.

Professional Conduct Program Statistics Communication Plan

As a follow-up matter from previous meetings, the communication plan for presenting disciplinary review statistics to the membership was presented to the Board. Examples of the two proposed statistics matrices designed to be posted on the AIMR web site, and updated quarterly, were discussed along with Disciplinary Review Committee (DRC) information to be included in the CFA Magazine. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Disciplinary Review Committee's publication of statistics substantially in the form as presented at this meeting.

FY 2004 Board Oversight Committee Chairs

The Board was presented with the nominee recommendations for the four oversight committee chairs. The following resolution was passed with the AIMR President and CEO abstaining from the Audit Committee vote and the four nominees abstaining from the vote with regards to their respective Oversight Committee appointments.

RESOLVED, that each of the following persons shall be, and they hereby are, elected to serve as indicated on the committee and, if applicable, in the indicated position set forth opposite their name for a one-year term commencing 1 September 2003, and until their successors are chosen and qualified:

- Audit Committee
Chair: Denise M. Farkas, CFA
- Planning Committee
Chair: Jeffrey J. Diermeier, CFA
- Performance Oversight Committee
Chair: Janet T. Miller, CFA
- External Relations and Volunteer Involvement Committee
Chair: John C. Stannard, CFA

Committee Overview Process

The Board was provided a brief overview of the current procedures in place for overseeing committee activities. A general outline of the direction being pursued for improving the evaluation and tracking process for committees was discussed.

Election of Secretary and Treasurer

The Board was informed that the approval of Secretary and Treasurer was an annual appointment pursuant to the authority granted in the AIMR Bylaws. The following resolution was passed unanimously.

RESOLVED, that pursuant to Article 6, section 6.6(a) of the AIMR Bylaws, Joseph P. Lange and Timothy G. McLaughlin shall be, and hereby are, elected Secretary and Treasurer, respectively, to each serve a one-year term commencing 1 September 2003, and until their successors are chosen and qualified.

RFAIMR Amended Bylaws and Trustee Election

As noted in the Bylaws of the Research Foundation, AIMR is the sole Voting Member of the organization. As the sole Voting Member, AIMR is required to approve the amended bylaws and to elect the Trustees that serve on the Research Foundation. The following resolution was passed with the AIMR chair abstaining from the vote.

RESOLVED, that Dwight D. Churchill, CFA, is authorized to vote on the behalf of AIMR as the sole Voting Member of the Research Foundation of AIMR at its annual meeting of members;

FURTHER RESOLVED, that Dwight D. Churchill, CFA is authorized to vote for the approval of Jean L.P. Brunel, CFA, William Van Harlow, CFA, Patricia A. McConnell, and Bruno Solnik as Elected Trustees of the Research Foundation, each to serve for a three (3) year term commencing 1 September 2003;

FURTHER RESOLVED, that Dwight D. Churchill, CFA, is authorized to vote for the approval of the Amended Bylaws of the Research Foundation; and

FURTHER RESOLVED, that Dwight D. Churchill, CFA, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

Meeting Minutes

Board meeting minutes dated 9 April 2003 were amended and approved.

Presidents Council Representatives (PCRs) Report

The Chair of the PCRs gave brief comments on the Gravel Report and requested that PCR participation be included in the FY 2004 AIMR budget process. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors expresses its sincere appreciation to the Presidents Council Representatives for their work on the Gravel Report.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary