

Agenda
Local Finance Board
OPEB Trust Fund
June 11, 2025

Members:

William Bowen (Chairman)

Candice Kelley

Theresa Owens

Thomas Tragle

Dr. David Reitz

- Roll Call & Establish Quorum (Vicki)
- Approval of minutes from March 12, 2025
- Performance Reports –
 - Summary of third quarter report memo from VML/VACo
- Bank statement balance information
 - County, School & CBH as of March 31, 2025
- Open Discussion
- Next quarterly meeting – September 10, 2025
 - 9 a.m. in the County Administration Conference Room



VACo/VML Pooled OPEB Trust
8 E. Canal Street
Richmond, Virginia 23219
(804) 648-0635

Kevin Stoudt, CFA
Director of Investments

May 20, 2025

MEMORANDUM

To: Participating Employers in the VACo/VML Pooled OPEB Trust

From: Kevin Stoudt, CFA, Director of Investments

Re: VACo/VML Pooled OPEB Trust Fund
Q3 FY2025 Performance Review

I am pleased to present the Investment Performance Review of the VACo/VML Pooled OPEB Trust for periods ending March 31, 2025, prepared in conjunction with the Trust's investment advisor, Asset Consulting Group (ACG).

A lot of talk in 2024 was centered around the increasing likelihood that the Fed was poised to have engineered a "soft landing" where economic growth remained positive, inflation continued to trend towards the Fed's 2% target, and unemployment did not spike higher. However, over the past couple of months, the macroeconomic outlook has changed significantly as the reality of higher U.S. import tariffs is extrapolated into higher prices and the prospect of lower consumption in upcoming quarters. In fact, the U.S. economy contracted in the first three months of 2025, as the gross domestic product (GDP) fell at a 0.3% annualized rate. This decrease was largely driven by a surge in imports (which detracts from GDP) as businesses rushed to stock up on goods produced overseas ahead of the implementation of onerous tariffs. It was the first decline in GDP since the first quarter of 2022.

In the equity markets, 2025 began with positive momentum carried over from the general market enthusiasm that followed the November 2024 election. Market participants were anticipating strong economic growth driven, in part, by the potential for reduced regulations and lower taxes. The U.S. equity markets, as represented by the S&P 500, responded with a gain of 2.78% in January. However, expectations reversed late in February as the new administration announced sweeping tariffs on imported goods that were greater than expected, both in scope and size. As a result, growth forecasts were cut, inflation estimates increased, and the perceived chance of an ensuing recession was ratcheted higher. This led to a reversal in the equity markets as the S&P 500 ended the quarter down -4.27%.

Outside of the U.S., markets produced positive returns with the MSCI EAFE index (developed non-U.S. equity markets) returning 6.86% and 5.32% for the quarter and fiscal-year-to-date, respectively. The MSCI Emerging Markets index returned 2.93% and 2.95% for the quarter and FYTD, respectively. Factors including a weaker U.S. dollar and the short-term benefit of higher exports were tailwinds for non-U.S. equities.

Bond markets were boosted by investors' flight to quality in the first quarter of 2025 coupled with attractive yields. Volatility in the equity markets and broader macroeconomic uncertainty led investors to seek the safety and security of fixed income instruments. As such, the Bloomberg U.S. Aggregate bond index posted a 2.78% quarterly gain and is up 4.81% for the FYTD.

Total investments of the Trust stood at \$1.950 billion as of March 31, 2025, vs. \$1.881 billion as of March 31, 2024.

The following are selected highlights of the performance of the two portfolios in the Trust for the periods ending March 31, 2025.

Portfolio I Highlights:

- Investments as of March 31, 2025, totaled \$1.540 billion.
- Portfolio I returned -1.69% during the quarter vs. the custom benchmark return of -0.41%.
- Portfolio I had an annual return of 3.24% for the 12-months ended March 31, 2025, vs. 4.72% for the custom benchmark. The underperformance for the year is due, in part, to the extremely concentrated nature of the performance in the equity markets. A small handful of stocks produced outsized returns, meaning that a diversified portfolio, such as the OPEB Trust, had a difficult time beating a market dominated by a subset of large, growth companies.
- Portfolio I had an annualized return of 6.69% over the past ten years vs. 6.28% for the custom benchmark.

