

## **CSCE Board Meeting Minutes - November 7, 2017**

**Location: Room MNH-138, Center for Medicine, Nursing and Health Sciences  
370 Bassett Road, Quinnipiac University, North Haven Campus, North Haven, CT 06473**

The meeting began at 4:00 p.m. Those in attendance were Chris Beaulieu, David Chapman, Hudson Jackson, Kassim Tarhini, Jim Sime, Ben Cote (by telephone), George Gerard (by telephone), Julie Silva (by telephone), Gary Fuerstenberg (by telephone) and Amy Petrone. The following topics were discussed:

### 1. CSCE Bylaws & Operations Manual

Kassim Tarhini is working on updating the Operations Manual. He is hoping to have the update completed by the end of December 2017 and ready for review by the CSCE Board in January 2018. Christ Beaulieu will contact ASCE to determine if ASCE needs to review the changes before they are incorporated into the Operations Manual.

### 2. ACE Awards

Since the ASCE President-Elect is unable to attend the ACE Awards on May 22, 2018, CSCE will contact a Region I Governor to swear in the 2018-2019 Officers.

### 3. Projector and Screen

After a discussion of the different options for projectors and screens, David Chapman made a motion to have Amy Petrone purchase the Hitachi CP-X4042WN Projector and Wireless Card for approximately \$900. The motion was seconded by Hudson Jackson and it passed unanimously. Amy Petrone will confirm that a case comes with the projector and will research options for purchasing a screen. She will also check with Jeff Benoit to see if he can store the projector and screen between CSCE meetings/events. If not, Hudson Jackson offered to store them.

### 4. Connecticut State Infrastructure Report Card

Omkar Jambotkar is working with various volunteers to finalize the Bridges, Drinking Water, Rail, Roads, and Wastewater sections of the Report Card. Some sections are close to being ready for review by the CSCE Board. It is anticipated that the Bridges, Roads and Rail sections will be ready for review by the end of November. The entire Report Card is estimated to be ready for distribution by the 2018 Engineers Week (February 18-24).

After CSCE finalizes the Report Card, it will be reviewed by ASCE over a 60-day review period. CSCE will work with ASCE on the graphic design of the report card. To get an idea of the estimated cost of the final product, Omkar Jambotkar will obtain a quote from ASCE and provide it to the CSCE Board.

### 5. Dinner Meetings

January 31 - Amy Petrone will ask Rob Barakat for a description of the presentation topic.

March 6 or 7 – Amy Petrone will ask the 2 community colleges in Fairfield County for dinner meeting space on these dates.

#### 6. Scholarship Report

Jim Sime provided the Board with an update on the Scholarship Fund (see attached). He recommended that CSCE continue to remain fully invested and maintain the Policy Portfolio percentages through periodic re-balancing. At a future date, CSCE will need to determine when it will begin to take money out of the fund for scholarships.

#### 7. 2018 Activities

January 24 – CSCE Board Meeting – Amy Petrone will make a reservation at Elizabeth’s Restaurant in Rocky Hill, CT, on this date at 6:00 p.m. for this meeting.

February 9-10 - Multi-Regional Meeting in Buffalo, NY – Younger Members Committee members should be encouraged to attend this meeting.

February 18-24 - Engineers Week – Activities planned for this week include the Joint Engineers Week dinner with the American Council of Engineering Companies of Connecticut (ACEC) and distribution of the Connecticut State Infrastructure Report Card. Other possible activities include an activity with student chapters, a career fair and a group outing to a Quinnipiac hockey game.

March 23 – Amy Petrone will check with the Sheraton Meriden to see if it is available for a half day continuing education seminar that will be coordinated by the Structures Technical Group.

The meeting adjourned at 5:40 p.m. The next Board meeting is scheduled for January 24, 2018, at 6:00 p.m. at Elizabeth’s Restaurant in Rocky Hill, CT.

