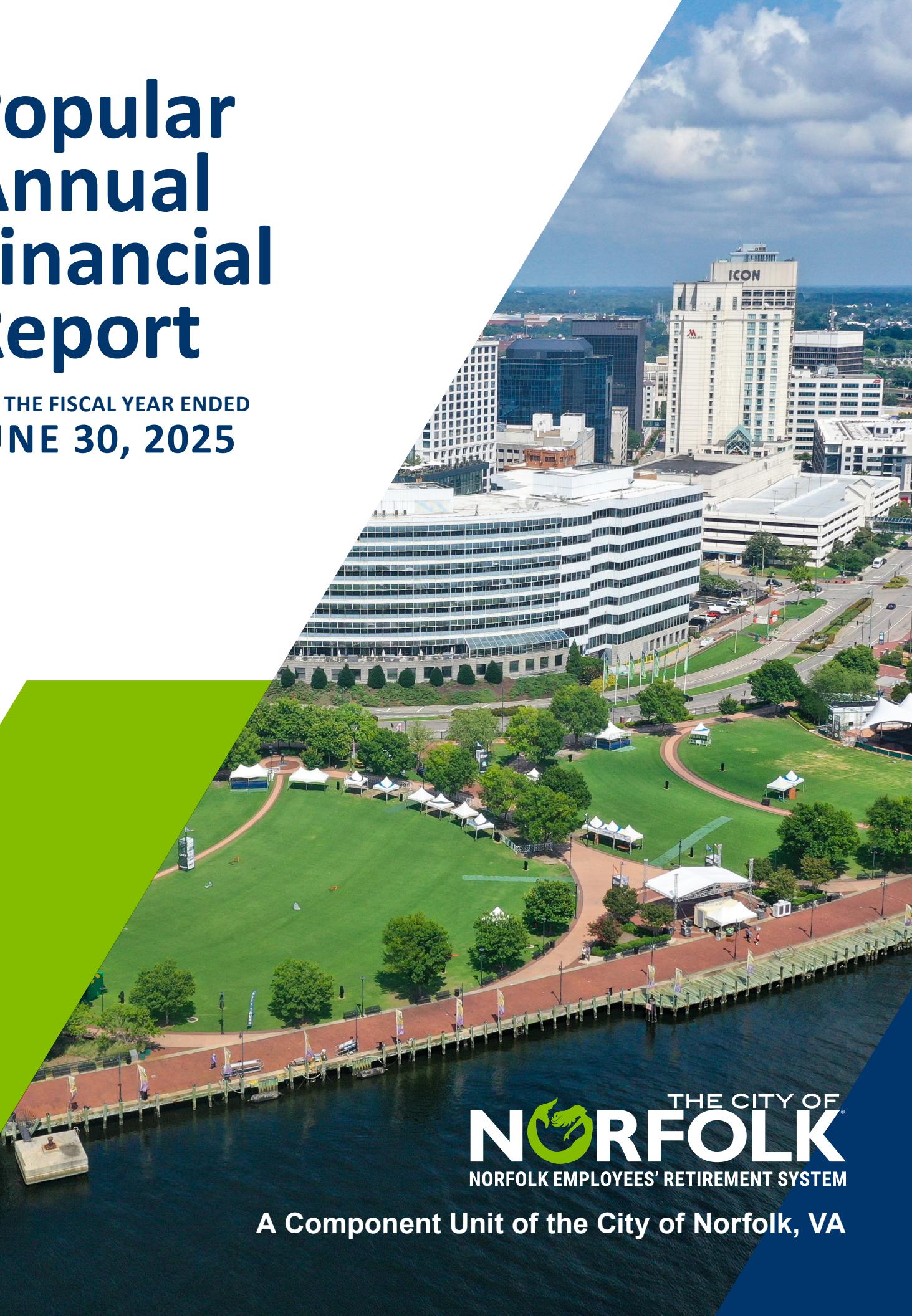


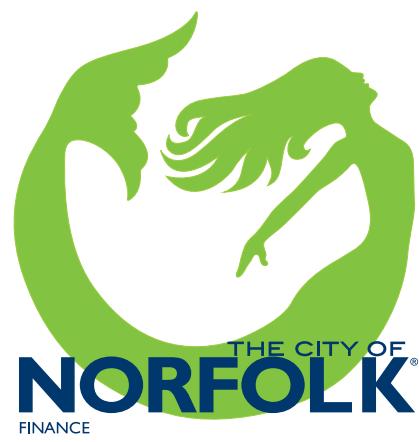
Popular Annual Financial Report

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025



THE CITY OF
NORFOLK
NORFOLK EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the City of Norfolk, VA