Portfolio II Highlights:

- Investments as of March 31, 2025, totaled \$409.351 million.
- Portfolio II returned -0.03% during the quarter vs. the custom benchmark return of 0.76%.
- Portfolio II had an annual return of 3.83% for the 12-months ended March 31, 2025, vs. 4.71% for the custom benchmark.
- Portfolio II had an annualized return of 4.76% over the past ten years vs. 4.19% for the custom benchmark.

Fund Manager Performance:

The following table provides a snapshot of funds with a one-year track record or more within the Trust and how they performed relative to their respective benchmark for the 12-months ended March 31, 2025. Six of the Trust's thirteen funds matched or exceeded the performance of their respective benchmark during the period.

Relative Performance*	Fund	April 1, 2024 – Mar. 31, 2025	
		Fund Return**	Benchmark Return***
	Domestic Equity		
=	Vanguard Institutional Index Fund	8.20%	8.25%
-	Silvercrest Small Cap Growth	-9.11%	-4.86%
-	Integrity Small Cap Value	-8.54%	-3.12%
	International Equity		
-	Marathon-London International	4.40%	4.88%
+	Alliance Bernstein Emerging Markets	9.88%	8.09%
-	Wasatch Emerging Markets Select	-0.72%	8.09%
	Fixed Income		
=	Vanguard Total Bond Market Index Fund	4.88%	4.88%
+	Baird Core Plus Bond Fund	5.39%	4.88%
+	Amundi Pioneer Opportunistic Core Plus	7.69%	5.24%
+	BlackRock Strategic Income	6.27%	4.88%
	Hedge Fund & Real Assets		
-	K2 Ascent (Long-Short Equity)	-7.47%	3.89%
-	AEW Core Property Trust	0.82%	1.16%
-	UBS Trumbull Growth & Income Fund	-2.75%	1.16%

*Funds with returns within +/- 25 basis points (0.25%) of the benchmark are denoted by =.

** Fund returns may vary slightly for Portfolio II due to the timing of the cash flows.

***Please refer to the quarterly performance report for each fund's benchmark.

Recent events:

- We recently sent out updated return expectations (FY2025 Capital Market Assumptions) to assist you and your actuaries in determining your funding status. Please contact us if you have any questions.
- During Q3 FY2025, the Trust made several new commitments in both Portfolio I and Portfolio II as highlighted below.

Private Equity

- Portfolio I made a \$10 million commitment to Coefficient Capital Fund II, an early-stage venture capital fund focused on investments in the consumer sector targeting emerging brands that leverage technology in reaching and engaging with customers.
- Portfolio I made a \$15 million commitment to NewSpring Holdings II, a buyout fund that specializes in making majority equity investments in companies in industries including software/SaaS, IT managed services, transportation and logistics, business and government services and manufacturing businesses.
- Portfolio I made a \$2 million commitment to Andreessen Horowitz (“AH”) 2025 Annual Fund, a venture capital fund that makes seed and early-stage investments alongside a16z’s Bio+Health Fund V in companies at the intersection of software, biotech, and healthcare. The AH 2025 Annual Fund is a continuation of the AH 2024 Annual Fund, in which Portfolio I also has exposure.

Real Estate

- On January 1, 2025, the Trust fully funded its \$61 million investment in the Principal Enhanced Property Fund, divided pro-rata between Portfolio I and Portfolio II. As noted in the Q3 FY24 performance review letter, the Principal Enhanced Property Fund was approved to serve as the replacement fund for the UBS Trumbull Growth & Income Fund, in which the Trust is in the process of fully redeeming.
- At the March meeting, the Board heard a presentation from Baird Advisors, an active fixed income fund manager in Portfolio I and Portfolio II. Baird Advisors presented the Baird Core Plus Bond Fund’s historical performance, a broad firm update, and its macroeconomic outlook. The Baird Core Plus Bond Fund has been a holding of the Trust since January 2015.
- At the March meeting, the Board approved the elimination of the passive Core Bond mandate (Vanguard Bond Market Fund) within the fixed income composite and the redeployment of those assets to the Trust’s two Core Plus Fixed Income managers, Baird and Amundi.

