



Setting the global standard for investment professionals

**BOARD OF GOVERNORS
MEETING MINUTES
24 July 2004
Charlottesville, Virginia**

Notice: 14 July 2004

Governors Present: Robert E. Angelica, CFA
Theodore R. Aronson, CFA
Thomas A. Bowman, CFA
Anthony H. Cagiati, CFA
Shirley Shea DeJarnette, CFA
Jeffrey J. Diermeier, CFA
Vincent Duhamel, CFA
Denise M. Farkas, CFA
Emilio Gonzalez, CFA
Monique E.M. Gravel, CFA
James M. Lyon, CFA
Janet T. Miller, CFA
Alex K.G. Ng
George W. Noyes, CFA
Nicola Ralston
John C. Stannard, CFA
Malcolm M. Trevillian, CFA
Teong Keat (T.K.) Yap, CFA

Governors Absent: Dwight D. Churchill, CFA
Khalid Ghayur, CFA

Incoming Governors Present: Margaret E. Franklin, CFA
Samuel B. Jones, Jr., CFA
Brian D. Singer, CFA
Jose Luis Velasco, CFA

Presidents Council Representatives Present: Daniel P. Broby
Kathleen C. Chrisman, CFA
Christopher G. Dunmall, CFA
Warren A. Johnson, CFA
William K. Kovalchuk, CFA
Daniel S. Meader, CFA
John M. Rickel, CFA
William R. Warnke, CFA

Incoming Presidents Council Representatives Present: Beth Hamilton-Keen, CFA
Richard Mak, CFA
Joni K. Pierce, CFA

Also Present: Raymond J. DeAngelo, Executive Vice President, Member and Society, CFA Institute
Robert R. Johnson, CFA, Executive Vice President, CFA Program, CFA Institute
Joseph P. Lange, Associate, Office of the General Counsel, CFA Institute
William P. McKeithan, Senior Vice President and General Counsel, CFA Institute

Katrina F. Sherrerd, CFA, Executive Vice President, Planning and Professional Development, CFA Institute
Eric J. Strucko, Vice President, Business Planning and Analysis, CFA Institute
Guy P. Williams, Vice President, Finance, CFA Institute

Materials

Distributed

Prior to Meeting: CFA Institute Board Binder
FY2005 Proposed Operating and Capital Budgets Binder

Materials

Distributed

at the Meeting: FY2005 Proposed Budget Slide Presentation
FY2005 Committee Chairs – Resolution (Revised)

Chair: Theodore R. Aronson, CFA

Meeting Secretary: Joseph P. Lange

FY 2005 Strategic Plan Milestones

CFA Institute Strategic Planning is managed through a strategic framework adopted by the Board in 2003. The process involves an annual cycle of strategic objective setting at the beginning of the year and performance evaluation at the end of the year.

The Strategic Plan serves as a roadmap in guiding CFA Institute toward its five-year vision. It contains milestones and action plans, which provide short-term targets for helping the organization progress along the strategic roadmap. The Year 2 milestones have been developed over the past several months by the Management Committee, with input from vice presidents and Board members. In April, the Management Committee and a consultant drafted some initial objectives and milestones for Year 2. The milestones were refined based on meetings with the CFA Institute vice presidents in May and with the Planning Committee in June. The Board was also asked to approve revisions to the 2008 Vision Statement and a new (fifth) strategic objective. The summary of the Vision Statement and the strategic objectives were stated as follows:

Vision Summary

CFA Institute will be viewed as the global organization for investment professionals who are committed to the highest standards of education, integrity, and professional excellence. CFA Institute will provide a range of products and services to its members, other investment professionals and the investing public, building from the global reach and prestige of the CFA brand and including other select fee-based services. In addition, CFA Institute will be viewed as the foremost authority representing the investment community on issues of professional ethics, professional conduct, and investment practice. The organization will be recognized as an exceptionally client-service oriented and responsive organization and as a leader in delivering its products and services through effective technology solutions. Through increased awareness of its

mission and services, a higher percentage of qualified investment professionals will be members of the organization.

Strategic Objectives

1. Protect and build the CFA brand to ensure that CFA Institute remains the global standard for education and ethics in the profession through the development of quality products and services that leverage CFA Institute strengths and core capabilities.
2. Through a combination of traditional advocacy efforts and a focused public relations program, position CFA Institute as a thought leader in setting ethical and professional standards, and establish the CFA designation as the accepted standard for investment professionals.
3. Enhance member/candidate satisfaction and improve operational efficiency through aggressive use of technology to deliver products and services.
4. Reshape the organization to be more flexible and responsive to serve diverse global constituencies, to reflect a more integrated CFA Institute/Society model, and to ensure good stewardship of resources.
5. Evaluate new business opportunities that may contribute to improving the financial base of the organization.

The Board discussed the Strategic Plan and the following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Strategic Plan and Year 2 Milestones and revised 2008 Vision Statement substantially in the form presented at this meeting.

Minimum Passing Score Communication

The Board discussed the content of the communication piece to be sent to all the candidates with regards to the recently set minimum passing scores for the exams. The group emphasized that fewer candidates are purchasing the curriculum and more are relying on review course notes. There was strong agreement among the Board that candidates need to understand that there are no short cuts to preparing for the exams and that they need to study the curriculum materials to be successful in the CFA Program.

