

Virginia

Pooled OPEB Trust Fund

Annual Financial Report
For the Year Ended June 30, 2024

Virginia Pooled OPEB Trust Fund

Annual Financial Report
For the Year Ended June 30, 2024



Prepared by:
VML/VACO Finance

**Virginia Pooled OPEB Trust Fund
Annual Financial Report
For the Year Ended June 30, 2024**

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Independent Auditor's Report

Board of Trustees
Virginia Pooled OPEB Trust Fund

Opinion

We have audited the accompanying financial statements of the Virginia Pooled OPEB Trust Fund (the Trust), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Trust as of June 30, 2024, and the related changes in its fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and, therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Richmond, VA
December 9, 2024

VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

This discussion and analysis provide an overview of the financial position and the results of activities of the Virginia Pooled OPEB Trust Fund ("Trust") as of and for the fiscal year ended June 30, 2024. Management offers the following discussion and analysis as a narrative introduction to the basic financial statements, which includes comparative information as of and for the fiscal year ended June 30, 2023, where applicable. This narrative is intended as a supplement and should be read in conjunction with the basic financial statements and accompanying notes.

The Trust was established in 2008 under the Joint Exercise of Powers statute of the Commonwealth of Virginia ("Commonwealth") to invest funds for other postemployment benefits ("OPEB") by founding participants, the County of Fairfax, Virginia and the County of Henrico, Virginia. The Trust operates under the Virginia Pooled OPEB Trust Fund Agreement ("Trust Agreement"), which was adopted by the Board of Trustees on April 11, 2008. The Trust is an Internal Revenue Code Section 115 (IRC §115) governmental trust. Income of the Trust is tax-exempt under IRC §115. The Trust was created to provide political subdivisions of the Commonwealth of Virginia with a vehicle to accumulate and invest contributions for funding OPEB to defray future expenses. It is the only pooled OPEB trust fund offered in Virginia. As of June 30, 2024, the Trust held investments of approximately \$1.9 billion making it the largest pooled OPEB trust fund in the United States.

The Trust is jointly sponsored by the Virginia Association of Counties ("VACo") and the Virginia Municipal League ("VML") and operates as the VACo/VML Pooled OPEB Trust Fund. Primary benefits of participation in the Trust include access to institutional investment fund managers offered through two diversified portfolios, the guidance of an investment consultant, economies of scale through pooling, and administrative services. The Trust offers two investment portfolios: the Virginia Pooled OPEB Trust Portfolio I ("Portfolio I") and the Virginia Pooled OPEB Trust Portfolio II ("Portfolio II"). Portfolio I, the default portfolio, has an asset allocation constructed to achieve an expected rate of return of approximately 7.50%. Portfolio II has an alternatively weighted asset allocation to achieve an expected rate of return of approximately 6.00%. Participants may only invest in one portfolio at a time. Although the contributions of the participating localities are pooled within each Portfolio of the Trust, each Participant holds individual trust accounts wherein they can monitor the performance of their investments.

The Virginia Local Government Finance Corporation ("VLGFC"), operating as VML/VACo Finance, ("Administrator") provides day-to-day administration of the Trust pursuant to a Memorandum of Agreement.

Overview of the Financial Statements

The components of the financial statements and the required supplementary information are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board ("GASB").

This overview serves as an introduction to the Trust's basic financial statements. The Trust's basic financial statements include the following:

- The *Statement of Fiduciary Net Position* presents the Trust's assets and liabilities. The difference between the assets and liabilities is reported as the net position restricted for pool participants. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.
- The *Statement of Changes in Fiduciary Net Position* presents information showing how the Trust's net position changed during the period. This statement includes additions and deductions that occurred during the fiscal year. Additions include participant contributions and net investment earnings. Deductions include participant withdrawals and administrative expenses.

VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

- The *Notes to Financial Statements* provide additional information that is essential for understanding the financial data provided in the financial statements and are an integral part of the financial statements.

The summarized financial information as of and for fiscal year ended June 30, 2024 is as below:

Total Assets	\$ 1,895,572,194
Total Liabilities	2,716,543
Net Position, June 30	<u>\$ 1,892,855,651</u>
Total Additions	\$ 189,411,545
Total Deductions	19,659,519
Change in Net Position	<u>\$ 169,752,026</u>
Net Position, July 1	\$ 1,723,103,625
Change in Net Position	169,752,026
Net Position, June 30	<u>\$ 1,892,855,651</u>

Financial Highlights

- The combined total fiduciary net position held in trust for pool participants was \$1,892.9 million at June 30, 2024, representing an increase of \$169.8 million, or 9.85%, from the net position as of June 30, 2023. The increase was primarily due to net appreciation in fair value of investments.
- Short term investments decreased from fiscal year 2023 to fiscal year 2024 by 70.27% from \$63.1 million to \$18.7 million. Changes in the level of short-term investments are primarily due to the timing of cash flows.
- Contributions from participants during fiscal year ended 2024 totaled \$30.2 million, a 4.89% decrease from participant contributions of \$31.8 million during fiscal year 2023.
- Investment earnings from interest and dividends decreased 6.10% during fiscal year 2024 compared with fiscal year 2023, ending fiscal year 2024 at \$26.6 million versus \$28.3 million for fiscal year 2023. Conversely, interest receivables increased during fiscal year 2024 with a year-ending balance of \$2.4 million compared to fiscal year 2023 ending balance of \$1.1 million.
- Net investment income increased by 41.95% during the fiscal year ended June 30, 2024, compared to the fiscal year ended June 30, 2023. This was primarily the result of net appreciation in the fair value of investments of the Trust at fiscal year-end 2024 compared to fiscal year-end 2023. For year ended June 30, 2024, net appreciation in fair value of investments was \$136.6 million compared to net appreciation of \$88.1 million for the fiscal year ended June 30, 2023, representing an increase of \$48.4 million, or 54.90%. As discussed below, fiscal year 2024 returns of the portfolios in the Trust were 9.36% for Portfolio I and 7.78% for Portfolio II compared to 7.91% and 5.25%, respectively, for fiscal year 2023.
- Participant withdrawals during fiscal year ended 2024 totaled \$18.5 million, a 193.03% increase from participant withdrawals of \$6.3 million during fiscal year 2023.
- Accounts payable decreased \$2.1 million as of June 30, 2024 due to pending withdrawals at June 30, 2023.

VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

Financial Analysis

The Trust's investment objectives are to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Trust is segregated and managed as two distinct portfolios referred to as Portfolio I and Portfolio II. Portfolio I is structured to achieve a compound annualized total expected rate of return over the long term, including current income and capital appreciation, of 7.5%. Portfolio II is structured to achieve a compound annualized total expected rate of return over the long-term of 6.0%.

The comparative financial information for fiscal year 2024 to fiscal year 2023 is as follows:

	2024	2023	Increase (Decrease)	% Change
ASSETS				
Short Term Investments	\$ 18,749,482	\$ 63,055,301	\$ (44,305,819)	-70.27%
Investments at Fair Value	1,874,447,888	1,663,834,872	210,613,016	12.66%
Receivables	2,374,824	1,072,167	1,302,657	121.50%
TOTAL ASSETS	1,895,572,194	1,727,962,340	167,609,854	9.70%
LIABILITIES				
Payables	2,716,544	4,858,715	(2,142,171)	-44.09%
TOTAL LIABILITIES	2,716,544	4,858,715	(2,142,171)	-44.09%
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	\$ 1,892,855,650	\$ 1,723,103,625	\$ 169,752,025	
	2024	2023	Increase (Decrease)	% Change
ADDITIONS				
Participant Contributions	\$ 30,208,788	\$ 31,763,434	\$ (1,554,646)	-4.89%
Net Investment Income/(Loss)	159,202,757	112,152,782	47,049,975	41.95%
Total Additions	189,411,545	143,916,216	45,495,329	31.61%
DEDUCTIONS				
Participant Withdrawals	18,541,041	6,327,278	12,213,763	193.03%
Administrative and Program Expenses	1,118,478	1,007,256	111,222	11.04%
Total Deductions	19,659,519	7,334,534	12,324,985	168.04%
Change in Net Position	169,752,026	136,581,682	33,170,344	24.29%
Net Position Beginning of Year	1,723,103,625	1,586,521,944	136,581,681	
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	\$ 1,892,855,651	\$ 1,723,103,625	\$ 169,752,026	9.85%

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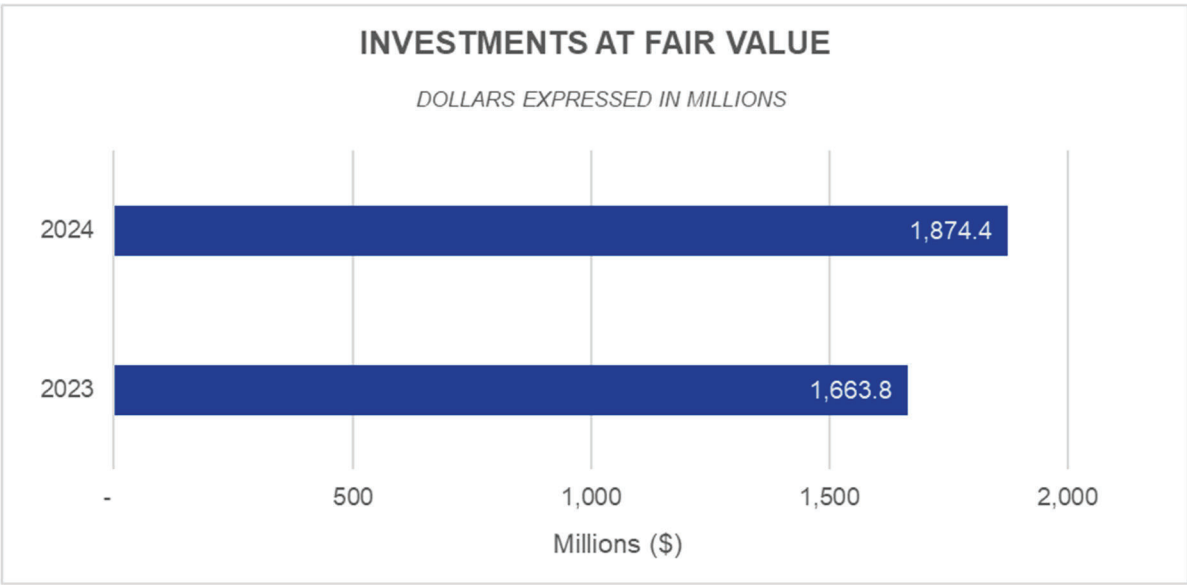
VIRGINIA POOLED OPEB TRUST FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)

JUNE 30, 2024

Net Position

The Trust’s fiduciary net position is composed primarily of the investments reported at fair value, which saw an increase of 12.66% from fiscal year ended 2023 to fiscal year ended 2024. Net appreciation in fair value of investments in the Trust contributed to increases in investment balances and overall net position. The net appreciation in fair value of investments led to an increase in the change in net position from the prior year, with the current year change at \$169.8 million compared to prior year of \$136.6 million.

A comparison of the investments at fair value as of June 30 is as below:



Short Term Investments

Short term investments comprise money-market mutual funds, which are considered cash equivalents, and totaled \$18.7 million at fiscal year-end 2024 compared with \$63.1 million at fiscal year-end 2023. The decrease of \$44.3 million is attributed to the timing of cash flows.