Connecticut Society of Civil Engineers Section of the American Society of Civil Engineers  
Scholarship Committee Report for November 2017

CSCE-ASCE		goal %		11/6/17	actual %		
Policy Portfolio recommended by David Swensen/Yale	Symbol	Goal/Policy Fund			Actual Fund	Buy (Sell) this #	Buy (Sell) this \$
		Allocation	Goal Amounts	Actual Amounts	Allocation	Shares	amount
Domestic Equity Index ETF, Large Cap	SCHB	20.0%	\$ 43,805.13	\$ 43,777.15	20.0%	0	\$28
Domestic Equity Index ETF, Small Cap	SCHA	5.0%	\$ 10,951.28	\$ 10,948.78	5.0%	0	\$3
Vanguard Energy ETF	VDE	5.0%	\$ 10,951.28	\$ 11,519.83	5.3%	(6)	(\$569)
Guggenheim S&P 500* Equal Wt Energy ETF	RYE	5.0%	\$ 10,951.28	\$ 11,171.22	5.1%	(4)	(\$220)
Foreign developed equity index ETF	SCHF	15.0%	\$ 32,853.85	\$ 32,877.98	15.0%	(1)	(\$24)
Emerging market equity index ETF	SCHE	5.0%	\$ 10,951.28	\$ 10,976.12	5.0%	(1)	(\$25)
Real Estate Index ETF	SCHH	15.0%	\$ 32,853.85	\$ 32,838.90	15.0%	0	\$15
U.S. Treasury bonds or FDIC-insured Bank CDs	CDs	30.0%	\$ 65,707.70	\$ 64,903.65	29.6%		\$804
U.S. Treasury Inflation-protected Securities	SCHP	0.0%	\$ -	\$ -			\$0
Cash	cash	0.0%	\$ -	\$ 12.04	0.0%		(\$12)
<b>Totals, above</b>		<b>100.0%</b>	<b>\$ 219,025.67</b>	<b>\$ 219,025.67</b>			
		goal %	goal \$	actual \$	actual %	actual %	
	Equities (USA)	35.0%	\$ 76,658.98	\$ 77,416.98	35.3%		
	Foreign Equities	20.0%	\$ 43,805.13	\$ 43,854.10	20.0%	70.4%	
	Real Estate	15.0%	\$ 32,853.85	\$ 32,838.90	15.0%		
	Fixed Income	30.0%	\$ 65,707.70	\$ 64,903.65	29.6%	29.6%	
	Cash	0.0%	\$ -	\$ 12.04	0.0%		
		100.0%	\$ 219,025.67	\$ 219,025.67			

**Table 1 Asset allocation today**

**CURRENT SITUATION:**

In Brinker's November 3<sup>rd</sup> newsletter, there were two key takeaways:

1) Marketimer pre-recession indicators suggest that the risk of recession in 2018 remains low. This causes Brinker to be optimistic that any mid-term off-presidential election year market decline will likely be contained with the correction range of less than 20%. As reported in the September 2017 issue of Marketimer, Bob Brinker wrote about this different type of market correction that may occur sometime between the fourth quarter of 2017 and the summer of 2018. Brinker presented historical information on fourteen (14) mid-term off-presidential election year market declines from 1962 to 2014, where each was a decline of -7.4% to -48.2%. Each decline was followed by a rebound rally lasting 16 to 93 months. Of the last eight such declines, half (4) were declines of less than -10% (minor correction), three (3) were between -10% and -20% (major correction), and just one was greater at -33.6%. Only the one (1) -33.6% decline was a bear market decline. Now in November, Brinker believes a mid-term off-presidential year market decline will likely be less than 20%, followed by a rebound rally.

