Virginia Birth-Related Neurological Injury Compensation Program

Investment Committee Meeting

Minutes for September 9, 2025

Attendees:

John Gordon, C.P.A., Committee Chair

James J. Moon

David Ratz, Esq.

M. Cathy Slusher, M.D.

Also Present:

Dawn McCoy, Executive Director

Lisa Longest, Focus Partners

Stephen Weir, Trustward C.E.O.

Elizabeth Jennings, Clearview

Larry Coats, Clearview C.E.O.

Hanna Bareford, Human Resources Assistant

Charlotte Spence, Communications Specialist

Andrew Gillman, Sklar Tech Support

Call to Order:

Chairman John Gordon opened the meeting at 2:32 p.m. David Ratz seconded the Motion. The Motion was voted upon and passed unanimously.

Investments Review:

Lisa Longest with Focus Partners opened the meeting with the quarterly investment review, an economic outlook, and a balance proposal. The quarterly review provided was dated March 31, and it was noted that the information was outdated. Ms. Longest stated that she had previously been instructed to show finalized investment values only, and because a portion of the portfolio takes as many as six months to be finalized, the investment values are outdated.

David Ratz asked when the next update would be available. Ms. Longest responded that performance data from June 30 through the current period would be ready by the end of

September. Stephen Weir with Trustward inquired how frequently the Investment Committee meets. Ms. Longest explained that meetings are scheduled quarterly, though in practice, the Committee sometimes meets five to six times per year.

Ms. Longest distributed the portfolio materials. The Board received the full quarterly report (approximately 70 pages), with the first 15 pages serving as the executive summary. The remaining pages contained detailed information for each investment.

The Committee began by reviewing page one, which summarized the Program's market performance. Domestic equities experienced a decline earlier in the period, followed by a reversal in July. International markets outperformed, with returns of approximately 7%, compared to 5% for domestic markets. Bonds were positive for the quarter and again demonstrated their diversification benefits amid market volatility.

Page three of the portfolio outlined the broad asset class allocations. The Program's total fund, including both public and private investments, posted a 1.7% quarterly gain. According to the Investment Policy Statement (IPS), the domestic equity target is 24% and the international equity target is 22%. For the quarter, the Program exceeded its benchmark, and on a five-year projection, it remains ahead of its index target. Within the IPS, the long-term allocation for alternatives is 7.6% compared to the Program's current 6.1%. Private equity and real estate are tracked separately from traditional investments, and over the long term, private investments have outperformed the broader market.

Ms. Longest noted that cash flow realignment is ongoing. Cash allocation currently stands at 24%, creating a large cash balance that was not tactically intended. Total equity returns outperformed the global index due largely to private investments. However, real estate remains challenged since COVID-19. These private real estate holdings are illiquid, with potential liquidation windows beginning in 2027–2028.

The Program's fixed income allocation remains close to the Bloomberg benchmark. Approximately 1% of the allocation is debt. Current cash on hand is about $4 million. Mr. Weir asked about the 5–7-year outlook and the two private funds held in that period. Ms. Longest explained that these funds are credit-intensive and begin funding prior to capital calls. She receives advance notice of these calls before capital is deployed. The fixed income accounts, managed separately, remain aligned with the Bloomberg benchmark.

Performance details by manager were also reviewed. Domestic equities lagged the broader market, experiencing a 10% pullback in growth. The rebalancing approved in March and April resulted in a significant realignment of the small-cap strategy. Positions in the S&P 500 index, Boston Partners, and the small-cap manager have since been liquidated.

International equities, however, performed well, contributing approximately $10.9 million in gains to the Fund. The Program had previously exited certain underperforming holdings and reintroduced dedicated emerging market funds after an initial misstep in timing. Ms. Longest suggested allowing the international markets themselves to determine the Program's exposure levels rather than forcing allocations.

Net capital funds established between 2017 and 2021 are beginning to mature, and the Program is increasingly benefiting from them.

The portfolio also includes an investment in the Blackstone fund, which—while private—operates similarly to a mutual fund. Investors are receiving redemptions, which reduces management burdens. The two private debt funds in the portfolio are also maturing, though they remain a relatively small portion of overall holdings.

It was noted that $155,000 of cash was allocated into the S&P 500 index fund. John Gordon asked about the current cash balance within that fund. Ms. Longest confirmed that the balance is approximately $6.5 million. She also noted that during the recent rebalancing, $16 million had been drawn down in $2 million increments. Despite market volatility, there have been 20 all-time highs this year, and the portfolio has continued to generate approximately 4% annual returns.

Ms. Longest began with a review of the private real estate and private equity allocations. Approximately $17–18 million has been committed to private real estate funds. Of this, $17 million was invested in Blackstone as a single commitment, which has since grown to $19 million. However, all distributions are reinvested back into the fund. She explained that the Distribution to Paid-In Capital (DPI) ratio is expected to reach 1.0, and Blackstone currently reflects a modest gain of 1.12x. By contrast, another real estate fund showed a Residual Value to Paid-In Capital (RVPI) of $3 million on $8 million invested, resulting in a negative return, while Blackstone remained slightly positive. Ms. Longest noted the consistent reporting delays for these private funds and the Committee requested that this be footnoted in future reporting.

Turning to private equity, Ms. Longest emphasized that target returns should exceed 12%. She reported that the Program's 2019 and 2020 vintage investments are performing strongly and have already begun generating significant distributions. These distributions are currently outperforming those of the Program's fixed-income managers. No new private equity allocations have been made since 2021, but the existing portfolio continues to perform well.