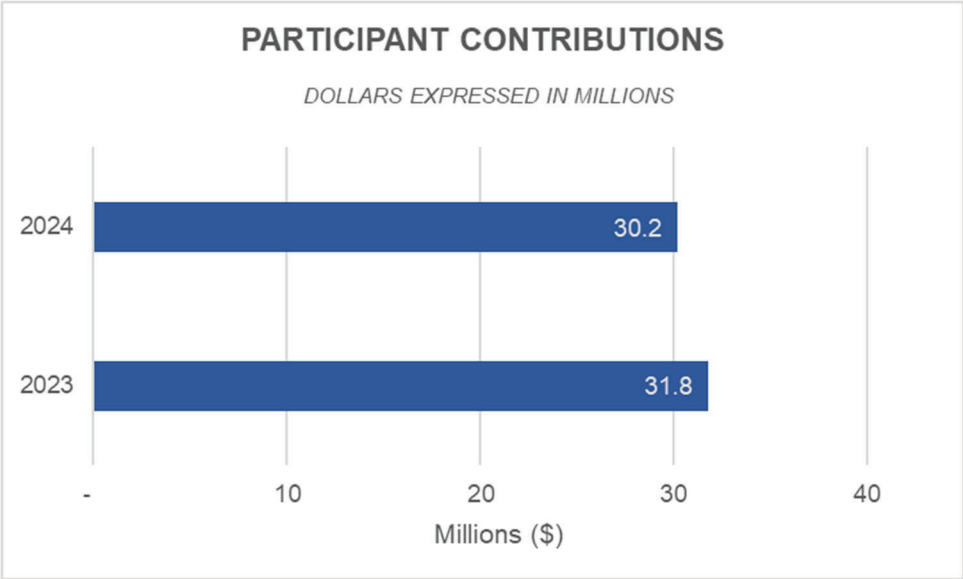
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VIRGINIA POOLED OPEB TRUST FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)

JUNE 30, 2024

Participation

Participation in the Trust is voluntary. The Trust provides all political subdivisions access to professionally managed investment pools. Participant contributions decreased by 4.89%, from \$31.8 million during fiscal year ended 2023 to \$30.2 million during fiscal year 2024.



Contributions from participants are commingled in the participant’s selected portfolio and invested to provide funding for future retiree benefits. Each participant owns equity positions in the elected portfolio based on the participant’s proportionate share of ownership. Investment income and losses are allocated to the participant accounts monthly. Following the allocation of the investment income or loss, the participant shares in the equity position of each portfolio are valued for the month. The net asset value per share of each investment portfolio fluctuates with market conditions. The price per share of each portfolio increased from fiscal year ended 2023 to fiscal year ended 2024 by 9.46% and 7.72% for Portfolio I and Portfolio II, respectively.

The chart below presents a comparison of the price per share for Portfolio I and Portfolio II as of June 30 for fiscal years 2024 and 2023:

INVESTMENT POOL PRICE PER SHARE		
AS OF JUNE 30		
	2024	2023
Portfolio I	25.80	23.57
Portfolio II	22.32	20.72

VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

Investment Performance

The investment holdings in each portfolio are classified into one of three categories: fixed income, equities, or real assets. The investment holdings comprise both passive and actively managed funds. The Board of Trustees, in consultation with the Director of Investments and the external investment consultant, establishes the asset allocation of each portfolio. The asset allocation for each portfolio is strategically designed to achieve the targeted long-term rate of return. The target asset allocation takes into consideration asset class returns and volatility, risk tolerance, and liquidity needs. Each investment allocation category is further described below.

The fixed income allocation provides income, stability, preservation of capital, and a partial hedge against periods of prolonged economic contraction or deflation.

The allocation to equities is expected to provide a total return that provides growth of principal to help preserve and even enhance the value of the assets over the long term. Equity investments may provide higher long-term returns than fixed income investments and provide some protection against inflation.

The real asset allocation provides diversification and overall portfolio risk reduction through exposure to strategies that have limited correlation to equity and fixed income markets and provides a hedge against inflation over a longer time horizon.

Overall, U.S. equity market performance was dominated by large-cap growth stocks. For the 12-months ended June 30, 2024, the S&P 500 Growth index returned 32.52% versus the broader S&P 500 index return of 24.56%. Performance was also strong, but more muted, in non-U.S. equities with the MSCI EAFE index (developed markets) returning 11.54% for the year ended June 30, 2024, and the MSCI Emerging Markets index generating a return of 12.55%. Fixed income markets were slightly positive for the year, as the Bloomberg U.S. Aggregate index returned 2.63% for the 12-month period.

Portfolio I

The time-weighted rate of return on investments in Portfolio I during the fiscal year ended June 30, 2024, was 9.36% compared to a return of 7.91% for the fiscal year ended June 30, 2023. Except for the Real Assets portfolio, each asset class within Portfolio I turned in a positive one-year return. Strong performance was generated in the U.S. Equity portfolio where an overweight position also contributed to overall returns. Portfolio I's emerging market managers also provided significant positive performance on both an absolute and relative basis. Given ongoing challenges in the real estate market as a result of the higher interest rate environment and the continued softness in the office sector, Portfolio I's real estate portfolio was down (8.65%) for the fiscal year.

Portfolio I measures its returns against a custom composite benchmark composed of each asset classes' market index benchmark, weighted by the long-term policy allocations. The investment performance objective of Portfolio I is to exceed the return of the custom benchmark over rolling three-year periods while secondarily preserving participant capital. The total return (net of fees) of Portfolio I for the year ended June 30, 2024, was 9.36% compared to 9.69% for the custom benchmark.

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VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

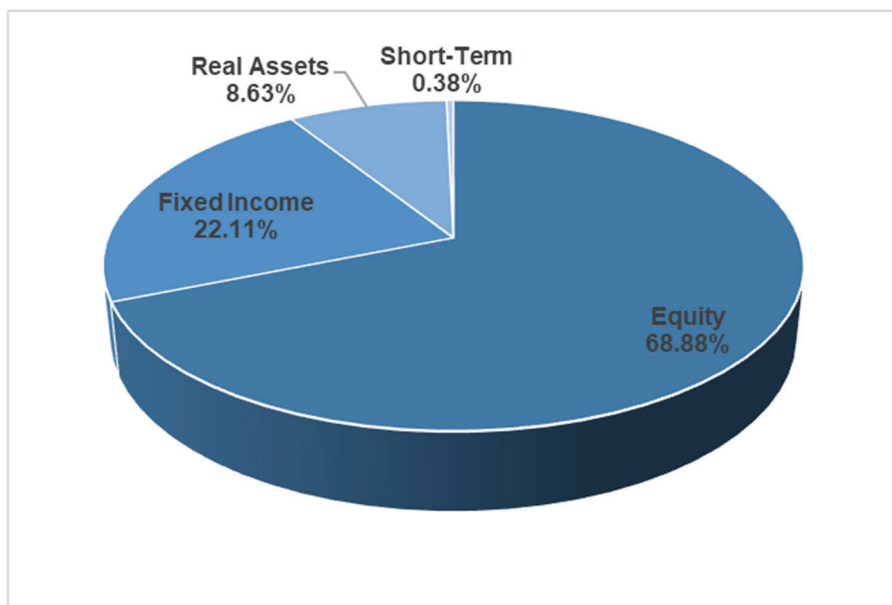
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JUNE 30, 2024

Portfolio I (continued)

Portfolio I is constructed to achieve a compound annualized total expected rate of return over the long term of approximately 7.50%. This objective is achieved by weighting the asset allocation more heavily towards equities and real assets, an allocation that tends to have greater market volatility than a portfolio weighted more heavily towards fixed income.

Below is the asset allocation based on the major asset classes for Portfolio I as of June 30, 2024:



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VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

Portfolio I (continued)

The asset allocation of Portfolio I, based on fair value as of June 30, 2024, was as follows:

Asset Class	Portfolio Amount	Portfolio Allocation
Money Market Mutual Funds*	\$ 5,614,140	0.37%
Large Cap Equity	368,340,737	24.64%
Small Cap Equity	178,466,705	11.94%
International Developed Equity	191,760,755	12.83%
Emerging Markets Equity	86,831,339	5.81%
Private Equity	117,899,437	7.89%
Long/Short Equity	86,238,828	5.77%
Core Plus Fixed Income	218,508,877	14.62%
Core Fixed Income	55,791,904	3.73%
Absolute Return Fixed Income	56,158,223	3.76%
Real Estate Real Assets	128,992,496	8.63%
Total Holdings	\$ 1,494,603,440	100.00%

*Money Market Mutual Funds are reported at amortized cost which approximates fair value.

Asset allocations exclude funds held in Trust Board expense account and contributions held in Participant Trust accounts prior to investment in the respective Portfolio.

Portfolio II

The time-weighted rate of return on investments in Portfolio II during the fiscal year ended June 30, 2024, was 7.78% compared to a return of 5.25% for the fiscal year ended June 30, 2023. Except for the Real Assets portfolio, each asset class within Portfolio II turned in a positive one-year return. Strong performance was generated in the U.S. Equity portfolio where a slight overweight position also contributed to overall returns. Portfolio II's emerging market managers also provided significant positive performance on both an absolute and relative basis. Given ongoing challenges in the real estate market as a result of the higher interest rate environment and the continued softness in the office sector, Portfolio II's real estate portfolio was down (9.29%) for the fiscal year.

Portfolio II measures its returns against a custom composite benchmark composed of each asset class's market index benchmark, weighted by the long-term policy allocations. The investment performance objective of Portfolio II is to exceed the return of the custom benchmark over rolling three-year periods while secondarily preserving participant capital. The total return (net of fees) of Portfolio II for the year ended June 30, 2023, was 7.78% compared to 6.78% for the custom benchmark.

Portfolio II is constructed to achieve a compound annualized total expected rate of return over the long term of approximately 6.00% and to experience less volatility than Portfolio I by allocating a greater weight to fixed-income investments than to equity investments.

VIRGINIA POOLED OPEB TRUST FUND

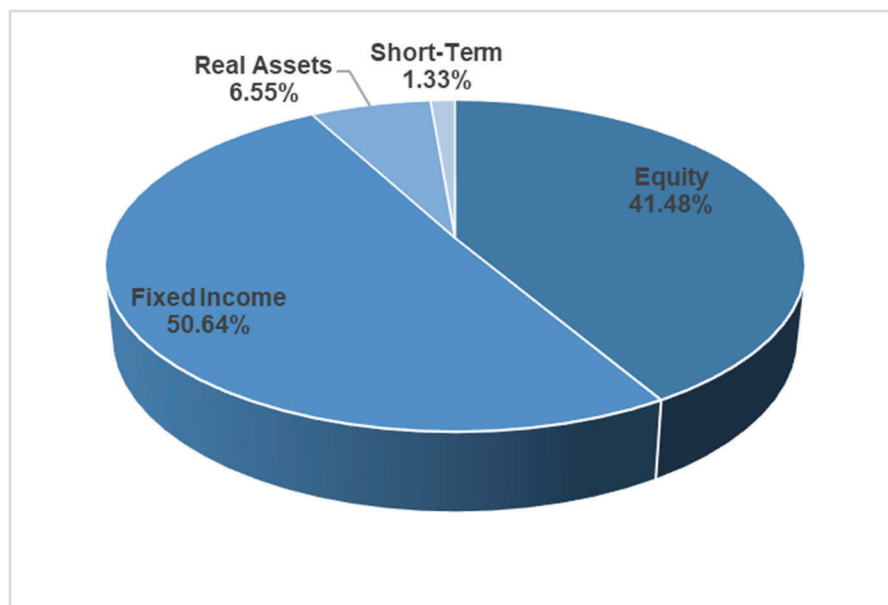
MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

Portfolio II (continued)

Below is the asset allocation based on major asset classes for Portfolio II as of June 30, 2024:



The asset allocation of Portfolio II, based on fair value as of June 30, 2024, was as follows:

Asset Class	Portfolio Amount	Portfolio Allocation
Money Market Mutual Funds*	\$ 5,209,373	1.34%
Large Cap Equity	65,563,064	16.78%
Small Cap Equity	27,355,367	7.00%
International Developed Equity	36,720,958	9.40%
Emerging Markets Equity	17,837,640	4.57%
Long/Short Equity	14,569,883	3.73%
Core Plus Fixed Income	152,314,039	38.99%
Core Fixed Income	26,777,536	6.85%
Absolute Return Fixed Income	18,734,656	4.80%
Real Estate Real Assets	25,585,444	6.55%
Total	<u>\$ 390,667,961</u>	<u>100.00%</u>

*Money Market Mutual Funds are reported at amortized cost which approximates fair value.

Asset allocations exclude funds held in Trust Board expense account and contributions held in Participant Trust accounts prior to investment in the respective Portfolio.

VIRGINIA POOLED OPEB TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

JUNE 30, 2024

Economic Factors and Market Review

Quarterly U.S. real economic growth, as measured by the percentage change in Gross Domestic Product ("GDP") from the prior quarter, ended fiscal year 2023 at 2.1% (annualized). The first quarter of fiscal year 2024 experienced a rebound in economic activity with a real GDP of 4.9% versus the prior quarter (annualized). The quarterly growth rate of the economy; however, slowed in second and third quarters of the fiscal year 2024, coming in at 3.4% (annualized) and 1.4% (annualized) respectively; and ending fiscal year 2024 at 2.8% (annualized).

The U.S. unemployment rate increased during fiscal year 2024, beginning at 3.5% in July 2023, and ending the year in June 2024 at 4.1%. Virginia's unemployment rate during fiscal year 2024 remained steady at 2.6% in July 2023, ending the year in June 2024 at 2.7%. Domestic year-on-year inflation ("CPI") as of June 2023 of 3.0% remained static despite fluctuations within the fiscal year, ending the year in June 2024 at 3.0%.

Beginning in early 2022, the Fed embarked on an aggressive rate hiking campaign to counter rising inflation which peaked in mid-2022 at an annual rate of 9.1%. The Fed Funds rate went from near 0% to between 5.25% and 5.50% at fiscal year-end 2024. As a result, inflation has moderated and the economy has cooled while still maintaining a positive growth rate. With recent declining inflation and slowing growth, the Fed has indicated that the next likely move in rates will be lower.

Declining interest rates have a positive impact on bond prices due to the inverse relationship between rates and prices. Further, because interest rates are much higher today than where they were two years ago, fixed income investors are enjoying higher yields along with the prospect of price increases due to falling rates, which together would translate into significantly higher total returns.

U.S. Treasury yields moved higher during the fiscal year ending June 30, 2024, in response to the Fed tightening and the realization that the Fed may keep its target rate elevated for a prolonged period of time. The yield on the 10-year U.S. Treasury Bond went from 3.81% in June 2023 to 4.36% in June 2024.

The total return for the Bloomberg US Aggregate Bond Index was 2.63% for the fiscal year ending June 30, 2024. Shorter duration bond indexes outperformed longer duration strategies, as the 2-Year Treasury yield fell from 4.90% to 4.76% over the 12-month period while the 10-Year Treasury Bond yield increased from 3.84% to 4.40%. As bond prices move inversely to yields, prices increased at the shorter end of the yield curve and declined at the longer end.

High Yield Bonds produced a return of 10.44% as measured by the Bloomberg US Aggregate Corporate High Yield benchmark. As inflation cooled and the recession risk faded, investors were comfortable investing capital in the riskier segment of the fixed income market.

U.S. equities delivered positive returns during the fiscal year ending June 30, 2024. U.S. Large Cap stocks, as measured by the S&P 500 index, performed especially well and finished the fiscal year up 24.56%. U.S. Small Cap stocks, as measured by the Russell 2000, ended the fiscal year up 10.06%.

Non-U.S. stocks also experienced positive returns for the fiscal year ended 2024. The MSCI EAFE index, which represents non-U.S. developed market stocks, was up 11.54% for the fiscal year, while the MSCI Emerging Markets index was up 12.55%.

Real estate, as measured by the NFI-ODCE Index, continued the downward trend from last fiscal year and ended fiscal year 2024 down (10.00%).

VIRGINIA POOLED OPEB TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

JUNE 30, 2024

Requests for Information

This financial report is designed to provide a general overview of the Trust's financial results. This report and additional information can be found by visiting the Trust's website, valocalfinance.org/opeb/. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Managing Director
VML/VACo Finance
8 E. Canal Street
Richmond, VA 23219
(804) 648-0635

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VIRGINIA POOLED OPEB TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2024

	Total OPEB Trust
ASSETS	
Short Term Investments	\$ 18,749,482
Investments at Fair Value:	
Fixed Income Securities	528,285,236
Equity Securities	1,191,584,712
Real Assets	154,577,940
Accrued Investment Income	2,374,824
Total Assets	<u>1,895,572,194</u>
LIABILITIES	
Payable for Investments Purchased	1,632,018
Accounts Payable	1,084,525
Total Liabilities	<u>2,716,543</u>
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	<u><u>\$ 1,892,855,651</u></u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA POOLED OPEB TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2024

	Total OPEB Trust
ADDITIONS	
Participant Contributions	\$ 30,208,788
Investment Income:	
Net Appreciation in Fair Value of Investments	136,600,534
Interest and Dividends	26,593,281
Investment Expenses	(3,991,058)
Net Investment Gain	<u>159,202,757</u>
Total Additions	<u>189,411,545</u>
DEDUCTIONS	
Participant Withdrawals	18,541,041
Administrative and Program Expenses	<u>1,118,478</u>
Total Deductions	<u>19,659,519</u>
Change in Net Position	169,752,026
Net Position Beginning of Year	<u>1,723,103,625</u>
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	<u><u>\$ 1,892,855,651</u></u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

The Reporting Entity – For financial reporting purposes, the Virginia Pooled OPEB Trust Fund (“Trust”) is an independent reporting entity and is not a component unit of another governmental entity. The Trust is a governmental external investment pool that invests funds to defray costs of other postemployment benefits (“OPEB”). The Trust reports activities as a single fiduciary fund type. These financial statements have been prepared utilizing the accounting principles for governmental external investment pools.

The Trust was established April 11, 2008, to provide a pooled investment alternative for OPEB contributions made by political subdivisions of the Commonwealth of Virginia (“Commonwealth”). The Trust is a qualified investment trust as defined in § 15.2-1544 of the Code of Virginia, under Article 8.

The Trust was created to provide an investment vehicle to pool participant contributions for OPEB and to invest such funds under the direction and daily supervision of professional fund managers. The investment earnings compound and the earnings are available to fund retiree OPEB plans sponsored by the participants. The Trust is open to political subdivisions of the Commonwealth including local governments, school divisions, authorities, and other governmental entities that adopt ordinances or resolutions to become participants. Participants hold individual trust accounts within the Trust.

The Trust comprises two investment portfolios and operates under the Virginia Pooled OPEB Trust Fund Agreement (“Trust Agreement”). The Virginia Pooled OPEB Trust Portfolio I (“Portfolio I”) is the default portfolio and has an asset allocation constructed to achieve a long-term expected annual rate of return of approximately 7.50%. The Virginia Pooled OPEB Trust Portfolio II (“Portfolio II”) has an alternatively weighted asset allocation to achieve a long-term expected annual rate of return of approximately 6.00%. Participants may invest in only one portfolio at a time.

The Trust seeks to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. Participant ownership is proportionate and based on market value. The value of each share is determined by dividing the value of the net position of the portfolio by the number of units outstanding at the end of the month when the portfolios are valued. The Net Asset Value (“NAV”) is floating and fluctuates in accordance with market conditions including asset prices and interest rate levels. Shares are purchased and redeemed at the floating NAV. The Trust has elected to report its investments at fair value, and as such participants should also report their investments in the Trust at fair value approximating NAV. Fair value is determined one time per month.

The Trust’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees currently comprises nine voting members. Trustees are members of the local finance boards of participating political subdivisions and are elected for staggered three-year terms by the participants in the Trust. The Trust is not subject to regulatory oversight and is not registered with the Securities and Exchange Commission (“SEC”) as an investment company.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Measurement Focus and Basis of Accounting – The financial statements of the Trust are presented as a fiduciary fund utilizing the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when incurred regardless of the timing of cash flows. Security transactions and the related gains and losses are reported on a trade-date basis. As of June 30, 2024, there were pending trades which are reflected in the Trust's fiduciary net position. Interest income is accrued as earned but is allocated to participants' accounts once per month. Employer contributions are recognized when received. Distributions are recognized when a formal request from a participating employer's local finance board is received.

The Trust does not purport to present the financial status of each of the participating employer's postemployment benefit plans, nor do these statements contain information on accumulated plan benefits and other disclosures necessary for a fair presentation of individual plans in accordance with GAAP.

GASB Statements – There were no new pronouncements issued by the GASB that affected the Trust for fiscal year ended June 30, 2024.

Cash and Cash Equivalents – The Trust considers all deposits in banks and short-term highly liquid investments that are readily convertible to cash to be cash and cash equivalents. Cash equivalents, which comprise money market mutual funds, are recorded at amortized cost, which approximates fair value.

Cash received from participants for investing in the Trust is recognized upon receipt by the custodian bank and is immediately invested in a money market mutual fund held in the name of the participant. One time per month, the participant funds received are transferred from the participant account into the investment pool. Investments are purchased at the direction of the program administrator under the guidance of a professional investment consultant and pursuant to the Summary of Investment Policy and Guidelines adopted by the Board of Trustees.

Investment Objectives – The investment objectives are to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The investment policy seeks to achieve long-term objectives while maintaining prudent investment guidelines. The objective is partly achieved through asset diversification. The Board of Trustees, with assistance from the Director of Investments and the external investment consultant, makes asset class choices and sets the asset class target allocations. The Board of Trustees has oversight responsibility for the selection of investment managers to include in the investment portfolios. Investment managers construct and manage the various strategies within the Trust's investment portfolios. The managers have full discretion in the management of assets within their control, subject to the investment guidelines established by the Board of Trustees in the Investment Policy and Guidelines.

Valuation – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Security transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of premium or accretion of discount, is recorded on the accrual basis. See Note 2 and Note 3 for discussion of investment risk and fair value measurements. Net investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Realized gains and losses on the sale of investments are recognized on the specific identification basis to match with the cost basis of the investments sold.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Administrative and Investment Fees – The Trust contracted with a program administrator (“Administrator”) to oversee the operations of the Trust. The Trust contracts with third-party service providers for custody and record keeping services. The costs for the services of the Administrator are accrued and charged as administrative expenses. Third-party service provider fees are paid for by the Administrator out of funds collected from the participants for the administrative fee. Investment manager fees are accrued and recognized as investment expenses. The Board of Trustees approves administrative and investment fees.

In fiscal year 2023, the Administrator created and filled a Director of Investments position. The Trust utilizes the internal Director of Investments and contracts with an external investment consultant to assist in developing investment policy guidelines, including asset class choices, asset allocation targets and risk diversification, and to perform ongoing monitoring of the investment managers. The costs for the investment consultant are paid by the program Administrator and are included in the program administration fee that is paid to the Administrator.

Administrative fees are assessed on a quarterly basis in arrears for the costs of administering the Trust. The program administration fee is applied on a sliding scale based upon each participant’s net asset value at the beginning of the preceding quarter in addition to the time-weighted value of any contributions made during the preceding quarter. The fee is inclusive of all costs of program administration and custody, record-keeping, and investment consulting expenses. Investment fees include investment manager fees. The process for deducting investment management fees varies by asset manager; however, the participants ultimately pay the investment management fees, which are deducted at the portfolio level. Based on the Trust’s June 30, 2024, market value, the total administrative fees incurred during the fiscal year were approximately 0.06% (6 basis points). Based on the Trust’s June 30, 2024, market value, the investment-related expenses incurred were approximately 0.59% (59 basis points).

Income Distribution – In order to account for each participant’s activity, separate accounts are maintained by the Trust. Earnings less expenses accrued in the Trust are allocated to each participant monthly. The allocation is based on the participant’s pro rata share of the total investments in the pool. The allocated net investment income is automatically reinvested the same business day.

Participant Transactions – For Portfolio I and Portfolio II, the value of each participant’s investment is determined by its pro rata share of NAV of the respective portfolio based on the fair value determination on each strike date (i.e., each month end). Each participant’s proportionate share is adjusted so the sum of the value of participant shares equals the total investment portfolio value.

The portfolios are managed as variable NAV investment pools. Fair value and NAV are determined on the last business day of each month. The pool transacts with participants based on a floating NAV per share that is determined by the market, which is the same method used to report investments. Participants may contribute at any time and the contributions initially are invested in a money market fund held in the participant’s name. Each month, participant contributions are transferred from the participant’s account into the appropriate investment portfolio. Investments are purchased based on the direction provided by the Administrator and the investment consultant to remain within the range of targeted asset allocations as delineated in the Summary of Investment Policy and Guidelines. Participant redemptions may be made to pay authorized OPEB expenses. Participant withdrawals are redeemable at quarter-end based on a calendar year basis and require a ninety-day advance written notice.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Custodian – The Trust has contracted with a custodian to maintain custody of the funds and securities. The custodian is responsible for holding all funds and securities in a separate account in the name of the Trust, collecting all income and principal due to the Trust from securities held, accepting contributions and distributing redemptions, and properly accepting for delivery and/or delivering securities in accordance with the contract between the Trust and the custodian.

Risk Management – The Trust is exposed to various risks of loss such as loss due to torts, theft, injuries, and natural disasters. The Administrator, at the direction of the Board of Trustees, maintains commercial insurance coverage to limit exposure to identified risks. The Administrator conducts an analysis at least annually to determine the type and extent of coverage needed. The coverage is deemed sufficient to preclude any significant uninsured loss for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims, if any, have not exceeded the coverage in any of the past three years. As of June 30, 2024, there is no evidence of an asset impairment or other information that would require the recognition or disclosure of a loss.

Taxes – The Trust is exempt from taxation under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for Federal or state income taxes.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions.

Termination – The Trust Agreement specifically allows for the termination of the Trust once “all participation interests of all participating employers have been terminated in their entirety.” Partial termination would occur when a participating employer’s interest in the Trust is terminated or when a Trust Joinder Agreement has been terminated. In the event of termination, either in whole or in part, affected assets of the Trust would be distributed or transferred in accordance with the Trust Agreement.

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VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—Deposits and Investment Risk

Deposits and Investment Risk – The following information regarding disclosures of risks are designed to inform financial statement users about the Trust's various risks.

Custodial Credit Risk – Custodial credit risk is the risk, in the event of the failure of a depository financial institution or financial counterparty, the Trust will not be able to recover the value of its deposits, investments, or recover collateral securities that are in the possession of an outside party. The Board has not adopted a formal custodial credit risk policy. The Board evaluates each financial institution with which the Trust deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories or custodians. The Trust has one bank for the deposit of funds which serves as the custodian.

As of June 30, 2024, the Trust did not have funds held as deposits which were exposed to custodial credit risk.

Cash equivalents are short-term investments and comprise money market mutual funds with a weighted average maturity of 31 days as of June 30, 2024. At June 30, 2024, the Trust had \$18.7 million of money market mutual funds, which represent approximately 0.99% of the Trust's total assets. The cash equivalents are reported as short-term investments on the *Statement of Fiduciary Net Position*.

As of June 30, 2024, investment securities for the Trust were registered and held by the custodian in the name of the Trust for the benefit of the investment pools and were not exposed to custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board has not adopted a formal foreign currency risk policy. The Trust does not directly hold investments that are exposed to foreign currency risks. The Trust's international equity, emerging markets equity, and fixed income investments are currently implemented through commingled funds and mutual funds.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Trust manages the risk for the fixed income securities using the effective duration methodology. The Board has not adopted a formal policy for interest rate risk and the Trust does not limit duration for funds of fixed-income securities.

The following schedules reflect the weighted average effective duration for investments subject to interest rate risk as of June 30, 2024:

Investment Type	Fair Value	Weighted Average Effective Duration (in years)
Fixed Income Mutual Funds	\$ 337,675,156	5.43
Fixed Income Commingled Fund	190,610,080	6.73
Total	\$ 528,285,236	5.90

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—Deposits and Investment Risk (continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and disclosure is not required. The Investment Policy does not require investments to be rated. The managers of the fixed income strategies have the flexibility to invest in a broad range of fixed income securities including domestic, international, and emerging market debt as well as high yield securities, bank loans, non-agency mortgage-backed securities and asset backed securities, municipals, and convertible bonds. The managers may invest in fixed income obligations issued by national governments, government agencies, supranational organizations, banks, and corporations based on their opportunistic views of the market. The fixed income strategies comprise commingled and mutual funds, and as of June 30, 2024, were not rated by a nationally recognized statistical rating organization.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust's investment policy establishes certain restrictions on investments and limitations on portfolio composition. The limitations include an asset allocation policy that is structured in a manner which prevents investing more than 5% of the total investments in any single issuer. As of June 30, 2024, the Trust did not hold investments in any single issuer where fair value exceeded 5% of the Trust's total investments.

Note 3—Fair value measurement

Fair value, as defined under GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

Investments that are measured at fair value using the NAV as a practical expedient are not classified in the fair value hierarchy. The Trust measures certain qualifying investments at the NAV to estimate fair value unless it is probable that the Trust will sell its interest at an amount different than the NAV. As of June 30, 2024, the Trust did not intend to sell investments for an amount other than that measured at the NAV. Short-term highly liquid investments classified as cash equivalents that are measured and reported at amortized cost are not classified in the fair value hierarchy.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Fair value measurement (continued)

Prices are primarily obtained from nationally recognized vendors. The main pricing source vendor is ICE Data Services. Automated transmissions of prices are received daily, when automatic pricing is not available alternate pricing sources are utilized. For certain security types it is necessary to utilize a price from an interested party if no independent source is available. The additional pricing services may include investment managers, brokers, fund companies, and issuing banks. The custodian's internal control process involves analyzing the accuracy and timeliness of the pricing information provided by the vendors to ensure the data meets the standards for quality and completeness.

The custodian obtains prices for most domestic securities at the close of each business day. Certain security types are priced at the end of each business week or on the last business day of each month. These security types include, but are not limited to, closely-held securities, commingled funds, limited partnerships, and real estate holdings.

