

Endowment Committee report for Spring 2023

Endowment Committee members as of April 20, 2023 are:

Charles Kuthuru - Conference Moderator Bill Worley – Conference Minister
Tammie Wisniewski- Conference Finance Operations Manager
Bob Fogal - Conference Treasurer Bill Buskirk Steven Yost
Scott Muirhead Beth Walker will be joining the committee

Throughout 2022 the Pennsylvania Southeast Conference (PSEC) Endowment Committee continued to meet quarterly to review the performance of the PSEC investments. The stock market declined considerably during 2022. Even bond investments, which traditionally have been less volatile and “safer” investments than stocks, declined because the Federal Reserve raised interest rates aggressively to get inflation under control. The Fed has continued to raise interest rates during the first half of 2023, but at a more moderate pace, and the investment markets have started to recover during 2023.

PSEC’s endowment fund also decreased significantly during 2022, but the decline was only about two-thirds as the severe as the drop in the overall stock market (S&P 500), because the fund is well-diversified between stocks and fixed income investments. As of March 31, 2023 the PSEC endowment balance was \$2,603,432.82. That is an increase of nearly \$250,000 since October 2022, but still around \$130,000 less than it was at the end of March 2022.

In August 2022 we completed a multi-year transition to move the portion of our endowment fund that is at United Church Funds into a balanced fund that holds a broadly diversified mix of stocks and fixed income securities, but excludes fossil fuel investments.

Withdrawals from the Endowment Fund must comply with PA Act 141. That law calls for withdrawals to be a percentage (between 2% and 7%) of the total value of the fund, based on a rolling average over the most recent 3 to 5 years. PSEC uses a 3-year rolling average and normally takes withdrawals in June and December. For 2022 the PSEC budget was based on withdrawing 1.5% in June and 1.5% in December, but the June withdrawal was postponed in hopes the market value would recover later in the year. In fact, the market value did start to recover somewhat in November, and the full 3% (\$36,680) was withdrawn in December 2022. For 2023 the PSEC budget is again based on withdrawing 1.5% in June and 1.5% in December.

In the future we will be evaluating the performance history of all of our investments over multiple years, and we will work to clarify which investments are really endowment funds and which investments are really “general savings” in which the entire account is readily accessible. We will then start to develop a plan to align the endowment investments with the target asset allocation defined in the endowment fund policy that was approved by Consistory in May 2022. It should be noted that roughly \$475,000 of our endowment funds are managed by external financial firms, in accounts where PSEC does not have the authority to control how the assets are invested.

Bill Buskirk
Endowment Committee Chair