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**FINANCE COMMITTEE
CIRCULAR LETTER 1/2012
6 November 2012**

FINANCE COMMITTEE OFFICERS' MEETING

31 October 2012, IHB

Dear Hydrographer,

1. In accordance with Article 14 of the General Regulations, the six-monthly meeting between the Directing Committee and the Chair of the Finance Committee (FC), Mrs. Muriel NATALI-LAURE (Monaco) and the Vice-Chair, Mr Andrew MILLARD (UK), was held at the IHB on 31 October. Mrs. Ghislaine FAUCHOIS, IHB Manager of Finance and Administration, was also present. Unfortunately, Mrs. Pascale TARMAZZO, Auditor was unable to attend due to other last minute commitments.

2. The following topics were presented and discussed:

- The general progress and execution of the budget for 2012 was examined. The examination was based on the monthly internal finance report for September. No significant problems were identified. It was noted that an end-of-year surplus was being forecast. However, it was also noted that, as in previous years, a surplus would be required in order to maintain appropriate levels in some of the existing IHO funds, such as the Capacity Building Fund and the Internal Retirement Fund, since the previous practice has been not to fully reflect the maintenance of these funds in the annual budget, but to rely on providing “top up” funds from a budget surplus instead. The proposal by the Directing Committee that the maintenance of such funds at appropriate levels be reflected directly in the budget in the future was supported by the FC Chair and Vice-Chair.
- The status of Member States' contribution payments was examined. It was noted that the amount received at the end of October was 85% of the total amount of the contributions for the year. This is about 4% higher than the amount received at the same period last year. It was also noted that appropriate procedures are in place to remind and assist those States where payments are in arrears.
- The status of the IHB retirement plans was examined. It was noted that the level of the Internal Retirement Fund no longer matches the actuarial forecast of liability. This change is due to the significantly lower rates of interest now being earned on the capital sum in the Fund. As a result, there is a forecast shortfall of approximately 100,000€ It may be necessary to allocate some or all of the forecast 2012 budget surplus to bring the Fund back to an appropriate level to match its forecast liabilities.
- In view of the very low interest rates now being offered by banks in Europe and the general level of global economic uncertainty, the investment strategy for IHO funds was

- discussed. The Chair and Vice-Chair of the FC agreed with the Directing Committee that it was inappropriate for the IHO to place its funds in speculative financial markets even if they offered returns that had the potential to equal or match inflation. Accordingly, the Directing Committee should continue, as in recent years, to invest IHO funds in secure interest-bearing deposits that balanced long-term investment and slightly higher returns against the need to maintain certain levels of liquidity. Investments should also continue to be spread between more than one banking institution.
- The Vice-Chair of the FC, who is also the Chair of the IHO Staff Regulations Working Group (SRWG), informed the meeting that he will shortly propose to the SRWG that an independent baseline study be carried out under contract in order to compare the salary and welfare conditions described in the IHO Staff Regulations with those in some comparable international organizations. This would then form a basis upon which the SRWG could develop proposals and an implementation plan for consideration by the Member States at the 5th Extraordinary International Hydrographic Conference in October 2014. It was agreed at the meeting that, subject to the support of the SRWG and the development of an appropriate justification statement and contract definition, such an activity could possibly be considered as a special project or consultancy support, and paid for under the existing budget framework.
3. It was agreed that the next meeting of the Finance Committee Officers will take place at the International Hydrographic Bureau on 14 March 2013.

On behalf of the Directing Committee
Yours sincerely,



Robert WARD
President

Copied to : Mrs. Muriel NATALI-LAURE (Monaco), FC Chair
Mr. Andrew MILLARD (UK), FC Vice-Chair