Virginia
Pooled OPEB Trust Fund

Annual Financial Report

For the Year Ended June 30, 2022

Virginia Pooled OPEB Trust Fund

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Prepared by:

VML/VACO Finance

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FORVIS

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, 2022, 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, 2022, 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"). 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, 2022, 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, LLP

Richmond, VA
December 9, 2022

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, 2022. 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, 2021, 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, 2022, the Trust held investments of approximately $1.6 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.

- 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, 2022 is as below:

Total Assets	$	1,587,726,111
Total Liabilities		1,204,167
Net Position, June 30	$	1,586,521,944
Total Additions	$	(123,401,473)
Total Deductions		13,086,057
Change in Net Position	$	(136,487,530)
Net Position, July 1	$	1,723,009,474
Change in Net Position		(136,487,530)
Net Position, June 30	$	1,586,521,944

Financial Highlights

- The combined total fiduciary net position held in trust for pool participants was $1,586.5 million at June 30, 2022, representing a decrease of $136.5 million, or 7.92%, from the net position as of June 30, 2021. The decrease was primarily due to net depreciation in fair value of investments.
- Short term investments increased from fiscal year 2021 to fiscal year 2022 by 59.74% from $20.7 million to $33.1 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 2022 totaled $44.9 million, a 3.48% decrease from participant contributions of $46.6 million during fiscal year 2021.
- Investment earnings from interest and dividends grew 27.20% during fiscal year 2022 compared with fiscal year 2021, ending fiscal year 2022 at $38.2 million versus $30.1 million for fiscal year 2021. Conversely, interest receivables decreased during fiscal year 2022 with a year-ending balance of $0.7 million compared to fiscal year 2021 ending balance of $1.2 million.
- Net investment income decreased by 145.39% during the fiscal year ended June 30, 2022 compared to the fiscal year ended June 30, 2021. This was primarily the result of net depreciation in the fair value of investments of the Trust at fiscal year-end 2022 compared to fiscal year-end 2021. For year ended June 30, 2022, net depreciation in fair value of investments was $202.5 million compared to net appreciation of $344.4 million for the fiscal year ended June 30, 2021, representing a decrease of $547.0 million. As discussed below, fiscal year 2022 returns of the portfolios in the Trust were (9.66%) for Portfolio I and (11.30%) for Portfolio II compared to 30.08% and 20.62%, respectively, for fiscal year 2021.
- Participant withdrawals during fiscal year ended 2022 totaled $11.9 million, a 20.75% increase from participant withdrawals of $9.9 million during fiscal year 2021.

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%.

Financial Analysis (continued)

The comparative financial information for fiscal year 2022 to fiscal year 2021 is as follows:

	2022	2021	Increase (Decrease)	% Change
ASSETS				
Short Term Investments	$ 33,132,189	$ 20,741,243	$ 12,390,946	59.74%
Investments at Fair Value	1,553,939,970	1,703,018,835	(149,078,865)	-8.75%
Receivables	653,952	1,223,323	(569,371)	-46.54%
TOTAL ASSETS	1,587,726,111	1,724,983,401	(137,257,290)	-7.96%
LIABILITIES				
Payables	1,204,167	1,973,927	(769,760)	-39.00%
TOTAL LIABILITIES	1,204,167	1,973,927	(769,760)	-39.00%
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$ 1,586,521,944	$ 1,723,009,474	$ (136,487,530)	

	2022	2021	Increase (Decrease)	% Change
ADDITIONS				
Participant Contributions	$ 44,935,255	$ 46,556,931	$ (1,621,676)	-3.48%
Net Investment Income	(168,336,728)	370,850,891	(539,187,619)	-145.39%
Total Additions	(123,401,473)	417,407,822	(540,809,295)	-129.56%
DEDUCTIONS				
Participant Withdrawals	11,915,121	9,867,767	2,047,354	20.75%
Administrative and Program Expenses	1,170,936	1,080,024	90,912	8.42%
Total Deductions	13,086,057	10,947,791	2,138,266	19.53%
Change in Net Position	(136,487,530)	406,460,031	(542,947,561)	-133.58%
Net Position Beginning of Year	1,723,009,474	1,316,549,443	406,460,031	
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$ 1,586,521,944	$ 1,723,009,474	$ (136,487,530)	-7.92%

