

**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.

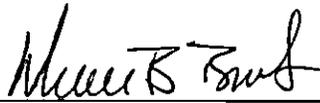
Chairman Bowen opened the floor for Board discussion; however, since no one spoke he closed the floor.

#### 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.

A handwritten signature in black ink, appearing to read "William Bowen". The signature is written in a cursive style with a horizontal line underneath it.

William Bowen  
Chair, York County Local Finance Board