Upcoming events:

- The Pooled OPEB Trust Fund will hold its next Board meeting on June 13th, 2025, at Virginia Association of Counties located at 1207 E. Main Street, Richmond, Virginia 23219.

For Your Information:

- Please notify us at opeb@valocalfinance.org as contributions are being made so we can ensure that they are credited to the correct account at Northern Trust. Updated wire instructions can be located under the “Other Documents” tab on the OPEB Reporting Portal.
- OPEB participants may download their account statements via the OPEB Reporting Portal by visiting <https://www.your-fundaccount.com/VirginiaOPEB/Login.aspx> and entering their username and password.
- If you haven’t been able to access your account statements, or if you need to provide any changes, please email George Moore at gmoore@valocalfinance.org.
- Please visit our website, valocalfinance.org, and click on “OPEB Actuarial Services” to request a no-obligation fee quote for an actuarial study.

Please don’t hesitate to contact Kevin Stoudt, CFA, at (804) 648-0635, or opeb@valocalfinance.org, with questions or comments.

Thank you for your continued confidence in the VACo/VML Pooled OPEB Trust Fund.

Attachment: Quarterly Performance Report

**Local Finance Board
Meeting Minutes
March 12, 2025**

Meeting Convened. A meeting of the Local Finance Board was called to order at 9:05 a.m., Wednesday, March 12, 2025 in the Human Resources Conference Room by Chairman William Bowen.

Attendance. The following members of the Local Finance Board were present: Mr. William Bowen, Board Chair and York County School Division's Chief Financial Officer; Ms. Candice Kelley, York County Treasurer; and Mr. Thomas Tragle, Citizen Representative.

Ms. Carolyn Cuthrell, York County Deputy Director of Finance, was also in attendance.

Roll Call.

Mr. Bowen requested a roll call. A quorum was present at the meeting to make decisions and discuss actions.

VML/VACo Finance Presentation

Mr. Steve Mulroy, Managing Director, thanked the Board for the opportunity to provide an update on the VACo/VML Pooled OPEB Trust. He explained that he would provide a brief overview of the Trust and then Mr. Kevin Stoudt, CFA, Director of Investments, would present information on the OPEB Portfolio structure and performance review.

During his overview, Mr. Mulroy highlighted the following information on the OPEB Trust:

- That the VACo/VML Pooled OPEB Trust is the only one in existence in Virginia and is the largest pooled OPEB trust in the United States;
- That it offers two diversified portfolios to achieve an attractive long-term rate of return with an acceptable level of risk;
- That it provides access to internal investment professionals, a nationally recognized investment advisor, and best-in-class institutional fund managers; and
- That it provides large scale offers, and well-diversified portfolios at lower costs, where participants can switch between portfolios once a year.

Regarding Portfolio Management, Mr. Mulroy pointed out the following information:

- The VACo/VML Board of Trustees selects the Investment Advisor and the best-in-class Fund Managers;
- Using the RFP process Asset Consulting Group was selected as their consultants who monitor portfolios and fund managers, and advise on asset allocation, fund manager selection, and replacement;
- The process they use to select fund managers includes an initial screening with top candidates being interviewed and then narrowed down by staff; resulting in a recommendation to and approved by the Board's Chair and Vice Chair; and each fund manager is monitored and regularly appraised; and
- They manage diversified portfolios that include active and passive funds.

