

**TOWN OF LEESBURG**  
Town Hall  
25 W. Market Street  
**TOL OPEB Trust Finance Board Meeting Minutes**  
August 16, 2024  
10:00 am  
Lower-Level Conference Room 1  
Finance Board Members and Others

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1. **Call to Order:** by Cole Fazenbaker at 10:00 am.  
**Board Members in attendance (in-person):** Diane Starkey, Cole Fazenbaker, Josh Didawick, Owen Snyder. Quorum was present.  
**Absent:** Tamara Keesecker  
**Other attendees:** Octavia Andrew, Joe Mason (Virtual)  
**Ex officio attendees:** Allison Corbally, Director PFM Asset Management. Scott Fleming, PFM Asset Management Director.
2. **Approval of 8.16.2024 Agenda:** Motion by Cole Fazenbaker, second by Josh Didawick; Unanimous 5-0
3. **Approval of Minutes of 5.3.2024 Finance Board meeting:** motion by Cole Fazenbaker, second by Diane Starkey; Unanimous 5-0.
4. **Approval to Add PFMAM Positive Consent Discussion Item to the 8.16.2024 Agenda:** Motion by Cole Fazenbaker, second by Owen Snyder; Unanimous 5-0.
5. **Items for Discussion – led by PFM Asset Manager**

*Economic context and Outlook:*

Overall, the market currently looks similar to the first quarter. S&P 500 index 15.3% year to date. Small-cap companies (Russell 2000) look to borrow in order to grow and have been impacted by higher interest rates, which have created a drag on the returns. The Magnificent Seven (M7) continues to control the market. The passive exposure and market exposure has generated nice returns. While the international equity markets have experienced good market performance over the past several quarters the economy in Europe is slowing, lower exposure to high tech companies compared with the US as well as a strong US dollar creates a headwind for returns. Emerging markets performed well to a rebound in China, which represents about 30% of emerging markets of the market index.

Fixed income is flat, with the exception of the high yield space which generated higher yields than investment grade fixed income. Highlight was driving the high cap returns. 1.2 shows YTD of the sm500. Not anticipating a pop in the bubble; quality companies with strong balance sheets as M7 continues to drive the market. Analyst are anticipating positive earnings for a majority of sectors in the S &P 500, anticipate we will see others participation in the growth in the marketplace.

If we look at the economy overall, we are seeing moderation Inflation is moderating. Labor markets are moderating at well (although not weak). Consumer spending is showing a rebalance.

#### *Portfolio & Performance Review:*

On an annualized basis, U.S. GDP grew at a rate of 2.8% in the last quarter, double the rate of the first quarter (1.4%). We are beginning to see a pivot back to goods spending from services in a reversal of post-COVID spending patterns. Consumers are continuing to spend, with low to middle income families showing the most signs of distress as it relates to inflation (increased credit card use and decreased savings – going into debt to keep up spending). This is normal vs a problematic decline.

As it relates to inflation, we have regained productive direction as rates have resumed their disflationary trend. In the 1<sup>st</sup> quarter, we saw a small acceleration in certain inflation metrics but the 2<sup>nd</sup> quarter saw price stability moderate. Consumer Price Index is 2.9%, so, we are slowly making progress back to the 2%.

As it relates to the labor market, we are seeing steady decrease in jobs created, increase in unemployment rates, and moderation in average hourly earnings increases. Labor market is not showing weakness, but rather moderation. As long as consumers continue to spend, you will still continue to see market growth. Not worrisome, and not negative in terms of job growth, we are just not as strong as we were. The unemployment rate in July was 4.3%, versus 4.1% in June, and 3.5% 12 months prior. Historically, we are doing great!

As it relates to economic factors, we are moderating. Even with political risks, such as Ukraine, Russia, China, Middle East, and Presidential Campaign impacts, we are in a strong position. Two things that will create a change is a war or pandemic, not these political risks. We do not rebalance the portfolio back to the strategic weights. There is no conviction to move one way or another (stay neutral). We remain neutral to the market. Have made some slight changes to the portfolio (in 2020 we made about 12 changes due to the volatility).

Performance through 2<sup>nd</sup> quarter, the market value has ticked up (rebound) due to retail sales. Markets will continue to be volatile through the end of the year. International side positive returns (not as positive as U.S.) as non-U.S. benchmarks do not have the exposure to tech and AI like U.S. benchmarks

As it relates to fixed income, it will ebb and flow with interest rates. However, performance is flat YTD and the fixed income portion of the OPEB Trust has performed really well against benchmarks. As it relates to asset allocation, portfolio is 60/40 (similar to last quarter) and we are in line and are rebalancing back to strategic weights, which is the position the PFMAM Investment Committee is most comfortable with when they do not have conviction to one asset class or another. We will see higher fees on fixed income due to the active exposure in fixed income of about 10 basis points (low fees for portfolio).

*Target Allocations and Investment Review:*

At least every five quarter, do a check and balance against the investment policy. As fiduciaries, we should look at other options in the portfolio so that we are not just going with the motions.

**6. PFMAM Positive Consent Discussion Item:**

- a. PFMAM was acquired by US Bank back in December 2021. US Bank Asset Management and PFM Asset Management were kept as separate registered investor advisors for “legal firewall” purposes.
- b. Decision has been made to combine two, will go from a subsidiary of US Bank Asset Management and will become a division of US Bank Asset Management.
- c. Will have resources of both asset management teams and expertise. Key personnel assigned to the Town will not change.
- d. Must obtain positive consent (permission) to assign the agreement from PFM Asset Management to US Bank Asset Management.
- e. Will not be able to take action by August 31, need to take action before the next meeting. Vote on authority of Owen Synder to sign it on the OPEB Finance Board’s behalf.

*Motion to vote on allowing Owen Synder to sign on the OBEB Finance Board’s behalf on the positive consent agreement prior to the next board meeting action by Cole Fazenbaker, second by Owen Snyder Unanimous 5-0*

**7. Additions to Future Board Meetings:**

- a. Virtual meeting attendance and a method to record virtual attendance in needs discussion by Board members.
  - i. We cannot have a virtual quorum unless there is a state of emergency.

- b. Portfolio “Check In” At Least Every Five Quarters motion by Cole Fazenbaker, second by Diane Starkey; Unanimous 5-0.
- c. PFMAM Workshop on Fiduciary Responsibility – (virtual options available) motion by Cole Fazenbaker, second by Diane Starkey; Unanimous 5-0.

**8. Information Memorandums:**

- a. None

**9. Members Statements/Comments:**

- a. None

**10. Closed Session: None**

**11. Adjournment:** Motion to adjourn by Cole Fazenbaker, second by Diane Starkey. Unanimous 5-0; meeting ended at 10:57 am.