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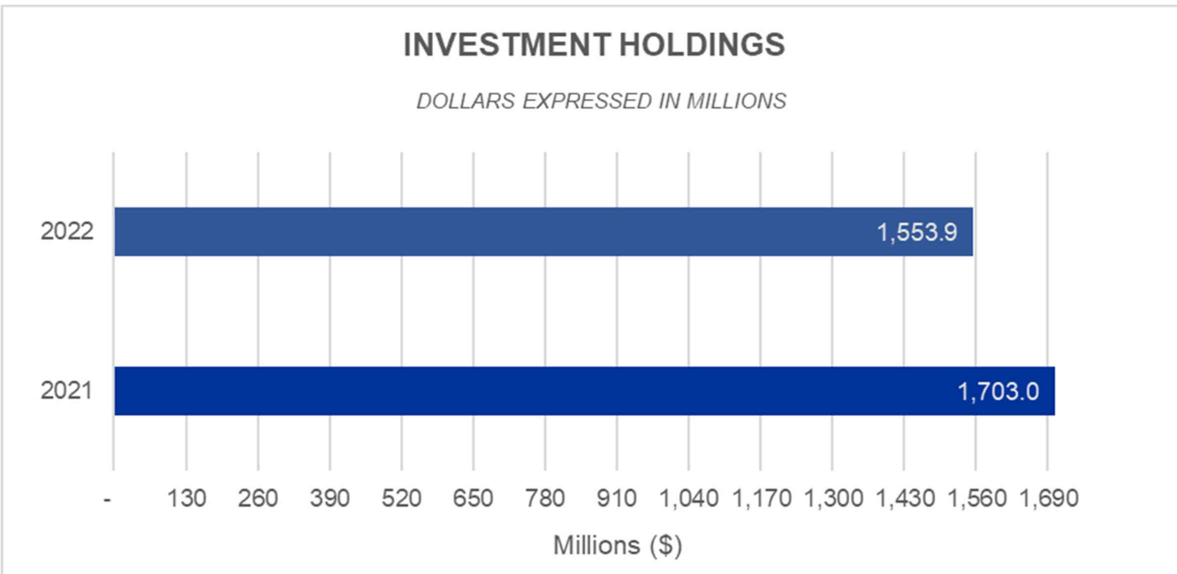
Net Position

The Trust's fiduciary net position is composed primarily of the investments reported at fair value, which saw a decrease of 8.75% from fiscal year ended 2021 to fiscal year ended 2022. Net depreciation in fair value of investments in the Trust contributed to decreases in investment balances and overall net position. The net depreciation in fair value of investments led to a decrease in the change in net position from the prior year, with the current year change at ($136.5) million compared to prior year of $406.5 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 $33.1 million at fiscal year-end 2022 compared with $20.7 million at fiscal year-end 2021. The increase of $12.4 million is attributed to the timing of cash flows, including an increase in anticipated capital calls on private equity commitments.

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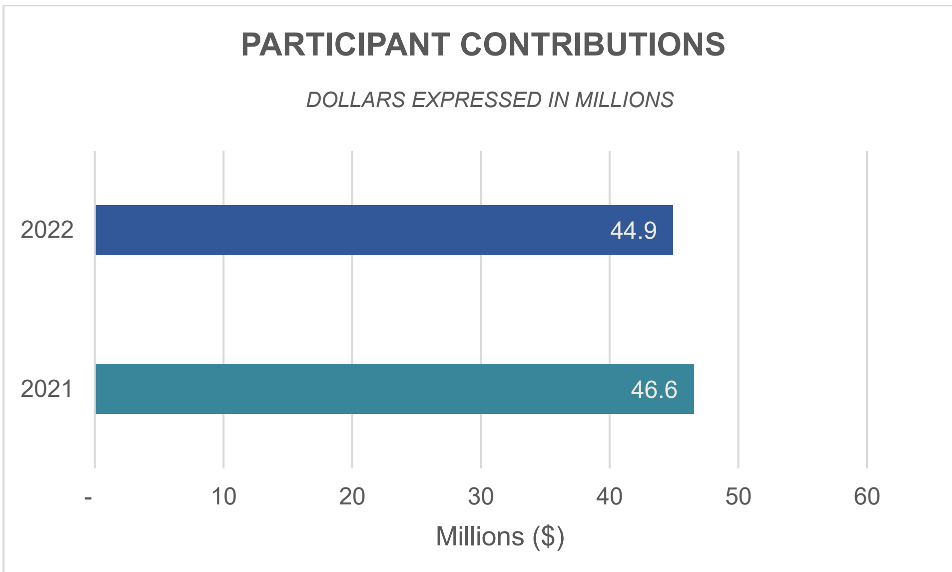
Participation

Participation in the Trust is voluntary. The Trust provides all political subdivisions access to professionally managed investment pools. Participant contributions decreased by 3.48%, from $46.6 million during fiscal year ended 2021 to $44.9 million during fiscal year 2022.



