CSCE Board Meeting Minutes ~ April 5, 2017

Location: Officers Club, U.S. Coast Guard Academy, New London, CT

The following people were in attendance at this meeting: CSCE President Hudson Jackson, CSCE Director II Kassim Tarhini, CSCE Director I Gary Fuerstenberg, CSCE Treasurer Bob Gomez, CSCE President-Elect Chris Beaulieu, and Younger Members Committee Chair Aaron Foster.

The CSCE Board meeting began at 4:20 p.m. The following topics were discussed:

ACE Awards Applications:

1. PowerPoint Slide show - Bob Gomez will manage the slide show and bring a screen. He needs pdfs of all the applications. Bob Gomez will set up a Dropbox account for the ACE Award applications and individual applications. Amy Petrone will put the applications into the account and Board members and Aaron Foster will be able to view them.

2. All people at the meeting offered to review the applications. Recommendations are due on Friday, April 14.

3. Photographer - Amy Petrone will ask Annette Murano to photograph the ACE Awards again this year.

Report card:

Hudson Jackson, Kassim Tarhini and Omkar Jambotkar spoke with ASCE regarding the development of a report card on infrastructure in Connecticut. The categories that would be covered in the report card are drinking water, waste water, rail, transit, bridges, and roads. ASCE would like to conduct a training on the development of a report card. Ideally, there would be 2-3 authors per category. It was suggested that the report card would take approximately 10-12 months to complete. The goal is to complete it by February 2018.

Attendance at ASCE events:

To better predict CSCE‘s presence at ASCE-sponsored events, the following schedule was proposed:

1. March Fly-In - Any Board member and the Legislative Affairs Committee Chair should plan to attend this event.
2. April/Spring Regional Meeting - A Director and a Committee Chair should plan to attend this event.
3. September/Fall Regional Meeting - A Director and a Committee Chair should plan to attend this event.
4. September 17-18, 2017 - President and Governor's Forum - The President and/or the President-Elect should plan to attend this event.
5. January Multi-Regional Meeting - The Younger Members Committee Chair and either the President-Elect or the Vice President should plan to attend this event.

All these dates should be added to the CSCE events calendar on the website.

Slate of Officers for 2017-2018:

The following slate of officers will be announced at tonight's dinner meeting:
President - Chris Beaulieu
President-Elect - Dave Chapman
Vice President - Omkar Jambotkar
Secretary - TBD

Treasurer - Bob Gomez
Newsletter Editor - George Gerard
Director-I - Hudson Jackson
Director-II - Gary Fuerstenberg

Younger Members Committee:
An upcoming event is a tour of the Dunkin Donuts Park in Hartford followed by a baseball game.

Treasurer's Report:
Bob Gomez filed the taxes and notified ASCE about the existence of CSCE's Scholarship Fund. Jim Sime gave a report on the scholarship fund to Bob Gomez to share with the Board. The fund now contains close to $200,000.

The meeting adjourned at 5:21 p.m.

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

CSCE-ASCE		goal %		4/5/17	actual %		
Policy Portfolio recommended by David Swensen/Yale	**Symbol**	**Goal/Policy Fund Allocation**	**Goal Amounts**	**Actual Amounts**	**Actual Fund Allocation**	**Buy (Sell) this # Shares**	**Buy (Sell) this $ amount**
Domestic Equity Index ETF, Large Cap	**SCHB**	20.0%	$ 39,580.45	$ 39,778.33	20.1%	(3)	($198)
Domestic Equity Index ETF, Small Cap	**SCHA**	5.0%	$ 9,895.11	$ 9,942.05	5.0%	(1)	($47)
Vanguard Energy ETF	**VDE**	5.0%	$ 9,895.11	$ 9,977.64	5.0%	(1)	($83)
Guggenheim S&P 500® Equal Wt Energy ETF	**RYE**	5.0%	$ 9,895.11	$ 9,968.30	5.0%	(1)	($73)
Foreign developed equity Index ETF	**SCHF**	15.0%	$ 29,685.34	$ 29,604.54	15.0%	3	$81
Emerging market equity Index ETF	**SCHE**	5.0%	$ 9,895.11	$ 9,896.80	5.0%	(0)	($2)
Real Estate Index ETF	**SCHH**	15.0%	$ 29,685.34	$ 29,730.27	15.0%	(1)	($45)
U.S. Treasury bonds or FDIC-insured Bank CDs	CDs	30.0%	$ 59,370.68	$ 59,002.82	29.8%		$368
U.S. Treasury Inflation-protected Securities	**SCHP**	0.0%	$ -	$ -			$0
Cash	**cash**	0.0%	$ -	$ 1.50	0.0%		($2)
Totals, above		**100.0%**	**$ 197,902.25**	**$ 197,902.25**			
		goal %	goal $	actual $	actual %	actual %	
Equities (USA)		35.0%	$ 69,265.79	$ 69,666.32	35.2%	70.2%	
Foreign Equities		20.0%	$ 39,580.45	$ 39,501.34	20.0%		
Real Estate		15.0%	$ 29,685.34	$ 29,730.27	15.0%		
Fixed Income		30.0%	$ 59,370.68	$ 59,002.82	29.8%	29.8%	
Cash		0.0%	$ -	$ 1.50	0.0%		
		100.0%	$ 197,902.25	$ 197,902.25			

Figure 1 Asset allocation today

CURRENT SITUATION:

In the April 2017 issue of Marketimer, Bob Brinker examined his five primary causes of a bear market. The February issue examined pre-recession indicators.

