

## Education and Training Endowment Fund Winter Trustee Report To the Board of Trustees of the Pacific Northwest Section – AWWA

February 6, 2019

The E&T Fund received record donations during 2018 – over \$80,000 and contributed \$30,000 to the Scholarship Committee. Unfortunately, the stock market declined in 2018 and our fund lost nearly \$64,000 in its invested assets. The net result of the fund loss and scholarship transfer is that the fund's retained earnings declined by 27% to \$258,549. The table below provides some detail on the changes in the fund during 2018.

Category	Value at start of 2018	Change during 2018	Value on 12/31/2018
E&T Fund Total	\$968,713	(\$13,154)	\$955,559
Total Principal	\$616,171	\$80,839	\$697,010
Principal Dedicated to Scholarships	\$286,609	\$65,069	\$351,678
Principal Not Dedicated	\$329,562	\$15,770	\$345,332
Retained Earnings	\$352,542	(\$93,993)	\$258,549
Capital Appreciation		(\$63,993)	
Donations to Fund		\$80,839	
Transfer to Scholarship Committee		\$30,000	

The E&T Fund Board conducted two conference calls with its fund advisor since the Fall Trustee meeting and met one additional time. Here are some key developments for the fund since the report for the Fall Trustee meeting:

- The E&T Board has established that the transfer to the Scholarship Committee will be \$29,010 in 2019. That amount is the current minimum transfer (\$27,440) plus \$1570 carried over from the large asset gain in 2017.
- January has been a good month for the US stock market. The rise in the market has lifted the investment total for the E&T Fund to \$1,030,121 as of February 6, 2019. Still below its peak in January of 2018, but much recovered from the steep drop the fund took in December of 2018.
- The invested assets of the fund are primarily invested in US stocks with minimal investment in foreign stock or bonds. That is why the fund increased rapidly with the stock market in January. We anticipate that investment strategy to continue for much of 2019, but may change rapidly if it becomes apparent a recession is approaching toward the end of 2019.
- The E&T Fund continued to receive significant donations during the last quarter of 2018 from our Subsections. In addition, the NW Oregon Subsection is actively pursuing a scholarship in

the name of John Aho. We anticipate that scholarship to be funded at or above the \$10,000 minimum in the first quarter of 2019.

- Bob Willis has been appointed as Chair of the AWWA Water Equation Committee for the next 3 years. That appointment was made primarily to allow the national program to get the benefit of the PNWS experience with the E&T Fund. The E&T Fund Board will provide recommendations to the AWWA Board concerning how to best pursue dedicated funding for the AWWA sponsored scholarships.
- The E&T Board developed a stress test for the fund to determine how well the fund can maintain the retained earnings necessary to make the minimum scholarship transfer with the normal up and down cycles in the stock market. The E&T Fund is anticipating 3 extraordinary dedicated donations in the next 10 years that add significantly to the minimum required transfer for scholarships. The analysis showed that the fund can not meet its commitments without a significant increase in its non-dedicated principal to support a larger retained earnings as a percentage of the principal.