FY 2005 Budget

The proposed operating budget for fiscal year 2005, which took into account new initiatives and strategic direction, was presented to the Board for approval. It was stated that the Planning Committee had reviewed at least three iterations of the proposed operating budget over the last couple of months. The main principles and assumptions for the budget were outlined as follows:

Principles

- The normal operating surplus should be considered in the context of a rolling 5-year period and should approximate \$1.5 million/year or 1.5% as a percentage of revenue, whichever is greater.
- Even in times of downturn, CFA Institute will not pull back on initiatives that further its mission of leading the investment profession globally by setting the highest standards of education, integrity, and professional excellence.

- Optimum pricing for CFA Institute includes a balance among financial stewardship, market penetration, industry leadership, and service.
- Subsidization is to be based on cases as presented to be considered within the context of a 5-year historical average.

Assumptions

- Changes in the CFA Program registration and enrollment fees.
- Changes in the CFA Program registration and enrollment deadlines.
- 2.0% inflation for non-labor expenses.
- 3.7% salary increase for cost-of-living and merit pay increases.

Fiscal year 2005 candidate enrollments were estimated to total 119,000 with membership to total approximately 76,000. Revenue was projected to be \$97.7 million and expenses \$98.2 million with an operating margin deficit of \$0.5 million. Capital expenditures were budgeted at \$5.5 million. Management Committee was on schedule to identify contingencies and deferrals that would total \$1.5 million. The negative operating margin was stated to be the result of several factors, including modest revenue growth, the cost of establishing the CFA Centre for Financial Market Integrity, the cost of expanding international operations, and the cost of accompanying infrastructure needs.

The Board discussed the budget and the following resolution was passed unanimously.

RESOLVED, that the fiscal year 2005 Operating and Capital Budget substantially in the form presented at this meeting is accepted and approved; and

FURTHER RESOLVED, that the proper officers of CFA Institute are hereby authorized, empowered, and directed to take such action as necessary to implement the resolve of the Board.

Audit Committee Update

The Chair of the Audit Committee noted that a new partner from PricewaterhouseCoopers (PwC) would be handling the organization's account. The new partner is head of the not-for-profits for the Southeast region for PwC.

Private Wealth Initiative Update

The Board was updated on the latest activities of the ad hoc advisory group with regards to the private wealth initiative. Discussion centered on the various issues that needed to be addressed and the potential direction of the project. The Board noted its strong enthusiasm for the project with a report to be presented to the group at the November meeting.

Consent Agenda

The consent agenda consists of informational, reoccurring, and procedural matters that come before the Board. The following resolutions were passed as noted.

Board Meeting Minutes

(Unanimously Approved)

- Approved the 8-9 May 2004 Board meeting minutes substantially in the form presented at this meeting.

FY 2005 Volunteer Committee Chairs

(Unanimously Approved)

- RESOLVED, that each of the following persons 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 2004 and until their successors are chosen and qualified:

Annual Conference Committee	Chair: Jane Farris, CFA
Candidate Curriculum Committee	Chair: Matthew H. Scanlan, CFA
MPS Advisory Committee	Chair: Frank K. Reilly, CFA
Council of Examiners	Chair: Thomas B. Welch, CFA
Financial Analysts Seminar	Chair: Walter Haslett, CFA
Global Investors Workshop	
Advisory Council	Chair: Yusuf Samad, CFA
Investment Management Workshop	Chair: Inactive
Professional Development Program	Chair: Edward J. Stavetski
Public Awareness Committee	Chair: Katherine Schapiro, CFA
Disciplinary Review Committee	Chair: John H. Pieper, CFA
Investment Performance Committee	Chair: James E. Hollis, III, CFA
AIMR-PPS Implementation Committee	Chair: Karyn D. Vincent, CFA
Standards of Practice Council	Chair: Lee N. Price, CFA
Retirement Investment Policy Committee	Chair: Rodney N. Sullivan, CFA

The Board also expressed its sincere appreciation for the contributions and service of Robert M. Bilkie, Jr., CFA (current Chair of the Public Awareness Committee) and Joseph T. Dabney, III, CFA (current Chair of the Professional Development Program) whose terms are ending.

Recognition of Retiring Presidents Council Representatives

(Unanimously Approved)

- RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to:

John M. Rickel, CFA, Presidents Council Chair;
Joseph Y.S. Lim, CFA, Asia-Pacific Presidents Council Representative;
William K. Kovalchuk, CFA, Canadian Presidents Council Representative

for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession and representing the interests of Member Societies during their respective terms as Presidents Council Chair and Presidents Council Representatives.

Recognition of Retiring Governors

(Unanimously Approved)

- RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to:

Dwight D. Churchill, CFA;
Khalid Ghayur, CFA;
Janet T. Miller, CFA; and
Malcolm M. Trevillian, CFA

for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as governors on the CFA Institute Board.

The Board also recognized the out going Chair, Theodore R. Aronson, CFA, for his leadership and service over the past year.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary