



Trust Funds of State Bankers Association Master Defined Benefit Pension Plan and Trust

Combined Financial Report

September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator and Those Charged with Governance of
Trust Funds of State Bankers Association Master
Defined Benefit Pension Plan and Trust
Glen Allen, Virginia

Opinion

We have audited the accompanying combined financial statements of Trust Funds of State Bankers Association Master Defined Benefit Pension Plan and Trust (the "Trust Funds"), which comprise the combined statement of net assets as of September 30, 2023, and the related combined statement of changes in net assets and trust balances for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the net assets of the Trust Funds as of September 30, 2023, and the changes in its net assets and trust balances 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Trust Funds 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 Combined 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Funds' ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted 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 combined financial statements.

In performing an audit in accordance with generally accepted 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 combined 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 Funds' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Funds' 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.

Other Matter - Form of Combined Financial Statements

The accompanying combined financial statements are those of the Trust Funds of State Bankers Association Master Defined Benefit Pension Plan and Trust, which are established under the State Bankers Association Master Defined Benefit Pension Plan (collectively the "Plans"); these combined financial statements do not purport to present the financial status of the Plans and do not contain certain information on accumulated plan benefits and other disclosures necessary for a fair presentation of the financial status of the Plans in accordance with accounting principles generally accepted in the United States of America. Further, these combined financial statements do not purport to satisfy the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefit plans.

Other Matter - Auditor's Report on the 2022 Combined Financial Statements

The September 30, 2022 combined financial statements of the Trust Funds of State Bankers Association Master Defined Benefit Pension Plan and Trust were audited by predecessor auditors. Their report, dated February 15, 2023, expressed an unmodified opinion on those statements.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
February 7, 2024

**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**COMBINED STATEMENTS OF NET ASSETS
September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Investments at fair value (Note 3)		
Cash and cash equivalents	\$ 96,578	\$ 113,912
Fixed income mutual funds	30,885,658	37,348,831
Equity mutual funds	<u>49,106,276</u>	<u>43,911,426</u>
Total assets	<u>80,088,512</u>	<u>81,374,169</u>
NET ASSETS	<u><u>\$ 80,088,512</u></u>	<u><u>\$ 81,374,169</u></u>

The Notes to Combined Financial Statements are an integral part of these statements.

**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**COMBINED STATEMENT OF CHANGES IN NET ASSETS AND TRUST BALANCES
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>
ADDITIONS TO (DEDUCTION FROM) NET ASSETS ATTRIBUTED TO:		
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments (Note 3)	\$ 7,868,774	\$ (26,768,734)
Interest and dividends	91,774	-
	<u>7,960,548</u>	<u>(26,768,734)</u>
Contributions		
Employer	<u>7,852,000</u>	<u>428,056</u>
Total additions (deductions)	<u>15,812,548</u>	<u>(26,340,678)</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants	15,155,537	13,997,252
Administrative expenses	257,708	272,927
Investment expenses, net	51,988	63,742
Transfers out	<u>1,632,972</u>	<u>-</u>
Total deductions	<u>17,098,205</u>	<u>14,333,921</u>
Net decrease	(1,285,657)	(40,674,599)
NET ASSETS AND TRUST BALANCES:		
Beginning of year	<u>81,374,169</u>	<u>122,048,768</u>
End of year	<u><u>\$ 80,088,512</u></u>	<u><u>\$ 81,374,169</u></u>

The Notes to Combined Financial Statements are an integral part of this statement.

**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023**

Note 1. Plan Description

The Trust Funds of State Bankers Association Master Defined Benefit Pension Plan and Trust (the “Trust Funds”) consist of investment assets of ten pension plans (individually, “Plan”; collectively, “Plans”) for member banks (“Employers”) of the Virginia Bankers Association (“VBA”). The VBA Benefits Corporation supports the Employers with retirement plan administration.

SageView Advisory Group is the 3(38) Fiduciary (“Fiduciary”) and VOYA Institutional Trust Company is the Directed Trustee and Custodian. The accounting records of the Trust Funds are maintained separately from those of VBA, the VBA Benefits Corporation and all other trusts managed by the VBA Benefits Corporation. Annual contributions to the Trust Funds are determined for each Employer through consultations with an actuary. The trustee maintains an accounting record of each Plan’s portion of the investment assets held by the Trust Funds’ Custodian. All payments from the Trust Funds are made in accordance with the written instructions or directions of the administrator of each Employer’s Plan.

As directed by the Employers, assets may be invested in the Fiduciary 25 Portfolio Fund, the Fiduciary 40 Portfolio Fund, and Fiduciary 50 Portfolio Fund, the Fiduciary 60 Portfolio Fund and the Fiduciary 70 Portfolio Fund. The Trustee serves as Custodian and the Fiduciary serves as discretionary trustee of the Trust Funds. Stated investment goals of each fund are as follows:

Fund	Goal
Fiduciary 25 Portfolio Fund	Stability of principal and protection from inflation
Fiduciary 40 Portfolio Fund	Growth of current income
Fiduciary 50 Portfolio Fund	Stable long-term return on investment
Fiduciary 60 Portfolio Fund	Long-term increase in plan assets over time
Fiduciary 70 Portfolio Fund	Maximum growth of capital over a long-term horizon

Note 2. Summary of Significant Accounting Policies

General

The accompanying combined financial statements are those of the Trust Funds and do not purport to present the aggregate financial status of the Plans. Furthermore, these combined financial statements are not designed to be in compliance with the U.S. Department of Labor’s (“DOL”) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (“ERISA”) relating to financial statements of employee benefit plans. Individual Employers may be required to have separate audits performed of their respective Plans to comply with required reporting and disclosure requirements.