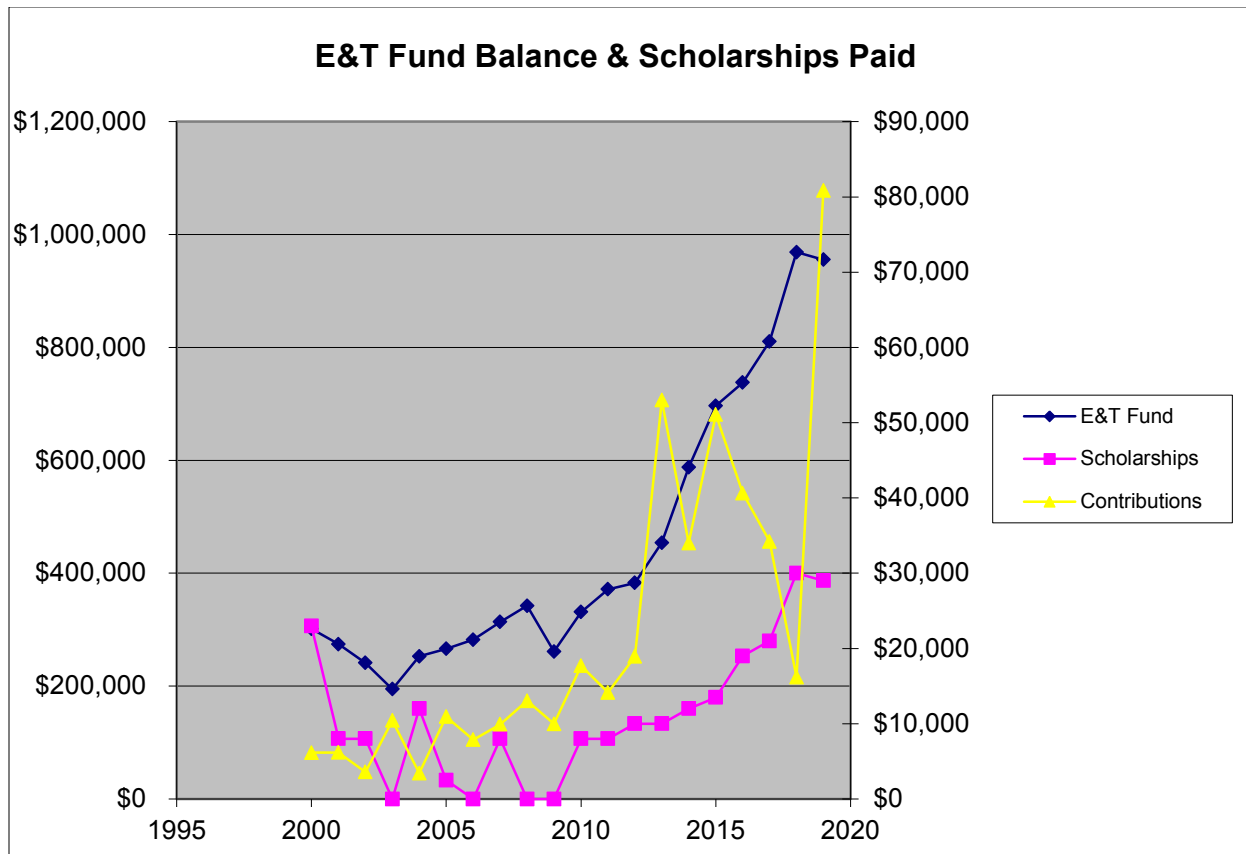
For those that want to see the detail for the current dedicated scholarships, we have attached a spreadsheet that shows all the dedicated donations for the last couple of decades

Also for your information, we have attached a listing from Morgan Stanley of all the mutual funds that the E&T Fund is currently invested in.

To provide a sense of history for the E&T Fund, the following table and graph are provided to show the progress of the fund since 2000.

<b>Date</b>	<b>E&amp;T Fund Total</b>	<b>Year</b>	<b>Transfer for Scholarships</b>	<b>Total Donations to E&amp;T Fund</b>
1-Jan-00	\$301,578	2000	\$23,000	\$6,164
1-Jan-01	\$274,385	2001	\$8,000	\$6,182
1-Jan-02	\$241,222	2002	\$8,000	\$3,574
1-Jan-03	\$194,549	2003	\$0	\$10,428
1-Jan-04	\$252,732	2004	\$12,000	\$3,443
1-Jan-05	\$265,903	2005	\$2,500	\$10,938
1-Jan-06	\$282,256	2006	\$0	\$7,884
1-Jan-07	\$313,614	2007	\$8,000	\$9,918
1-Jan-08	\$342,333	2008	\$0	\$13,033
1-Jan-09	\$261,187	2009	\$0	\$9,988
1-Jan-10	\$331,305	2010	\$8,000	\$17,709
1-Jan-11	\$371,542	2011	\$8,000	\$14,150
1-Jan-12	\$382,769	2012	\$10,000	\$18,937
1-Jan-13	\$453,847	2013	\$10,000	\$53,000

1-Jan-14	\$587,584	2014	\$12,000	\$34,000
1-Jan-15	\$696,717	2015	\$13,500	\$51,073
1-Jan-16	\$737,777	2016	\$19,000	\$40,633
1-Jan-17	\$810,475	2017	\$21,000	\$34,208
1-Jan-18	\$968,713	2018	\$30,000	\$16,183
1-Jan-19	\$955,559	2019	\$29,010	\$80,839



Jeff Lundt and Denny Clouse will make an informational presentation to the Trustees at the Winter meeting that will provide an opportunity for the Trustees to ask questions and provide feedback to the E&T Board. Their presentation will include a discussion of the conclusions drawn from the stress test noted above.

Respectfully Submitted,

*Bob Willis*

Chair, E&T Fund Board