The Committee then reviewed asset allocation in relation to the Investment Policy Statement (IPS). Domestic equity remains slightly overweight at 45.3% against a 44% target, while international equity currently stands at 8.1%. The Committee has guided an exit from certain markets, with plans to gradually re-enter international allocations. Private equity is above target at 16.8%, while private real estate remains below target at 3%, reflecting the illiquid nature of those assets. Traditional fixed income is overweight, and hedge funds remain unallocated.

Comparative portfolio metrics were also discussed. On page 15 of the report, the VBIF portfolio was compared to foundations and endowments using Investment Metrics. For the quarter, the Program posted a 1.7% return, placing it in the 7th percentile of its peer group. Performance has steadily improved in recent years. Page 19 presented a five-year risk/return scatter chart, showing VBIF in the upper-right quadrant, indicating higher

returns with appropriate levels of risk compared to peers. The inception return continues to trend positively, and Ms. Longest confirmed that detailed manager-level metrics are included in the report and can be defended if needed.

James (J.) Moon raised concerns about the timeliness of the reporting, noting that much of the data appeared stale by market standards. Ms. Longest explained that reporting delays, particularly in private equity, are common, but she agreed to provide shorter "preliminary reports" with more recent values for future meetings. The Committee agreed that private equity valuations should be footnoted to acknowledge the delay. They also supported receiving interim updates, such as October or November numbers, at the December investment meeting. Private equity currently represents approximately 21% of the Program's total portfolio.

The discussion then shifted to rebalancing and cash flow management. As of August 31, the total portfolio value was $810 million. Cash holdings stood at $6.5 million, with $16 million drawn down between April and August in increments of $2 million. The Committee determined that cash levels should be replenished by January, with a target of $10 million. Anticipated inflows from assessments, scheduled between January and February, are expected to provide an additional $10–19 million. To support liquidity, the Committee recommended raising the cash balance by $10 million through the sale of $12 million from the Large Growth Index Fund. Slusher and approve this recommendation was made by Mr. Gordon, seconded by Ms. Slusher, and carried unanimously.

Operational procedures for transfers were reviewed. Mr. Weir initiates the transfer instruction, which is then approved by Ms. Dawn McCoy. This process provides multiple layers of confirmation and is structured to ensure security.

As of the morning of the meeting, the total portfolio value stood at $812 million. Ms. Longest then presented the market outlook for the third quarter. She noted that unemployment and payroll data had been revised downward, while inflation remained stable. Tariff and interest rate cut projections for 2025 were also discussed. She cautioned that weakness in the labor market appeared to be a greater concern than inflation, and she added that interest rates are unlikely to return to previous low levels.

The Committee concluded with an agreement that Ms. Longest would provide updated numbers through October or November for review at the December investment meeting. The revised report will include both historical trends for traditional investments and preliminary values, with footnotes on reporting delays for private equity.

Process Update:

Mr. Weir opened the session by reminding the Committee that during the last meeting they had discussed the OCIO search process, including consultants and potential candidates. The Committee received the proposal criteria in advance.

The Committee welcomed Ms. Elizabeth Jennings of Clearview, who provided a presentation alongside Mr. Larry Coats, C.E.O. Clearview proposed an OCIO model designed to evaluate governance structures, provide due diligence and transition support, and offer ongoing investment oversight while respecting the Committee's decision-making role.

Mr. Coats emphasized Clearview's experience, noting that the firm was founded 11 years ago and now manages or advises on more than 112 portfolios, drawing on comparisons to over 1,300 peer portfolios nationwide. Their client base includes not-for-profit organizations across 21 states, with particular expertise in the Eastern U.S. The proposed engagement would begin with a governance and policy review, followed by market and peer comparisons, and culminate in an OCIO search process designed to identify firms best suited to the Program's needs. They reviewed different decision-making models, contrasting the current in-house consultant approach with an OCIO framework, which allows for more timely portfolio adjustments aligned with the Board's established investment policy.

During the discussion, Committee members raised several questions. Mr. Moon asked about the appropriate scale for OCIO involvement and expressed concern regarding potential fee stacking. Clearview responded that while size is one consideration, cash flow, transparency, and governance are equally critical. They explained that their fee structures are scalable, and that their governance-driven approach helps organizations achieve value without unnecessary cost. Mr. Gordon highlighted the importance of balancing risk management with the ability to capture market opportunities, which Ms. Jennings confirmed was a common driver for not-for-profit organizations seeking OCIO support.

Ms. Slusher inquired about meeting schedules and suggested that regular check-ins could occur via Zoom to limit the burden on members. Mr. Ratz confirmed that virtual subcommittee meetings would be acceptable. The Board discussed whether Focus Partners should also be considered, with Mr. Hoover noting that they could be a strong candidate but emphasizing that all options must be thoroughly vetted.

Mr. Weir confirmed that he would serve as project manager for the process, ensuring transparency and coordination. Interim meetings may be conducted virtually, and the Committee agreed that the search should not extend beyond a reasonable timeframe.

At the conclusion of the discussion, Mr. Ratz moved to proceed with Clearview as the selected candidate. The Motion was seconded by Ms. Slusher and unanimously approved. Mr. Ratz then moved to Adjourn the session at 4:23 p.m., which was seconded by Ms. Slusher and unanimously approved.