Contributions from participants are commingled in the participant's selected portfolio and invested to provide funding for future employee 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 decreased from fiscal year ended 2021 to fiscal year ended 2022 by 9.23% and 11.27% 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 2022 and 2021:

INVESTMENT POOL PRICE PER SHARE

AS OF JUNE 30

	2022	2021
Portfolio I	21.8986	24.1265
Portfolio II	19.7011	22.2033

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 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 liquidity, 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 may provide growth in principal to help preserve and 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.

During fiscal year 2022, COVID-19 continued to impact the economy specifically with the emergence of the Omicron variant in the second quarter of the fiscal year. In the latter half of the fiscal year, global markets struggled as inflation, rising interest rates, and supply chain issues drove investor sentiment downward. Ending the fiscal year, the labor market remained tight as households benefited from the last few years of stimulus, rising equity markets, and higher home values. Rising rates have improved the outlook for bond returns going forward.

Portfolio I

The time-weighted rate of return on investments in Portfolio I during the fiscal year ended June 30, 2022, was (9.66%) compared to a return of 30.58% for the fiscal year ended June 30, 2021. The decrease was due to negative performance of two of the major asset classes in the portfolio: equity and fixed income. Real assets produced positive performance.

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 on a rolling three-year period while secondarily preserving participant capital. The total return (net of fees) of Portfolio I for the year ended June 30, 2022 was (9.66%) compared to (9.69%) for the custom benchmark.

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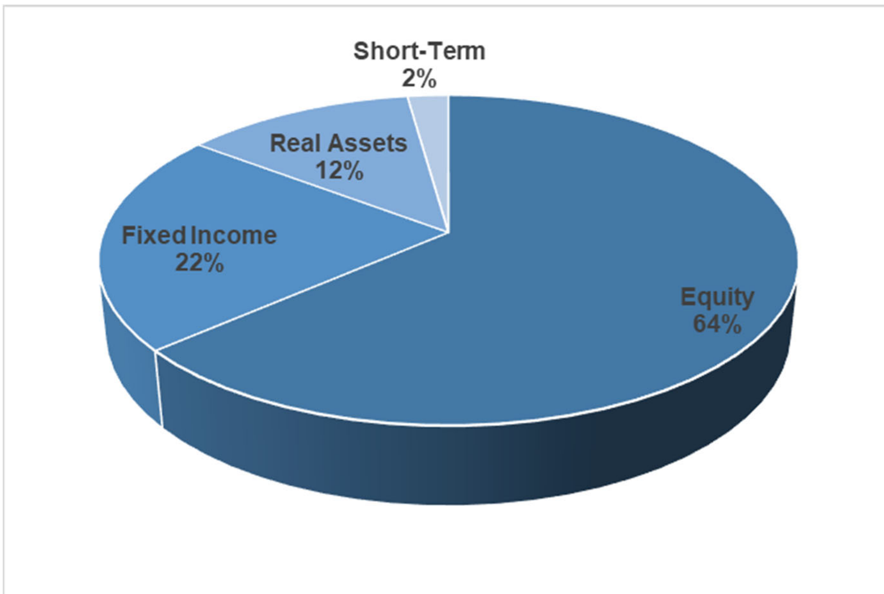
Portfolio I (continued)

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, 2022:



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Portfolio I (continued)

The asset allocation of Portfolio I, based on fair value as of June 30, 2022, was as follows:

Asset Class		Portfolio Amount	Portfolio Allocation
Money Market Mutual Funds*	$	27,905,104	2.21%
Large Cap Equity		323,894,722	25.78%
Small Cap Equity		119,191,491	9.49%
International Developed Equity		150,498,875	11.98%
Emerging Markets Equity		57,723,598	4.59%
Private Equity		88,863,528	7.07%
Long/Short Equity		59,026,732	4.70%
Core Plus Fixed Income		176,509,975	14.05%
Core Fixed Income		50,639,773	4.03%
Absolute Return Fixed Income		45,276,725	3.60%
Real Estate Real Assets		156,990,220	12.49%
Total Holdings	$	1,256,520,743	100.00%