Basis of accounting

The combined financial statements of the Plans are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

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**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the periods reported. Accordingly, actual results may differ from those estimates and assumptions.

Cash and cash equivalents

The Trust Funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investment valuation and income recognition

The Trust Funds' 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. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Trust Fund's gains and losses on investments bought and sold as well as held during the year.

The Trust Funds are invested in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the combined statements of net assets.

Contributions

The minimum required employer contributions are recognized, as the obligation to fund the Trust Funds arises, based on the provisions of the Plans. The amounts above the minimum contribution required are recorded when received.

Benefit payments

Benefits are recorded when paid.

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**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

Administrative expenses

The Trust Funds and participating Plan Employers pay administrative expenses. Fees paid by the Trust Funds consist of administrative, management, and trustee fees not reimbursed by participating Plan Employers.

Subsequent events

Subsequent events have been evaluated through February 7, 2024 the date the financial statements were available to be issued.

Note 3. Fair Value Measurements

The Trust Fund's investments are reported at fair value in the combined statements of net assets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust Funds believe its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Trust Funds use appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Trust Funds measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available.

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**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023**

Note 3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Trust Funds' assets at fair value as of September 30, 2023 and 2022. Classifications within the fair value hierarchy table is based on the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>September 30, 2023</u>			
Cash and short-term investments	\$ 96,578	\$ -	\$ 96,578
Mutual funds			
Large U.S. equity	20,686,743	-	20,686,743
Small/mid U.S. equity	6,763,977	-	6,763,977
International equity	17,559,308	-	17,559,308
Other equity	4,096,248	-	4,096,248
Long-term bond	27,444,392	-	27,444,392
Intermediate-term bond	3,441,266	-	3,441,266
Total	<u>\$ 80,088,512</u>	<u>\$ -</u>	<u>\$ 80,088,512</u>
<u>September 30, 2022</u>			
Cash and short-term investments	\$ 113,912	\$ -	\$ 113,912
Mutual funds			
Large U.S. equity	18,017,188	-	18,017,188
Small/mid U.S. equity	6,157,970	-	6,157,970
International equity	15,472,481	-	15,472,481
Other equity	4,263,787	-	4,263,787
Long-term bond	33,393,383	-	33,393,383
Intermediate-term bond	3,955,448	-	3,955,448
Total	<u>\$ 81,374,169</u>	<u>\$ -</u>	<u>\$ 81,374,169</u>

(Continued)

**TRUST FUNDS OF STATE BANKERS ASSOCIATION
MASTER DEFINED BENEFIT PENSION PLAN AND TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023**

Note 3. Fair Value Measurements (Continued)

Level 2 Fair Value Measurements

The fair value of the mutual funds is valued at cost, which approximates fair value. The mutual funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Trust Funds are deemed to be actively traded. At September 30, 2023 and 2022, these mutual funds are held in a separate account. The Trust Funds hold units of the separate account. The units are valued at the daily closing prices reported by the fund plus any applicable dividend income.

Note 4. Related Party Transactions

In accordance with trust agreements governing the trusts that hold the Trust Funds, certain investment expenses consisting of investment management fees, investment consultant fees, and custodial fees are paid from the assets of the Trust Funds. Management, administrative, and consulting fees paid from the Trust Funds to VBA Benefits Corporation or its affiliates for 2023 were \$77,446. The Trust Funds also paid investment and custodial fees of \$270,569, of which \$218,591 were reimbursed from the Custodian to the Trust Funds.

VBA is the sole owner of VBA Benefits Corporation. VBA has a cash balance Plan with assets in the Trust Funds and, as such, has net assets in the Trust Funds amounting to \$3,395,575 and \$3,079,885 at September 30, 2023 and 2022, respectively. VBA made contributions to its Plan in fiscal year 2023 of \$150,000.

Note 5. Participating Employers' Termination

During fiscal year 2021, three of the participating Employers disclosed that they intended to terminate their Plans. The assets associated with the termination total \$1,040 and \$8,210,660 as of September 30, 2023 and 2022, respectively.

Note 6. Tax Status

The Internal Revenue Service determined in an opinion letter dated March 31, 2010, that the Trust Funds related to the VBA Master Defined Benefit Plan as tax exempt under the applicable sections of the *Internal Revenue Code (IRC)*. The Trust Funds received a favorable determination letter dated March 30, 2018 from the *IRC*.

The Trust Funds are believed to be exempt from federal income taxes under Section 501(a) of the *IRC*. Accordingly, the combined financial statements do not reflect a provision or liability for federal and state income taxes. Management has determined that the Trust Funds do not have any material unrecognized tax benefits or obligations as of September 30, 2023 and 2022. The Trust Funds are not required to file a tax return.