Mr. Stoudt then presented a brief market update which included the following details:

- Inflation has moderated from the highs seen in 2022;
- January 2025 inflation increased 3 percent over what was seen in January 2024 and is still above the Fed's stated target of 2 percent;
- Should inflation continue to trend higher, the Fed will be forced to keep interest rates higher for longer;
- The Fed aggressively increased interest rates from near zero to the highest level in over 20 years before beginning to cut late last year;
- The Market and Fed expectations are for continued rate cuts later this year and into 2026;
- Fixed income yields have come down from the peak in 2023, and remain well above the lows of 2020;
- Fixed income investors are now able to earn a healthy rate of return;
- Should the rates come down as anticipated, income investors will benefit from an increasing price environment;
- Bond yields remain high versus the averages of the prior ten years;
- Equities – recent market themes (March 1, 2024 through February 28, 2025) – large caps exceed small caps, growth exceeds value, and U.S. exceeds Non-U.S.;
- Equities – recent market themes (January 1, 2025 through February 28, 2025) – large cap exceeds small cap, growth inferior to value, and U.S. inferior to Non-U.S.; and

- The combination of more efficient AI competition, tariff and economic growth fears, high valuations, and investor jitters, has taken the shine off megacap U.S. tech stocks.

Regarding Asset Allocation, Mr. Stoudt pointed out that the target allocation for Fixed Income in Portfolio II was set much higher than Portfolio I. However, for the fourth quarter Portfolio I had exceeded Portfolio II's target allocation for Fixed Income. He also provided comparisons between the two portfolios in several other areas. Mr. Stoudt reviewed with the Board the performance of both Portfolio I and II, providing their respective performance for year-to-date, one year, three years, five years and 10 years, including their respective custom benchmarks and over/under performance.

He then shared with the Board recent investment activity for 2024 for both Portfolio I and Portfolio II. He also provided the York County Schools and York County Administration investment market values for 2023 and 2024, each seeing a gain over \$1 million.

Chairman Bowen asked the VACo/VML representatives what is their immediate economic outlook, i.e. six months to a year for the nation as well as Virginia?

Due to the volatility of the market, Mr. Stoudt stated that it is difficult to say. However, he noted from a market perspective the evaluations are quite high, but if we continue to see volatility it will come down due to market uncertainty, tariffs, etc. He added that it will depend on the fiscal arena and getting spending under control.

Mr. Mulroy added that it is important to remember that they are not day traders and not positioning the investments on a quarterly basis. We handle long-term investments, the investment decisions are handled in what is best for the long-term. He concurred with Mr. Stoudt in that the market is quite volatile at this time for a multitude of reasons.

Chairman Bowen thanked Messrs. Mulroy and Stoudt for their excellent presentation.

During the following discussion, the Board members emphasized that VACo/VML Pooled OPEB Trust is a long-term investment group.

Chairman Bowen stated that the School's economic outlook is primarily based upon the state's economy. He added that one of his takeaways from the

presentation is that we may see more of the downturns before it corrects itself in a positive way.

Ms. Kelley stated that she expects it to be a long year, on a federal level, a state level, and on an investment level. However, she added that she expects 2026 to show improvement. She pointed out that the School's situation is more volatile than the County's since it is tied so closely to the state budget.

Mr. Bowen stressed that with the loss of many federal jobs this too will negatively impact the School Division.

Approval of Minutes.

Ms. Kelley moved, seconded by Mr. Tragle, to adopt the minutes of the December 11, 2024 meeting as submitted. The minutes were approved 3:0.

Performance Reports.

Ms. Cuthrell stated that in regards to the performance reports, as of December 31, 2024, the specific gains for Portfolio I from the Trust Investments' inception, June 30, 2016, to December 31, 2024 was \$923.6 million; and from September 30, 2024 to December 31, 2024 was negative \$13.0 million. She reminded everyone that the County is only involved in Portfolio I. She also noted that Portfolio I actual returns for the second quarter of FY 2025 were negative 0.96%, over the past year were 8.91%, and over the past 10 years were 7.01%.

Bank Statement Balances.

Ms. Cuthrell then provided an overview of the latest bank statements. She explained that the bank statements are now formatted differently, but is open to suggestions on ways to improve their presentation to the board.

Open Discussion.

Chairman Bowen opened the floor for Board discussion; however, since no one spoke he closed the floor.

Future Meetings.

Mr. Bowen stated that the next meeting will be held on June 11, 2025 at 9:00 a.m. in the County Administration Conference Room.

Meeting Adjournment.

The meeting was adjourned at 9:45 a.m.