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

Portfolio II

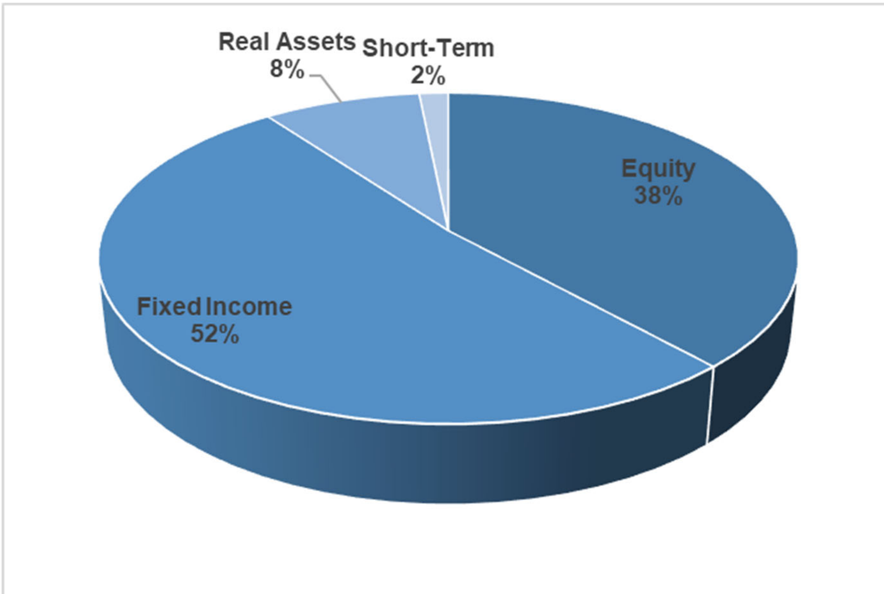
The time-weighted rate of return on investments in Portfolio II during the fiscal year ended June 30, 2022, was (11.30%) compared to a return of 20.62% for the fiscal year ended June 30, 2021. The decrease was due to negative performance of two of the major asset classes in the portfolio: equity and fixed income. Real assets produced positive performance.

Portfolio II 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 II is to exceed the return of the custom benchmark on a rolling three-year period while secondarily preserving participant capital. The total return (net of fees) of Portfolio II for the year ended June 30, 2022 was (11.30%) compared to (10.96%) 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 equity investments.

Portfolio II (continued)

Below is the asset allocation based on major asset classes for Portfolio II as of June 30, 2022:



The asset allocation of Portfolio II, based on fair value as of June 30, 2022, was as follows:

Asset Class	Portfolio Amount	Portfolio Allocation
Money Market Mutual Funds*	$ 5,216,405	1.59%
Large Cap Equity	54,813,367	16.58%
Small Cap Equity	21,269,009	6.43%
International Developed Equity	28,850,814	8.73%
Emerging Markets Equity	11,660,249	3.53%
Long/Short Equity	9,946,054	3.01%
Core Plus Fixed Income	125,340,610	37.92%
Core Fixed Income	28,008,670	8.47%
Absolute Return Fixed Income	17,265,628	5.22%
Real Estate Real Assets	28,169,931	8.52%
Total	$ 330,540,736	100.00%

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

Economic Factors and Market Review

The level of economic activity varied during the fiscal year ended June 2022 due to the COVID-19 pandemic, rising interest rates, and declining equity performance. The latter half of the fiscal year was one of the worst drawdowns for a balanced portfolio in decades.

Quarterly U.S. real economic growth (annualized), as measured by Gross Domestic Product ("GDP"), increased in the first quarter of the fiscal year by 2.3% and by 6.9% in the second quarter of the fiscal year. In the third quarter GDP fell by 1.6%. In the fourth quarter, GDP contracted for a second consecutive quarter, shrinking by 0.6%.

Inflation continued to surge through fiscal year 2022 driven by the trillions of dollars spent on COVID-19 relief, supply chain issues, and strong consumer demand. Domestic year-on-year inflation ("Core CPI") as of June 2022 was 5.9% up from 4.5% as of June 2021.

