

ASME Board of Governors
September 15, 2009
New York City

COFI Recommendation
Investment/Reserve Spending

Reggie Vachon - COFI Chair

Reminder of “Spending Plan”

- Provides disciplined approach for determining funds available each year from reserves to fund planned and ongoing initiatives.
- Provides consistent and sustainable source of annual funding for new initiatives – results in better planning.
- Allows for consistent investment in strategic projects to accommodate investment market fluctuations.

“Spending Plan”

What was approved

BOG approved September 2007

Fixed % – Up to 4% of past 3 year average
General Fund Balance. FY09 figure =
 $4\% \times \$56.6\text{M} = \2.2M

Unused amounts **WILL NOT** “carry over”.
This assumes ASME reserve levels are at
60% BOG target.

COFI to work with SMC on process and
policy.

“Spending Plan”

Conduct Review Meetings for Safety Switch.

Freeze funds if:

- a) Reserve levels go below 60% target (except for committed funds) , or
- b) 10% or more decline in investment assets occurs due to deterioration in markets

Review Committee is COFI, Treasurer, ASME President, ED, CFO and other key participants as designated by President (e.g. investment managers). If needed, Review Committee makes recommendation to BOG

Investment Markets Downturn – Safety Switch turned on

Emergency call conducted on October
15 with Review Committee: ASME
Pres, ED, COFI

ASME's investment assets had
declined an estimated 20% or
\$20M since beginning of FY09

Result of the Oct 15 call – Policy Enforced

Action: SPGF was “frozen” with
exception of already committed funds

Future Actions:

- If assets improve to under 10% loss -
then 50% or \$1.1M of initiative
funding will be “freed”
- If assets improve to under 5% loss -
all funds to be available

*** Ended the year an estimated 16%
down

Where we are today

- \$42.4M - BOG reserve target - 60% of 3 year average
- \$50.1M – FY09 year end reserves
- \$56.2M – 3-year average reserves
- 16% investment loss in FY09

“Spending Plan” Calculation

Current target = \$42.4M

Year end reserves = \$50.1M

FY07-09 3-year average reserve \$56.2M

FY10 figure = 4% x \$56.2M = \$2.2M

“Spending Plan” Policy Change Recommendation

Conduct Review Meetings to assess safety switch and spending plan. Spending Plan is “frozen” and not accessible if

- a) reserve levels go below 60% target (except for committed funds), or
- b) 10% or more decline in investment assets occurs due to deterioration in markets

Proposed change:

- b) 10% or more decline in investment assets occurs due to deterioration in markets in a fiscal year

Spending Model Recommended Action

BOG Approve:

- The Spending Plan Policy Change
- FY10 initiative funding of (not to exceed) \$2.2M based on 4% of past 3-year average General Fund Balance.