William Bowen
Chair, York County Local Finance Board

June 9, 2025

To: York County Local Finance Board
 From: Carolyn T. Cuthrell, Deputy Director of Finance
 RE: Update on VACO/VML Pooled OPEB Trust

Below is a comparison of the performance summary of the VACO/VML Pooled OPEB Trust for the period ending March 31, 2025.

Trust Investments		6/30/2016 (Inception)	12/31/2024	3/31/2025	Change 6/30/2016 to 3/31/2025	Change 12/31/2024 to 3/31/2025
	Portfolio I ¹	\$636.4m	\$1.560b	\$1.540b	\$903.6m	(\$20.0m)
	Portfolio II	\$169.5m	\$409.062m	\$409.351m	\$239.851m	289.0k
	Total ²	\$805.9m	\$1.969b	\$1.949b	\$1.143b	(\$19.711m)

Portfolio I Performance		Q3 FY2025	Over the past year	Over the past 10 years
	Actual Returns	(1.69%)	3.24%	6.69%
	Custom Benchmark Returns ³	(0.41%)	4.72%	6.28%
	Over (Under) Performance	(1.28)%	(1.48%)	0.41%

Portfolio II Performance		Q3 FY2025	Over the past year	Over the past 10 years
	Actual Returns	(0.03%)	3.83%	4.76%
	Custom Benchmark Returns ³	0.76%	4.71%	4.19%
	Over (Under) Performance	(0.79)%	(0.88%)	0.57%

¹York County and the majority of jurisdictions are in Portfolio I's allocation. Portfolio I's current actual allocations are 22.7% fixed income, 65.4% equity, and 11.9% real assets and cash. Portfolio II's current actual allocations are 51.2% fixed income, 38.7% equity, and 10.1% real assets and cash.

²Figures may not add up due to rounding.

³The Custom Benchmark compares the overall performance of the portfolio against a compilation of various market indexes that are weighted the same as the OPEB portfolio. The composition of the Custom Benchmark is shown in the appendix of each Quarterly Performance Report.

County

Beginning market value, July 1, 2024

\$ 14,360,788.61

Munis Org-Object	4900970- 439240	4900970- 439210	4900R341- 381880	4900R315- 330880	4900R315- 330882	4900R315- 330884	4900-112279	Total Change in Market Value	Market Value	Cost	Difference MV v. Cost
	Program Fees	Bank Fees	Contributions	Income Received	Realized Gains/Losses	Unrealized Gains/Losses					
July	\$ -	\$ (125.00)	\$ -	\$ (1.42)	\$ -	\$ 332,631.78	\$ 332,505.36	\$ 14,693,293.97	8,021,866.80	\$ 6,671,427.17	
August	(3,187.53)	-	-	386.35	1,485.23	174,001.97	172,686.02	14,865,979.99	8,020,550.85	6,845,429.14	
September	-	-	-	1.24	-	167,543.41	167,544.65	15,033,524.64	8,020,552.09	7,012,972.55	
October	(3,231.17)	(125.06)	-	1.50	1,529.33	(300,400.19)	(302,225.59)	14,731,299.05	8,018,726.69	6,712,572.36	
November	-	(0.05)	-	1.27	0.02	459,009.97	459,011.21	15,190,310.26	8,018,727.93	7,171,582.33	
December	-	-	-	-	-	(237,571.71)	(237,571.71)	14,952,738.55	8,018,727.93	6,934,010.62	
January	(3,382.54)	-	-	-	1,592.95	202,003.22	200,213.63	15,152,952.18	8,016,938.34	7,136,013.84	
February	-	-	-	-	-	(63,237.89)	(63,237.89)	15,089,714.29	8,016,938.34	7,072,775.95	
March	-	-	-	-	-	(351,539.58)	(351,539.58)	14,738,174.71	8,016,938.34	6,721,236.37	
April	-	-	-	-	-	-	-	-	-	-	
May	-	-	-	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	-	-	-	
	<u>(9,801.24)</u>	<u>(250.11)</u>	<u>-</u>	<u>388.94</u>	<u>4,607.53</u>	<u>382,440.98</u>	<u>377,386.10</u>				