2) The hurricanes dampened the nation's economic growth slightly as seen in economic indicators Brinker follows, and he observed that the recovery process will continue into 2018, especially for the housing sector. Also, the Federal Reserve now anticipates real GDP growth in 2018 in the range of 2.0 to 2.3%, with a midpoint of 2.15%. Brinker believes real GDP growth next year will likely be in the range of 2.0 to 2.6% which has a midpoint of 2.3% (and is the same as his forecast for 2017), and notes during the first 9 months of 2017, real GDP growth had averaged 2.4% on an annualized basis. So, in the Fed and Brinker forecasts, the hurricane effect appears to be 0.1 to 0.15% lower real GDP in 2018.

**MARKET OUTLOOK:**

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The S&P500 market valuation continues to rise and stay at or near new all-time highs, like yesterday, at 2,591. In November, Brinker lowered his September estimate S&P500 operating earnings for 2017 by \$2 to \$128, and increased his 2018 earnings estimate by \$2 to \$142. His valuation range for the P/E ratio of the S&P500 continues in the range of 17 to 18, therefore market valuation is predicted at between 2,176 and 2,304 by the end of 2017, and between 2,414 and 2,556 by the end of 2018. Presently, the market is trading above the predicted maximum 2018 valuation level. In earlier 2017 Marketimer issues, Brinker observed that there was potential for the S&P500 to rise to the 2400s as a result of the historical tendency for markets to exceed fair valuation levels based on anticipated positive future developments, such as the effect of tax reform. In November, this anticipatory effect is clearly present, so it is interesting to me that Brinker continues to use a P/E ratio of the S&P500 in the range of 17 to 18. If we calculate the P/E from the current S&P500 market valuation (2,592) and the anticipated \$128 end-of-year earnings, the 2017 P/E appears likely to be closer to 20 than the “range of 17 to 18.” If we apply a P/E of 20 to Brinker’s projected 2018 earnings of \$142, it implies a S&P500 market valuation of 2,840 by Dec. 2018, or 9.6% higher than the present market value. To be clear, these are my ponderings, not Brinker’s projections. Brinker continues to believe a mid-term off-presidential election year market decline will occur sometime between the fourth quarter of 2017 and the summer of 2018. It would take many months to decline and recover, and the net effect might be to arrive at about where the market is today, so that is likely why Brinker is ignoring the currently elevated market valuation. Without coming right out and saying it, Brinker seems to be expecting 2018 to be a “sideways year” with respect to S&P500 market valuation, i.e., he is projecting the S&P500 market valuation at the end of 2018 will be at about where it is today. Interesting.

Brinker’s investment guidance can be summarized as to stay fully invested, rebalance to maintain your chosen asset allocation, dollar-cost-average any investment of new money, and don’t be surprised by a sudden stock market pull back in the coming months.

**LONG-TERM MEGATRENDS:**

The present market level is 283% higher than the S&P500 as it stood at the beginning of the current bull market on March 9, 2009 (676.53).

Cyclical Type	Time Period	Time (years)	Perc. Change	Note
<b>Bear</b>	<b>March 2000 to Oct 2002</b>	<b>2.54</b>	<b>-49%</b>	<b>03/27/00: S&amp;P500 = 1,527.46</b>
				<b>10/09/02: S&amp;P500 = 776.76</b>
<b>Bull</b>	<b>Oct 2002 to Oct 2007</b>	<b>5.00</b>	<b>101%</b>	<b>10/09/07: S&amp;P500 = 1,565.15</b>
<b>Bear</b>	<b>Oct 2007 to March 2009</b>	<b>1.42</b>	<b>-57%</b>	<b>03/09/09: S&amp;P500 = 676.53</b>
<b>Bull</b>	<b>March 2009 to September 2017</b>	<b>8.66</b>	<b>283%</b>	<b>11/06/17: S&amp;P500 = 2,592.50</b>

**Table 2 Summary of Bull and Bear Cycles in U.S. Stock Market**

**ASSET ALLOCATION:** The present Policy Allocation (Goal) in this portfolio is 55% to Equities, 15% to Real Estate, and 30% to Fixed Income investments.

