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## TLC for AAHP Investments

*Kenneth J. Eger, CHP  
Treasurer, AAHP*

The negotiable assets of the American Academy of Health Physics (AAHP) are invested to protect them from inflation and other financial woes. It has been the policy to hire a professional investment manager to oversee the investment. Because the Academy pays him a fee (of about 1% per year) it is prudent to regularly assess the performance of this individual. Toward that end our previous treasurer, Tom Essig, has prepared a standard operating procedure (SOP) for this assessment (S.O.P. 2.4.1 Metrics for Assessment of the Performance of the AAHP Investment Manager).

Our first priority is to protect our assets from losses during a market downturn, and the second is to maintain our value in an ascending market. The SOP establishes benchmarks for quarterly comparison between the change in the value of our assets and the change in the market.

The academy's assets are divided

into a Long-Term Fund and an Intermediate-Term Fund. The Long-Term Fund is compared with the S&P 500, and the Intermediate-Term Fund, which is heavily weighted in bonds, is compared with the average of the S&P 500 and the 50-50 Lehman Brothers Government/Corporate (50-50 LBGC) index.

Each quarter the change in the market is assessed. For example, the S&P 500 increased from 996.0 to 1074.1 during the last quarter of CY 2003, an increase of 7.84 percent. In the same period our Long-Term Funds increased in value by 8.48%. Our investment manager gets a hearty handshake for this quarter. Actually, we would still give him a good mark as long as our increase was better than 5.24% (at least 70% of the percentage increase). An increase in our Long-Term Fund of less than 3% in the last quarter (not even 40% of the percent increase) would be a sign of poor management.

This may seem to be a relaxed standard, until you understand that we expect our manager to be better than the market in down times. The manager who does 30% better than the market when the reference index decreases gets a good mark, and a poor mark if our assets don't retain their value 10% better than the index.

Each quarter assessments are made for each fund, and the SOP requires the Treasurer to take action—in the form of discussions and corrective action plan development as appropriate if the marks are not so good. The results of discussions and corrective actions are presented to the executive committee for appropriate action.

It is encouraging to note that our investment manager has earned good marks five of six times in the last three quarters, and the sixth time was an average mark, not a poor one.