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Message to Our Readers

On behalf of the Norfolk Employees' Retirement System of the City of Norfolk (NERS or the System), we are pleased to present the Popular Annual Financial Report (PAFR) for the Fiscal Year ended June 30, 2025, which reflects our ongoing commitment to timely and transparent reporting of our operations. This report provides an accessible overview of the System's financial position and operations and complements the more detailed Annual Comprehensive Financial Report (ACFR).

For over 80 years, NERS has proudly served the employees of the City of Norfolk by providing dependable retirement benefits and long-term financial security for our members and their families. Our dedicated staff remains committed to supporting active members, retirees, and beneficiaries through sound financial stewardship and exceptional customer service.

System leadership is responsible for the accuracy, completeness, and fairness of this report, including all disclosures necessary to help readers understand NERS' financial activities. All financial reporting adheres to U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). While NERS prepares stand-alone financial statements, it is also reported as a fiduciary fund, specifically, a Component Unit Pension Trust Fund, within the City's ACFR.

In Fiscal Year 2025, NERS enhanced member services through its inaugural "proof of life" campaign, successfully verifying the status of over 4,679 retirees and beneficiaries. This initiative was a critical step in safeguarding public assets and ensuring accurate benefit payments. Additionally, we expanded educational outreach, updated retirement planning materials and improved access to online tools, enabling members to attend educational sessions and connect more easily with staff.

We extend our sincere appreciation to the Board of Trustees and the City of Norfolk for their continued leadership and unwavering support of the Norfolk Employees' Retirement System. With their guidance, the System remains financially resilient, empowers members to plan confidently for retirement, and upholds the legacy of public service for generations to come.

Sincerely,

NORFOLK EMPLOYEES' RETIREMENT SYSTEM





Board of Trustees

The members of the Board are appointed and serve pursuant to Chapter 37 of the Norfolk City Code. The Board consists of ten (10) trustees, as follows: The City Manager, ex officio; the Director of Finance, ex officio; and eight (8) trustees appointed by the City Council. The ex-officio trustees serve by virtue of their position with the City of Norfolk. Of the eight (8) trustees, one (1) must be an employee in the Police or Fire departments, one (1) must be an employee from some other City department, four (4) must be citizens of the City, none of whom shall be members of the System and one (1) of whom may be a retiree and two (2) must be citizens of the City, each of whom shall be a bank officer or experienced in the investment of funds, and neither of whom shall be a member of the System.

Yvonne T. Allmond

Chair

Appointed October 30, 2007

Daryl N. Howard

Member represents City Public Safety Employees

Appointed January 29, 2019

Elizabeth (Liz) A. Delude

Vice-Chair

Appointed November 24, 2020

James (Jim) J. Izard, II

Member

Appointed June 11, 2019

John R.E. Garris

Member

Appointed September 12, 2023

Mark R. Warden

Member

Appointed April 9, 2024

Lashawnda W. Hall

Member represents City General Employees

Appointed January 1, 2023

Christine A. Garczynski

Ex-officio Trustee as the Director of Finance

Appointed by virtue of position with the City

Jean G. Hopkins

Member/Citizen represents the NERS

Appointed January 1, 2024

Douglas J. Beaver

Ex-officio Trustee represents the City Manager

Appointed by virtue of position with the City

System Membership

NERS provides retirement benefits to eligible employees of the City of Norfolk, excluding Constitutional Officers, School Board employees and those hired or rehired on or after January 1, 2022, who are covered by the Virginia Retirement System (VRS); NERS is now closed to new membership.

In 2025, NERS had 7,943 members in the following categories:

- **Retirees and Beneficiaries** are currently receiving a lifetime monthly benefit.
- **Vested Former Members** are no longer active employees, have at least five years of creditable service (vested) and are entitled to, but not yet receiving, a lifetime monthly benefit.
- **Active Members** are current employees, vested or non-vested.

