



THE IMPACT OF YOUR GIVING

PACIFIC LUTHERAN UNIVERSITY
OFFICE OF THE PRESIDENT
12180 PARK AVENUE SOUTH
TACOMA, WA 98447

Dear PLU Investors,

Now more than ever, I am so grateful for your investment in student success at PLU. The outpouring of support, care and counsel during the 2020 pandemic means much to me and your Lute community. As I look to the year ahead, I know the endowment and named funds you've created to provide a foundation of support for Lutes every year will continue to be critical to the mission of PLU.

Before COVID-19 appeared, and responding to new and urgent needs of the Lute community required our full and immediate attention, we were preparing to report to you on PLU's fiscal year 2019 endowment performance and the students and faculty benefiting from your support in fiscal year 2020. In fiscal year 2019 alone, more than 7,000 alumni and friends combined to commit over \$14 million to support PLU students, including endowment-designated support exceeding \$7 million. This marked PLU's most successful fundraising year since 2012. Thank you!

Your gifts, together with those from donors over many decades, provided more than \$5.4 million in annual distributions and helped the endowment finish the year at \$97,215,000. These incredible gifts have a transformative effect on the success of our exceptional students, faculty and programs.

Your giving to the endowment creates opportunities at PLU today and in perpetuity. Unlike a personal retirement fund, which is invested and grows untouched for years, PLU's endowment makes annual distributions to support the many purposes identified by endowed fund donors. At present, 4.5% of the 12-quarter average market value is distributed annually to support current students, faculty and programs.

The Investment Committee of our Board of Regents, together with our investment advisors, work to optimize the performance of the endowment with an eye towards long-term, sustainable growth. Changes we've made to improve sustainability within current market realities include:

- Gradually reducing the spending rate to preserve the long-term value of PLU's endowment.
- Outsourcing the Chief Investment Officer responsibilities to a CIO firm for more effective management and to take advantage of real-time market movement.
- Releasing under-performing real estate assets that no longer justified the costs and risks of property ownership.

Implementing these changes set the course for a healthier future for the endowment. Although we have yet to fully understand the impact of COVID-19 on the economy and our finances, we do believe the changes will still have positive results. It is important to note the enclosed reports,

however, reflect the status of PLU's endowment as of May 2019. The property release, in combination with poor market timing at the beginning and end of our fiscal year, lowered the overall share value of the endowment as of May 31, 2019. But with the changes implemented, PLU's endowment was meeting or exceeding the indices set by our investment manager. The equities held in the endowment, for example, have provided a roughly 8.8% annual return over the past 10 years.

The market value of each individual endowment is based on its share of PLU's pooled endowment funds. As the market value of the pooled endowment fluctuates, so do the values of the individual endowments that constitute the overall fund. Market returns are intended to out-pace inflation and the annual distributions from the pooled endowment fund. At present, we are evaluating the rate for fund distribution in fiscal year 2021. In order to preserve the long-term value of the endowment, we believe it may be necessary to slow or suspend distribution on some endowment accounts for one year. I will provide additional updates this fall and next spring to keep you informed of the impact of the financial markets on PLU's overall endowment and how we are responding.

Stewardship of your long-term investments will always be a priority. Your fund supports the pursuits of incredible students, faculty and programs at PLU. Additionally, the distributions from the PLU endowment made before this year and into the future, have and will continue to impact so many more Lutes.

Our collective vision makes student success both a possibility and a reality. In the Lutheran tradition, we cooperatively welcome complex challenges, we greet each student as a beloved and worthy individual, and we strive to make their wild hope for the sake of the world attainable. As your president, I look forward to continuing this work together with you, crafting stories of student success for generations to come. Thank you.

My best wishes to you and your loved ones for health and happiness during this incredible time.

Gratefully,

A handwritten signature in black ink, appearing to read 'Allan Belton', followed by a horizontal line extending to the right.

Allan Belton
President