The unemployment rate during fiscal year 2022 ranged from 3.6-5.9% and ended the fiscal year at a low of 3.6% compared to 5.9% at the end of fiscal year 2021.

In response to rising inflation, the Federal Reserve's Federal Open Market Committee (FOMC) hiked rates by 25 basis points (bps) in March, 50 bps in May and 75 bps in June 2022. The Fed implemented a quantitative tightening program (i.e., reducing its balance sheet) in the final quarter of the fiscal year to increase interest rates and combat rising inflation.

U.S. Treasury yields moved higher during the fiscal year ending June 30, 2022, as investors sought assets with higher returns. The yield on the 10-year U.S. Treasury Bond went from 1.47% in June 2021 to 3.01% in June 2022.

The total return for the Bloomberg US Aggregate Bond Index was (10.29%) for the fiscal year ending June 30, 2022. Shorter duration bond indexes outperformed longer duration strategies.

High Yield Bonds produced a return of (12.81%) as measured by the Bloomberg US Corporate High Yield benchmark. This segment of the bond market underperformed higher-quality bonds in fiscal year 2022, as worsening economic conditions led to decreased investor demand for higher risk fixed income securities.

Global equities delivered negative returns during the fiscal year ending June 30, 2022. U.S. Large Cap stocks, as measured by the S&P 500 index, provided more protection for investors than other indices and finished the fiscal year down 10.62%. U.S. Small Cap stocks, as measured by the Russell 2000, ended the fiscal year down 25.20%.

Non-U.S. stocks experienced similar drawdowns and ended fiscal year 2022 with negative results. The MSCI EAFE index, which represents non-U.S. developed market stocks, was down 17.33% for the fiscal year, and similarly, the MSCI Emerging Markets index was down 25.00%.

Real estate, as measured by the NFI-ODCE Index, delivered strong returns and ended the fiscal year up 28.36%.

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, Suite 100
Richmond, VA 23219
(804) 648-0635

VIRGINIA POOLED OPEB TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

		Total OPEB Trust
ASSETS		
Short Term Investments		$ 33,132,189
Investments at Fair Value:		
Fixed Income Securities		443,041,380
Equity Securities		925,738,439
Real Assets		185,160,151
Accrued Investment Income		318,808
Receivable for Investments Sold		335,144
	Total Assets	1,587,726,111
LIABILITIES		
Payable for Investments Purchased		456,479
Accounts Payable		747,688
	Total Liabilities	1,204,167
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS		$ 1,586,521,944

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, 2022

		Total OPEB Trust
ADDITIONS		
Participant Contributions	$	44,935,255
Investment Income:		
Net Appreciation in Fair Value of Investments		(202,508,236)
Interest and Dividends		38,245,546
Investment Expenses		(4,074,038)
Net Investment Income		(168,336,728)
Total Additions		(123,401,473)
DEDUCTIONS		
Participant Withdrawals		11,915,121
Administrative and Program Expenses		1,170,936
Total Deductions		13,086,057
Change in Net Position		(136,487,530)
Net Position Beginning of Year		1,723,009,474
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$	1,586,521,944

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

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.

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, 2022, 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, 2022.

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 investment consultant, makes asset class choices and sets the asset class target allocations. The Board of Trustees chooses which 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.

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 a third-party service provider for custody and record keeping services. The costs for the services of the Administrator are accrued and charged as administrative expenses. Investment manager fees and fees for the third-party service provider paid directly by the participants are accrued and recognized as investment expenses. The Board of Trustees approves administrative and investment fees.

The Trust contracts with an 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 weighted value of any contributions made during the preceding quarter. The fee is inclusive of all costs of program administration. Investment fees include investment manager fees and custody fees incurred directly by participants. Custody fees incurred by participants are assessed on a quarterly basis in arrears and are deducted from each participant's account. The process for deducting investment management fees varies by asset manager; however, the participants pay the investment management fees. Based on the Trust's June 30, 2022 market value, the total administrative fees incurred during the fiscal year were approximately 0.07% (7 basis points). Based on the Trust's June 30, 2022 market value, the investment-related expenses incurred were approximately 0.51% (15 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 written notice.

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, 2022, 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 case 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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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, 2022, 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 13 days as of June 30, 2022. At June 30, 2022, the Trust had $33.1 million of money market mutual funds, which represent approximately 2.09% 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, 2022, 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, 2022:

Investment Type	Fair Value	Weighted Average Effective Duration (in years)
Fixed Income Mutual Funds	$ 292,154,030	5.29
Fixed Income Commingled Fund	150,887,350	5.59
Total	$ 443,041,380	5.39

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, 2022, 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, 2022, 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, 2022, 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.