THE SYSTEM BY THE NUMBERS

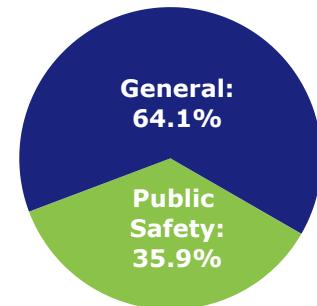
(As of June 30, 2025)

Plan Membership

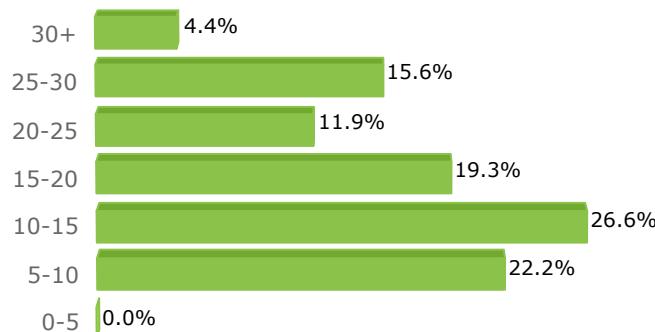
	FY 2025	FY 2024
Retirees and Beneficiaries	4,677	4,630
Vested Former Members	1,560	1,573
Active Members	1,706	1,891
Total Plan Membership*	7,943	8,094

* Decline in membership due to the January 1, 2022, closure of the NERS.

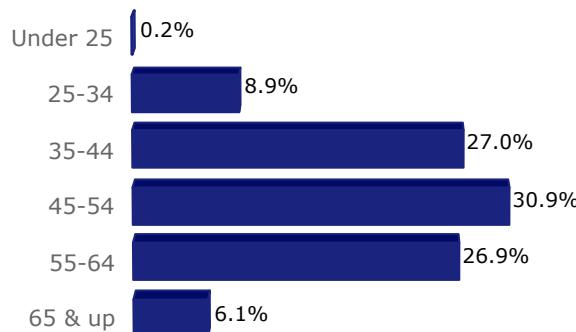
Active Membership by Type



Years of Service at Retirement



Active Membership by Age



Strategic Financial Management

Through prudent investment strategies and annual actuarial valuations, NERS has consistently maintained funding levels sufficient to meet its benefit obligations. The City carefully balances these financial responsibilities with broader budgetary needs, proactively supplementing contributions to the System through the Section 115 Trust Fund established in 2021.

The Pension Trust Fund experienced favorable market performance in Fiscal Year 2025, generating \$150.16 million in investment returns, an increase of \$26.96

million from the prior year. Total liabilities decreased by \$1.44 million or 36.0 percent, primarily due to a decrease in contributions refundable at year end. On an actuarial value basis, the assets returned 8.10 percent compared with an assumed return of 6.75 percent.

The City continues to support the long-term financial health of the System by contributing the actuarially determined amounts needed to reduce the unfunded liability over time. These contributions, combined with prudent investment strategies and annual actuarial valuations, help ensure the System remains adequately funded and able to meet future pension obligations.



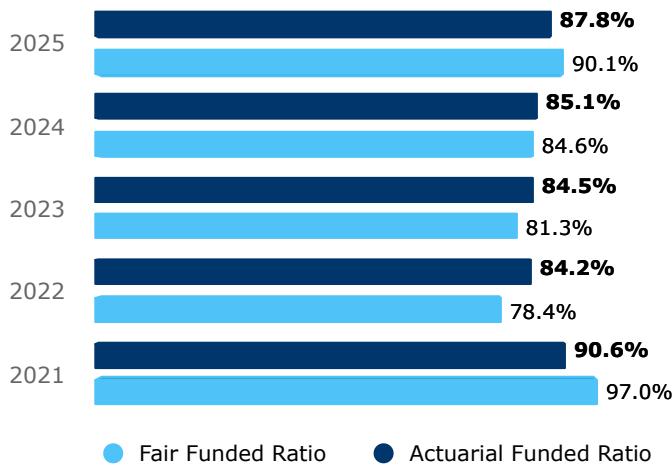
Financial Statements

NERS management is responsible for the preparation and fair presentation of the financial statements. Following an independent audit of the Fiscal Year 2025 statements, CliftonLarsonAllen LLP (CLA) issued an unmodified, or clean, opinion thereon, demonstrating the financials are presented fairly.