Brinker's bear market indicators are: 1) Tight Money, 2) Rising Rates, 3) High Inflation, 4) Rapid Growth, and 5) Overvaluation. In January 2000, Brinker successfully predicted both a market top and the beginning of a recession, which included a significant bear market downturn. At that time, he advised investors to move 60% of their equity investment to cash, and the CSCE Board followed his advice, saving the Scholarship Fund from much of the losses experienced by other investors. Later on, the Scholarship fund was able to repurchase those same securities at lower prices when, about 2½ years later, Brinker identified a market bottom and advised investors to reestablish a fully invested portfolio.

Brinker's observations on his bear-market predictors are:

1. Tight Money: Federal Reserve monetary policy remains highly accommodative, the opposite of a tight money policy. Presently, the Federal Funds Overnight Interest Rate (FFOIR) is in the range of 0.75-1.00% (annualized rate) after a recent quarter-point increase. Brinker continues to monitor both trends and values of interest-rate levels relative to measures of inflation and employment.
2. Rising Rates: Federal Reserve's gradual, measured quarter-point increases in its federal funds rate do not cause alarm. It is well-known that their plan and goal is to gradually increase this rate "until it reaches an equilibrium level estimated at 3%." Brinker also monitors the yield curve, where an uptrend is desirable. These indicators are also used to predict recessions.
3. High Inflation: measures monitored by the Federal Reserve, such as the PCE price index, are at favorable levels of about 2%, and the current forecast for 2017 is 1.9%. PCE price rises in 2016 and 2015 were 2.2% and 1.9%, respectively. Note that the anticipated 1.9% value for 2017 does not reflect the potential impact of changes to tax policy or infrastructure spending.
4. Rapid Growth: continued modest real GDP growth and the healthy NAHB/Wells Fargo Housing Market Index both suggest a favorable outlook, inconsistent with

bear markets. Brinker also monitors housing starts, new and existing home sales and house price statistics. No red flags at this time.

5. Overvaluation: the primary stock market measure is the Price/Earnings ratio (P/E) of the S&P500 Index. Brinker maintains a P/E valuation estimate in the range of 17 to 18 times operating earnings. Overvaluation would be indicated by values climbing into the 20's. Brinker cites the Year 2000 P/E ratio value that approached 30 as an example of a leading indicator of the Bear market that followed.

The actual GDP growth rates in 2014 and 2015 were both 2.4%, while growth in 2016 was 1.9%. No change in recent months about Brinker's expectation for full-year growth in 2017. He continues to forecast growth in the range of 2.0% to 3.0% with a midpoint estimate of 2.5%. However, this expectation is dependent on Congress altering corporate tax rates this year, or other positive developments such as a low-tax repatriation program.

Brinker periodically reminds readers that historically, the kind of market correction we experienced in the first quarter of 2016 can be expected to occur about every 18 months in the U.S. stock market. Brinker always maintains that he cannot predict when "health-restoring market corrections" of at least 8-10% will occur (the last one was -14.1%). When the market fluctuates downward by less than 8%, it is not, by definition, a market correction. The primary value of Brinker's predictive capabilities is the possibility of avoiding future and more serious recessions and bear-market downturns, many of which are greater that 20% declines that last more than 18 months.

MARKET OUTLOOK:

In recent months, the S&P500 market valuation has risen and stayed at or near new all-time highs, like yesterday, at 2,376. In his April 5th newsletter, Brinker continued to estimate S&P500 operating earnings for 2017 at $130, assuming corporate tax relief. 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 2210 and 2340 by the end of 2017. Since the market is above that level, Brinker has added to his commentary. He observes that although he views the current market as fairly valued, there is 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. As a result, you can see that at any time the market advances of recent months may be pulled back temporarily through a market fluctuation (<8%) or correction (>8-10%), not to be confused with bear markets or recessions. Don't be surprised by a pull back.

LONG-TERM MEGATRENDS:

Recent upward movement following the November federal election has brought the S&P500 Index to 2,76.47. Over the past two months, the market has fluctuated as much as 1.3% higher than its present level, but in general, the market has been on a plateau since February. In terms of long-term trends, the present level is a 251% increase over 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
Bear	March 2000 to Oct 2002	2.54	-49%	03/27/00: S&P500 = 1,527.46 10/09/02: S&P500 = 776.76
Bull	Oct 2002 to Oct 2007	5.00	101%	10/09/07: S&P500 = 1,565.15
Bear	Oct 2007 to March 2009	1.42	-57%	03/09/09: S&P500 = 676.53
Bull	March 2009 to April 2017	8.08	251%	04/04/17: S&P500 = 2,376.47

Figure 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. Equity investments are presently in balance.

In the equity and real estate components of the portfolio (combined 70% goal), the Board-approved 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 = 29.9% actual) 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 July 17, 2017.

Bank	Due Date	Face Amount	Coupon Rate	Frequency
Synchrony Bank	07/17/2017	$ 10,000.00	3.00%	Semi-annual
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
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
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	06/17/2025	$ 5,000.00	3.15%	Semi-annual
HSBC Bank USA	02/08/2029	$ 3,000.00	3.10%	Monthly
Total Face Value		$ 58,000.00		
		Weighted Average Return	2.92%	

Figure 3 CD Ladder as of April 5, 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:

A deposit to the fund is pending, and new cash received for investment will be dollar-cost averaged into the market.

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 years.