There have been no changes in the methodologies used as of June 30, 2024. There were no transfers between levels in the fair value hierarchy during the period. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Investments categorized as Level 1 include debt and equity securities which are valued using quoted prices in active markets for those securities.

Investments valued using the NAV as a practical expedient are provided by the general partners, investment managers, or through independent appraisals.

The following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2024:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
Fixed Income Mutual Funds	\$ 337,675,156	\$ 337,675,156	\$ -	\$ -
Common Stocks & ADRs	198,157,379	198,157,379	-	-
Real Estate Investment Trusts	7,664,692	7,664,692	-	-
Equity Mutual Funds	433,903,801	433,903,801	-	-
Total Investments by Fair Value Level	\$ 977,401,028	\$ 977,401,028	\$ -	\$ -
Investments Measured at the Net Asset Value (NAV):				
Fixed Income Commingled Funds	\$ 190,610,080			
Equity International Commingled Funds	333,150,691			
Private Equity Funds	117,899,437			
Equity Long/Short Hedge Funds	100,808,711			
Real Asset Commingled Funds	154,577,940			
Total Investments Measured at the NAV	\$ 897,046,860			
Total Investments Measured at Fair Value	\$ 1,874,447,888			

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Fair value measurement (continued)

The schedule below presents investments measured at the NAV, or its equivalent at June 30, 2024:

	Investments Measured at the Net Asset Value (NAV)			Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitments			
Fixed Income Commingled Funds	\$ 190,610,080	\$ -		Semi-Monthly	5 days
Equity International Commingled Funds	333,150,691	-		Daily, Monthly	5-15 days
Private Equity Funds	117,899,437	121,476,140		Not Eligible	N/A
Equity Long/Short Hedge Funds	100,808,711	-		Monthly, Quarterly	35-97 days
Real Asset Real Estate Commingled Funds	154,577,940	29,391,172		Quarterly	45-60 days
Total Investments Measured at the NAV	\$ 897,046,860	\$ 150,867,312			

Fixed-Income Commingled Funds - The fair value of the investments in fixed-income commingled funds are determined using the NAV per share of the investments. Fixed-income commingled investments consist of one institutional investment fund that invests in U.S. and international investment grade and non-investment grade debt securities. Redemptions are allowable for this fund and are available semi-monthly with 5 days' notice.

Equity International Commingled Funds - The fair value of the investments in equity commingled funds is determined using the NAV per share of the investments. Equity commingled investments consist of four institutional investment funds employing international equity strategies. The strategies include a focused international equity fund, a developed markets international equity fund, and two emerging markets equity funds. Redemptions are allowable for these funds and frequency varies by fund but are available daily or monthly upon 5-15 business days' notice.

Private Equity Funds - The fair value of the investments in private equity funds is determined using the NAV per share of the investments. Investments at the NAV for private equity funds are determined by the Trust's ownership interest in partners' capital and is commonly calculated by subtracting the fair value of liabilities from the fair value of assets. These investments can never be redeemed with the funds. Instead, the nature of the investments of this type is that distributions are received through the liquidation of the underlying assets of the fund. This classification includes twenty funds which deploy various strategies, with vintage years from 2015–2024. The funds invest at scale on a global basis. In addition to growth equity investments, managers can invest in transactions of various sizes and types, from early-stage and start-up companies to later-stage transactions that may involve leverage. One fund pursues a contrarian, value-oriented investment strategy whereby it focuses on three primary types of investments: distressed investments, corporate carve-outs, and opportunistic buyouts. The private equity funds have investment periods of six to seven years with stated lives ranging from ten to twelve years.

Equity Long/Short Hedge Funds - The fair value of the investments in hedge funds is determined using the NAV per share of the investments. There are nine hedge funds which are invested in through a platform that allows qualified investors to invest in a custom portfolio of individual global long and short equity positions. The Trust selected the underlying hedge funds from a list of available funds under advisement of the investment consultant. Each hedge fund manager may invest in various strategies and has full authority to vary net exposure to the equity market. As of June 30, 2024, approximately 12.85% of the hedge fund investments could not be redeemed due to lockup restrictions. For one of the funds, after the initial redemption restrictions, redemptions are available on a monthly basis with notice required at 35 days. The remaining eight funds have quarterly redemption periods with notice required ranging from 50 to 97 days.

VIRGINIA POOLED OPEB TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Fair value measurement (continued)

Real Asset Real Estate Commingled Funds – The fair value of the investments in real asset real estate commingled funds are determined using the NAV per share of the investments. The real asset real estate commingled funds include two funds. Redemptions are available quarterly and require 45 to 60 days' notice.

Note 4—Related party transactions

The Trust has an agreement with Virginia Local Government Finance Corporation ("VLGFC") whereby VLGFC serves as administrator for the Trust. The Trust compensates VLGFC to provide administrative services through an annual program fee charged as a percentage of invested assets. The administrative fee during fiscal year 2024 amounted to \$1.1 million.

Note 5—Commitments

As of June 30, 2024, the Trust had committed to fund private equity partnerships for \$227.7 million, of which \$110.1 million has been drawn to date. At June 30, 2024, outstanding unfunded commitments to invest was \$117.6 million.

As of June 30, 2024, the Trust had committed to fund opportunistic real estate partnerships for \$40.0 million, of which \$11.0 million has been drawn to date. At June 30, 2024, outstanding unfunded commitments to invest was \$29.0 million.

Note 6—Subsequent events

The Trust has performed an evaluation of subsequent events through December 6, 2024, the date the basic financial statements were available to be issued.

In September 2024, the Federal Reserve reduced the federal funds target range by 0.50% to 4.75% to 5.00%. In November 2024, the Federal Reserve further reduced the federal funds target rate range an additional 0.25% to 4.50% to 4.75%. The Consumer Price Index (CPI) has moderated over the past 12 months but remains higher than the Fed's target rate of 2%.

In October 2024, the OPEB Trust Fund replaced its custodian bank. The change became effective October 1, 2024. The transfer of services will provide more timely and flexible reporting capabilities and enhanced customer service.

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Virginia Pooled OPEB Trust Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virginia Pooled OPEB Trust Fund (the Trust), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Richmond, VA
December 9, 2024