- **The Statement of Fiduciary Net Position presents the System's assets and liabilities and the Net Position Restricted for pensions (also known as Funded Ratio) as of June 30, 2025.** Assets include cash and cash equivalents, receivables and fair value of investments. Liabilities are comprised of accounts payable and accrued expenses.
- **System assets exceeded liabilities at the close of Fiscal Years 2025 and 2024 by approximately \$1.42 and \$1.32 billion, respectively.** In Fiscal Year 2025, Plan Net Position Restricted for Pensions increased by \$97.26 million or 7.4 percent from the previous fiscal year.
- **The System's funding objective is to meet long-term benefit obligations through contributions and investment income.** On an actuarial basis, the net position as a percentage of the total pension liability (or funded status) was 87.8 percent at June 30, 2025, compared with 85.1 percent at June 30, 2024.

Funded Status for the Past 5 Fiscal Years

(As of June 30, 2025)



● Fair Funded Ratio

● Actuarial Funded Ratio

Funded status is a key measure of a pension plan's financial health.

The funded status provides a point in time measurement reflecting the System's ability to meet future benefit obligations, based on current assets and liabilities.

It is important to note that pension benefits are paid gradually over time, not all at once. Funds will be available for all current and future retirees and beneficiaries.

Rating agencies consider a funded status of 80 percent to be a well-funded Plan.

Fiduciary Net Position Restricted for Pensions for the Past 5 Fiscal Years

(As of June 30, 2025)

(In '000s)

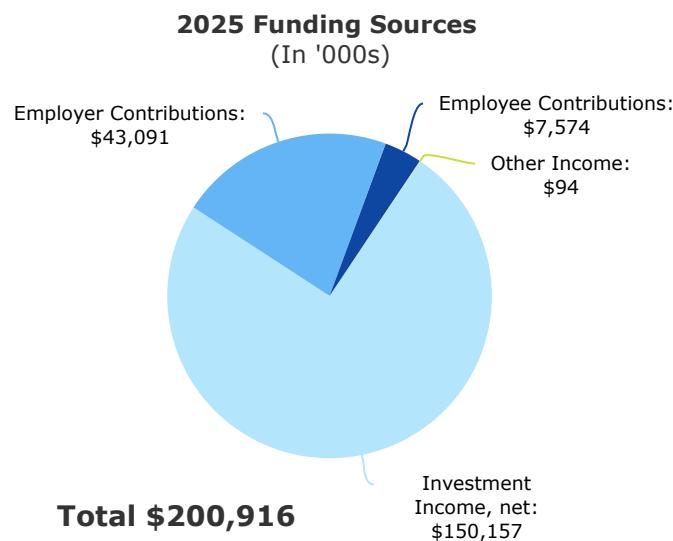


Employees' Retirement System of the City of Norfolk Summary of Plan Fiduciary Net Position For the Fiscal Years Ended June 30, 2025, and 2024

	FY 2025 In '000s	FY 2024 In '000s	Percentage Change
ASSETS			
Cash and cash equivalents	\$ 3,880	\$ 2,527	53.5%
Receivables	605	559	8.2%
Investments	1,411,051	1,316,627	7.2%
Total Assets	1,415,536	1,319,713	7.3%
LIABILITIES			
Accounts payable and accrued expenses	2,556	3,994	-36.0%
Total Liabilities	2,556	3,994	-36.0%
Plan Net Position Restricted for Pensions	\$ 1,412,980	\$ 1,315,719	7.4%

Total additions increased over the prior year by \$26.82 million to \$200.92 million, or approximately 15.4 percent. The increase was primarily due to the investment income increase over the prior year by \$26.96 million to \$150.16 million, or approximately 21.9 percent.

Total deductions increased over the prior year by \$0.37 million to \$103.66 million or approximately 0.4 percent. The increase primarily reflects an increase in benefit payments made over the prior year by \$1.13 million or approximately 1.1 percent as the number of retirees increase.



**Employees' Retirement System of the City of Norfolk
Summary of Changes in Plan Fiduciary Net Position
For the Fiscal Years Ended June 30, 2025 and 2024**

	FY 2025 In '000s	FY 2024 In '000s	Percentage Change
ADDITIONS			
Investment Income/Loss, net	\$ 150,157	\$ 123,193	21.9%
Employer Contributions*	43,091	42,319	1.8%
Employee Contributions	7,574	8,036	-5.7%
Other Income	94	551	-82.9%
Total Additions	200,916	174,099	15.4%
DEDUCTIONS			
Benefit Payments	102,538	101,407	1.1%
Refunds of Contributions	192	935	-79.5%
Administrative Expenses	925	948	-2.4%
Total Deductions	103,655	103,290	0.4%
Net Increase/(Decrease)	97,261	70,809	37.4%
Plan Net Position Restricted for Pensions			
Beginning of the Year	\$ 1,315,719	\$ 1,244,910	
End of the Year	\$ 1,412,980	\$ 1,315,719	7.4%

*Includes \$8.71 million contribution from the Section 115 Pension Trust Fund.