**EQUITIES:** Specific allocations by asset class are: 25% to U.S. Domestic Markets, 10% to Energy Sector, 15% to Foreign-developed Country Markets, 5% to Foreign-emerging Markets, and 15% to Real Estate. Presently, equity investments are nearly in balance. You will note in Table 1 that CDs are low by \$804. When this value exceeds \$1,000, I will rebalance and purchase another CD, and bring the asset allocation back in alignment with all goal percentages.

In the equity and real estate components of the portfolio (combined 70% goal), the Board-approved

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investment strategy is based on a Swensen-style (Yale) diversified portfolio of ultra-low-cost, no-transaction-fee Exchange Traded Funds (ETFs) that track major indices. Portfolio rebalancing continues throughout the year (April to April), which at a minimum is done prior to periodic (usually monthly) reports to the Board.

**FIXED INCOME:** In the fixed income component of the portfolio (30% goal), the Scholarship fund is entirely invested in a ladder of FDIC-insured Certificates of Deposit (CDs) with various maturity dates. CDs keep fixed-income funds intact. Interest rates are projected to increase gradually from record lows back to historically normal levels likely in the 4 to 6% range for a 10-year U.S. Treasury Note. The next CD to mature in our current ladder will be on February 14, 2018.

As noted in Table 3, below, the weighted average yield of the CD ladder is 2.83%. This calculation is based on the face value of the CDs.

Bank	Due Date	Face Amount	Coupon Rate	Frequency
Natl Bank (Wisconsin)	02/14/2018	\$ 10,000.00	2.15%	Monthly
Goldman Sachs Bank	04/08/2019	\$ 1,000.00	3.75%	Semi-annual
1st Finl Bank USA	09/27/2019	\$ 4,000.00	2.40%	Monthly
Discover Bk US	10/21/2020	\$ 5,000.00	2.20%	Semi-annual
GE Capital Bank	09/16/2021	\$ 4,000.00	2.85%	Semi-annual
Goldman Sachs Bank	01/05/2022	\$ 4,000.00	3.00%	Semi-annual
Goldman Sachs Bank	09/06/2022	\$ 1,000.00	2.40%	Semi-annual
Synchrony Bank	10/11/2023	\$ 6,000.00	3.30%	Semi-annual
Goldman Sachs Bank	02/26/2024	\$ 4,000.00	3.25%	Semi-annual
Synchrony Bank	08/29/2024	\$ 7,000.00	3.30%	Semi-annual
Goldman Sachs Bank	02/11/2025	\$ 2,000.00	2.75%	Semi-annual
Goldman Sachs Bank	06/17/2025	\$ 5,000.00	3.15%	Semi-annual
JPMorgan Chase Bank	08/16/2027	\$ 3,000.00	2.80%	Quarterly
Signature Bank	11/08/2027	\$ 1,000.00	2.85%	Semi-annual
HSBC Bank USA	11/24/2027	\$ 3,000.00	3.00%	Monthly
HSBC Bank USA	02/08/2029	\$ 3,000.00	3.10%	Monthly
HSBC Bank USA	09/29/2029	\$ 1,000.00	3.00%	Monthly
<b>Total Face Value</b>		<b>\$ 64,000.00</b>		
			<b>Weighted Average Return</b>	<b>2.83%</b>

**Table 3 CD Ladder as of September 13, 2017**

**REBALANCING:** We continue to follow Yale Professor David Swensen’s advice, as explained in his book, “Unconventional Success: A Fundamental Approach to Personal Investment” to frequently rebalance the portfolio, which studies have shown can add approximately 1.1% to the annual return of a portfolio as compared to an unbalanced portfolio with the same securities and starting point.

**RECOMMENDATION:**

It is recommended that we continue to remain fully invested and maintain the Policy Portfolio percentages through periodic re-balancing.

Lastly, it is recommended to continue following Brinker’s market analyses as they may lead to a change in his market outlook, which is and has been positive for more than eight and two thirds years.