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, 2022. 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, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Mutual Funds	$ 292,154,030	$ 292,154,030	$ -	$ -
Common Stocks & ADRs	132,237,562	132,237,562	-	-
Real Estate Investment Trusts	8,222,939	8,222,939	-	-
Equity Mutual Funds	378,708,089	378,708,089	-	-
Total Investments by Fair Value Level	$ 811,322,620	$ 811,322,620	$ -	$ -
Investments Measured at the Net Asset Value (NAV):				
Fixed Income Commingled Funds	$ 150,887,350			
Equity International Commingled Funds	248,733,536			
Private Equity Funds	88,863,528			
Equity Long/Short Hedge Funds	68,972,785			
Real Asset Commingled Funds	185,160,151			
Total Investments Measured at the NAV	$ 742,617,350			
Total Investments Measured at Fair Value	$ 1,553,939,970			

Note 3—Fair value measurement (continued)

The schedule below presents investments measured at the NAV, or its equivalent at June 30, 2022:

	Investments Measured at the Net Asset Value (NAV)			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Commingled Funds	$ 150,887,350	$ -	Semi-Monthly	5 days
Equity International Commingled Funds	248,733,536	-	Weekly, Monthly	5-10 days
Private Equity Funds	88,863,528	90,077,111	Not Eligible	N/A
Equity Long/Short Hedge Funds	68,972,785	-	Monthly, Quarterly	35-97 days
Real Asset Real Estate Commingled Funds	185,160,151	-	Quarterly	45-60 days
Total Investments Measured at the NAV	$ 742,617,350	$ 90,077,111		

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.

Equity International Commingled Funds - The fair value of the investments in equity commingled funds are determined using the NAV per share of the investments. Equity commingled investments consists of three institutional investment funds employing international equity strategies. The strategies include a focused international equity fund, a developed markets international equity fund, and an emerging markets equity fund. Redemptions are allowable for these funds and frequency varies by fund but are available weekly or monthly upon 5-10 business days' notice.

Private Equity Funds - The fair value of the investments in private equity funds are 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 thirteen funds which deploy various strategies, with vintage years from 2015–2022. 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 are determined using the NAV per share of the investments. There are ten 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 have full authority to vary net exposure. As of June 30, 2022, none of the funds were subject to lockup restrictions. For five of the funds, after the initial redemption restrictions redemptions are available on monthly, quarterly, or semi-annual basis with a notice required ranging from 35 to 65 days. The other five funds have quarterly redemption periods with a notice required ranging from 50 to 97 days.

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 a 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 2022 amounted to $1.2 million.

Note 5—Commitments

As of June 30, 2022, the Trust had committed to fund private equity partnerships for $160.2 million, of which $72.6 million has been drawn to date. At June 30, 2022, outstanding unfunded commitments to invest was $90.1 million.

Note 6—Subsequent events

The Trust has performed an evaluation of subsequent events through November 15, 2022, the date the basic financial statements were available to be issued. At the end of fiscal year 2022, COVID-19 cases in the U.S. were surging with the newly dominant Omicron BA.5 subvariant, which has proven to be a faster-spreading subvariant and more resistant to immune protection from vaccination or prior infection. In July 2022, the Federal Reserve announced its fourth interest rate hike since March 2022, increasing the rate 0.75% to a target range of 2.25% to 2.50%. The year-on-year Consumer Price Index (CPI) came in lower in July at 8.5% than in June at 9.1%, suggesting inflation may have peaked. Nonetheless, inflation remains elevated and the Federal Reserve has indicated that it is committed to achieving its 2% target inflation rate. Management believes that it has adequately planned for economic downturns through portfolio diversification and by means of establishing target asset allocations.

During fiscal year 2023, through September 21, 2022, the Trust invested in additional private equity partnerships. During this period, the Trust made commitments to fund private equity partnerships for $40.0 million, of which $2.5 million has been drawn to date. As of December 15, 2022, the unfunded commitments for all private equity investments totaled $88.0.

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Independent Auditor's 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*

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, 2022, 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, 2022.

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.

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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, LLP

Richmond, VA
December 9, 2022