Additional Explanations:

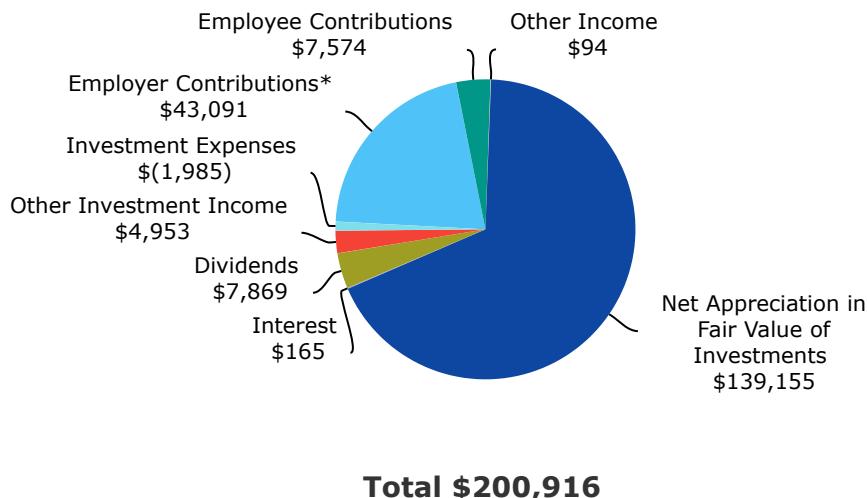
Plan Net Position represents the resources available to pay benefits at the end of the fiscal year. **Changes in Plan Net Position** reflects those resources increased (income) or decreased (expenses) during the year.

Income

As of June 30, 2025
(In '000s)

The System's annual revenue is generated through employer contributions, employee contributions and net investment income.

Contribution levels reflect the employer's Actuarially Determined Contribution (ADC) amount and a mandatory five (5) percent payroll deduction from active NERS members.



*Includes \$8.71 million contribution from the Section 115 Pension Trust Fund.

Contributions

Many factors influence the amount of the City's required contribution to the NERS, including, without limitation, inflationary factors, changes in statutory provisions of the NERS, changes in the level of benefits provided or the contribution amount from the City, decreases in the number of covered employees, changes in actuarial assumptions or methods and differences between the actual and anticipated investment experience of the NERS.

Total Annual Contributions

Fiscal Year	Employer Contributions* (In '000s)	Employee Contributions (In '000s)	Total Annual Contributions (In '000s)
2025	\$ 43,091	\$ 7,574	\$ 50,665
2024	42,319	8,036	50,355
2023	40,134	7,601	47,735
2022	41,457	9,364	50,821
2021	160,252	9,712	169,964

*Fiscal Year 2021 includes \$119.6 million initial contribution from a pension-related General Obligation Bond issuance. Fiscal Year 2023 through Fiscal Year 2025 includes \$8.71 million contribution from the Section 115 Pension Trust Fund.

Investments

The investment of public funds focuses on providing adequate, long-term funding for employee retirement benefits at a reasonable cost. The System seeks an appropriate balance between risk and return to support its long-term financial health. An investment policy guides this approach by managing downside risk while pursuing sustainable growth in asset value.

