

TOWN OF LEESBURG
Town Hall
25 W. Market Street
TOL OPEB Trust Finance Board Meeting Minutes
May 3, 2024
10:00 am
Lower-Level Conference Room 1
Finance Board Members and Others

1. **Call to Order** by Lisa Haley at 10:02am.
Board Members in attendance (in-person): Diane Starkey, Cole Fazenbaker, Lisa Haley, Owen Snyder, Joe Mason. Quorum was present.
Absent: Kate Trask
Other attendees: Octavia Andrew, Tamara Keesecker (Virtual)
Ex officio attendees: Allison Corbally, Director PFMAM Asset Management. Scott Fleming, PFMAM Director.
2. **Approval of Minutes of 2.16.2024 Finance Board meeting:** motion by Cole Fazenbaker; second by Joe Mason, unanimous 5-0.
3. **Approval of Minutes of 5.3.2024 Agenda:** motion by Joe Mason, second by Cole Fazenbaker; unanimous 5-0
4. **Items for Discussion – led by PFMAM**

Economic context and outlook: Inflation is still the prevalent issue in the economy. February/March PCE and CPI are higher than the 2% Federal Reserve mandate. Q1 growth was 1.6% and trending down. The Fed's overnight rate of 5.5% is proving restrictive, yet overall growth of 1.6% GDP is not entirely anemic. The employment report released this morning was below anticipated levels, as unemployment was higher, yet overall, the employment sector is still strong. In Q1, 276,000 jobs were created; hourly wage earnings year over year is down at 4.5%; February was 4.3%, and March 4%. The Fed meeting on April 30 resulted in a shift in language for the Fed as they are still feeling confident in the overall state of the economy. They are still walking the path of "higher for longer" with the rates. A shift from 3 rate cuts to 1 is part of the tweaking of the message. The sale of treasuries has gone from 60 billion to 25 billion, another shift in the playbook of the Fed. The current government deficit of over 34 trillion in the US is unsustainable and will surely impact growth if left unaddressed. There are considerable concerns about China and PFM remains underweight in the portfolio as real estate and tariffs are a significant risk. China's valuation looks cheap, yet the risks are in fact high. Generally, equities are proving to outperform fixed income even though over-valuations exist. PFM's investment committee operates out of consensus and are presently neutral and lack strong conviction regarding some other portfolio position.

Portfolio review: A detailed discussion of the elements of the quarterly report was provided. Q1 saw major equity markets continue in strength and low volatility. The magnificent 7 continued its dominance. Equities are starting to broaden to other sectors including financials and healthcare. International equities performed well, particularly in Japan. Emerging markets and China continue drag and lag in terms of performance. China has significant risk, particularly in real estate, as more than 50 developers have gone bankrupt adding instability to the economic landscape. Fixed income will be dependent upon rate cuts to improve overall performance. The Town's portfolio outperformed the benchmark for the quarter. April did give back some of the gains. PFM is reviewing small cap exposure.

- 5. Discussion of status of Investment Policy changes.** Portfolio policies were unchanged at the meeting.
- 6. Additions to Future Board Meetings**
 - a. Virtual meeting attendance and a method to record virtual attendance in needs discussion by Board members.
- 7. Information Memorandums**
 - a. None
- 8. Members Statements/Comments**
- 9. Closed Session - none.**
- 10. Adjournment** Motion to adjourn by Joe Mason, second by Diane Starkey. Unanimous 5-0; meeting ended at 11:00am.