Ending market value, June 30, 2025

* VACo/VML converted to Northern Trust from Comerica Bank on 10/1/2024

School

Beginning market value, July 1, 2024

\$ 11,530,736.28

Munis Org- Object	4900970- 439241	4900970- 439215	4900R341- 381890	4900R315- 330881	4900R315- 330883	4900R315- 330884	4900-112288	Total Change in Market Value	Market Value	Cost	Difference MV v. Cost
July	\$ -	\$ (125.00)	\$ 90,000.00	\$ (0.05)	\$ -	\$ 267,074.05	\$ 356,949.00	11,887,685.28	6,674,306.09	\$ 5,213,379.19	
August	(2,577.33)	-	-	361.41	1,130.31	140,846.18	139,760.57	12,027,445.85	6,673,220.48	5,354,225.37	
September	-	-	-	336.71	-	135,549.65	135,886.36	12,163,332.21	6,673,557.19	5,489,775.02	
October	(2,614.22)	(125.12)	-	3.68	1,205.88	(243,016.48)	(244,546.26)	11,918,785.95	6,672,027.41	5,246,758.54	
November	-	(0.11)	-	3.16	0.05	371,375.33	371,378.43	12,290,164.38	6,672,030.51	5,618,133.87	
December	-	-	-	-	-	(192,214.32)	(192,214.32)	12,097,950.06	6,672,030.51	5,425,919.55	
January	(2,736.75)	-	-	-	12,417.70	163,477.54	173,158.49	12,259,938.75	6,670,541.46	5,589,397.29	
February	-	-	-	-	-	(51,164.47)	(51,164.47)	12,208,774.28	6,670,541.46	5,538,232.82	
March	-	-	-	-	-	(284,423.36)	(284,423.36)	11,924,350.92	6,670,541.46	5,253,809.46	
April	-	-	-	-	-	-	-	-	-	-	
May	-	-	-	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	-	-	-	
	<u>(7,928.30)</u>	<u>(250.23)</u>	<u>90,000.00</u>	<u>704.91</u>	<u>14,753.94</u>	<u>307,504.12</u>	<u>404,784.44</u>				

Ending market value, June 30, 2025

* VACo/VML converted to Northern Trust from Comerica Bank on 10/1/2024

CBH

Beginning market value, July 1, 2024

\$ 596,571.26

Munis Org-Object	4900970-439242	4900970-439217	4900R341-381895	4900R315-330879	4900R315-330887	4900R315-330884	4900-112299	Total Change in Market Value	Market Value	Cost	Difference MV v. Cost
July	\$ -	\$ (125.00)	\$ -	\$ (0.03)	\$ -	\$ 13,813.22	\$ 13,688.19	610,259.45	497,311.38	\$ 112,948.07	
August	(133.37)	-	-	0.74	24.69	7,262.80	7,154.86	617,414.31	497,203.44	120,210.87	
September	-	-	-	0.30	7.79	6,949.37	6,957.46	624,371.77	497,211.53	127,160.24	
October	(134.23)	(125.01)	-	0.38	48.61	(12,461.31)	(12,671.56)	611,700.21	497,001.28	114,698.93	
November	-	(0.01)	-	0.46	-	19,059.87	19,060.32	630,760.53	497,001.73	133,758.80	
December	-	-	-	-	-	(9,864.88)	(9,864.88)	620,895.65	497,001.73	123,893.92	
January	(140.48)	-	-	-	29.54	8,424.56	8,313.62	629,209.27	496,890.79	132,318.48	
February	-	-	-	-	-	(2,625.88)	(2,625.88)	626,583.39	496,890.79	129,692.60	
March	-	-	-	-	-	(14,597.30)	(14,597.30)	611,986.09	496,890.79	115,095.30	
April	-	-	-	-	-	-	-	-	-	-	
May	-	-	-	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	-	-	-	
	(408.08)	(250.02)	-	1.85	110.63	15,960.45	15,414.83				

Ending market value, June 30, 2025

* VACo/VML converted to Northern Trust from Comerica Bank on 10/1/2024