TOWN OF LEESBURG
Town Hall
25 W. Market Street
OPEB Finance Board Meeting Minutes
TOL OPEB Trust Finance Board
March 11th, 2022
10:00 am
Lower-Level Conference Room 1
Finance Board Members and Others

---

1. **Call to Order** by Clark Case 9:52am
   Board Members Attending in-person: Clark Case, Lisa Haley, Diane Starkey, Joe Mason.
   Ex officio attendees: Nelson Bush, Managing Director, PFMAM, Investment Consultant to Finance Board and general presenter in the meeting. Attending virtually.

2. **Approval of Agenda of 03-11-2022 meeting rescheduled from February 18, 2022**

   First order of business is the approval of the agenda. On a motion by Lisa Haley and seconded by Joe Mason. Unanimous approval.

3. **Approval of Minutes of 11-19-2021 Finance Board meeting**

   Next order of business is to approve the minutes from November 19th, 2021, Finance Board meeting. No corrections or changes. On a motion by Joe Mason and seconded by Lisa Haley.

4. **Items for Discussion**

   a. Economic context and outlook
   b. Quarterly investment report
   c. Discussion of market results since quarter-end
   d. Discussion of any other changes to investment managers or asset allocations since last meeting or pending changes

Nelson Bush of PFM presentation:

- Nelson is projecting his presentation on the screen. No hard copy, but electronic copies sent in advance and publicly available. Nelson is remote.
- Russia/Ukraine is disrupting pricing and fanning inflation.
- GDP and growth look good, up 7%.
- There was a build-up of inventory that took some off and employment was very strong. 600K + monthly increases.
- Unemployment down to 3.8%.

- Job market is back to pre-pandemic.
- Feb. inflation is 7.9%, long term highs. Inflation continues to surprise to the upside.
- Fed's narrative of transient inflation has changed to their needing to change rates to deal with it.
- Core Consumer Inflation and gas prices have grown in recent weeks.
- Consumer optimism is falling off despite better employment and rising wages.
- Retail sales have stayed quite strong. More concerned than before.
- Russia is very important for production of gas, oil, and nickel.
- Ukraine is important for wheat and IT products.
- Fed has said they now have to raise interest rates. Expect .25% at the next meeting. Market anticipates 5 to 6 increases this year. It increased even since the end of January.
- Yield curve has risen overall and steepened especially in the mid-term.
- Expecting 2 rate hikes in the next three months.
- Russia and Ukraine are driving the market sentiment. Inflation has historically been good for stock markets, but the volatility from Russia and Ukraine along with rising rates has really hurt the large technology companies.
- 4th qtr. large cap outperformed. International suffered. Yields rose and fixed incomes only returned .01%.
- 1st qtr. results have been negative.
- 4th Domestic Equity was very strong 4.48%
- International equity was strong at 2.98%
- Fixed income was -.07%. Convertible securities did not perform well and were sold out of the portfolio.
- Future considerations are mostly negative except corporate fundamentals and consumer spending are positive but inflation, covid, political risks, and monetary policy are all negative outlooks.
- Energy companies are doing well, but it is negatively impacting consumer sentiment and will eventually be a negative for consumer spending.
- Nelson's chart on covid is as of December and he thinks that risk has waned quite a bit. Some risk still there, especially for shipping, but it has moderated.
- Flash report for January -4.81% for overall portfolio and February will be worse when it comes in.
- Equity markets were all very challenged by inflation and Russia/Ukraine news.
- Fixed income returns were also very bad due to interest rates rising and inflation. Fed is still talking about a "measured pace" since they think inflation will be falling by EOY.
- Implemented trades last week to sell convertibles and put the money back into fixed incomes.
- Fixed Income had a bad run, but they are fully pricing in five or six hikes into the price. If we see inflation beginning to drop, there will be more comfort with the fed's positions and there will less volatility on the fixed incomes.
- Portfolio YTD 2022 is -9.3% overall and trailing the benchmark due to underweight on the fixed incomes. The stock markets are now officially in a correction (down 10%).
- CC: given back about half of what we made last year.
- Taking a hard look at international equity especially the emerging markets allocation. EM is underweighted but is of particular concern. About 1% is in the Russian market.

Anticipates removing those positions from the portfolio once the Russian stock market reopens.

- Impact is greater in the energy sector than on the Russia holdings themselves. Hope to remove those soon.
- Investment committee meets on a weekly basis. Will communicate changes as they happen.
- US Bank and PFM transaction has been completed and they are adapting to new HR systems and processes and having to do a lot of internal training requirements, anti-money laundering, terrorism measures, etc. This training is more intensive and is consuming more time since the merger. Transition has been smooth. Expecting more technology. PFMAM is changing their internet platform.

5. Additions to Future Board Meetings

a. None

6. Information Memorandums

a. None

7. Members Statements/Comments

a. None

8. Closed Session

a. None

9. Adjournment

Mr. Case made a motion to adjourn at 10:40 am. And seconded by Ms. Haley. Approval was unanimous.