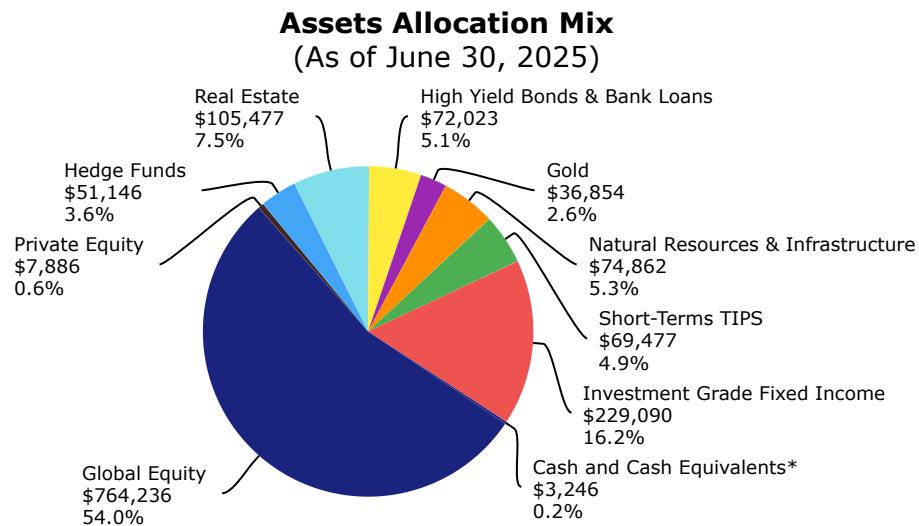
The Board of Trustees has adopted investment policies and guidelines that outline the System's goals, principles and objectives. These policies support the efficient allocation and management of assets dedicated to paying benefits and administrative expenses.

The System's asset allocation strategy is based on several factors, including:

- Long-term capital market expectations;
- Projected assets, liabilities, benefit payments and contributions provided by the System's actuary;
- Economic conditions such as inflation and interest rates; and
- Investment objectives established in the Statement of Investment Policy.

To help protect the portfolio, the System is diversified across asset classes (such as equities, fixed income and cash) and within each class. Diversification helps ensure that no single investment or sector has a disproportionate impact on overall performance.

The following chart shows the asset allocation mix as of June 30, 2025.



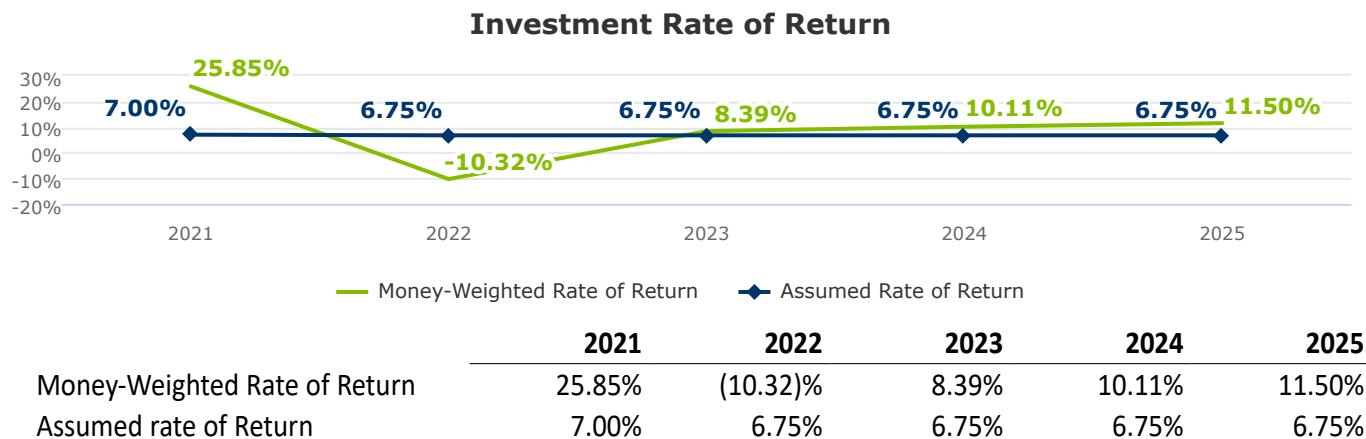
*Excludes cash held in deposits.

Total \$1,414,297 (In '000s)

The Board, supported by the Outsourced Chief Investment Officer (OCIO), oversees the System's investments with prudent care, specialized expertise and a focus on the long-term financial security of NERS members.

Annual investment returns play a key role in providing income for benefit payments. Strong returns help strengthen the System by increasing assets available for future investment. When investment income does not fully cover annual benefit payments, the System must use assets to meet obligations, which can limit future investment potential and impact the System's financial foundation.

This chart illustrates the NERS' portfolio performance over the last five (5) fiscal years. In Fiscal Year 2025 the System achieved a 11.50 percent money-weighted rate of return, well above the long-term assumed rate of return objective of 6.75 percent*.

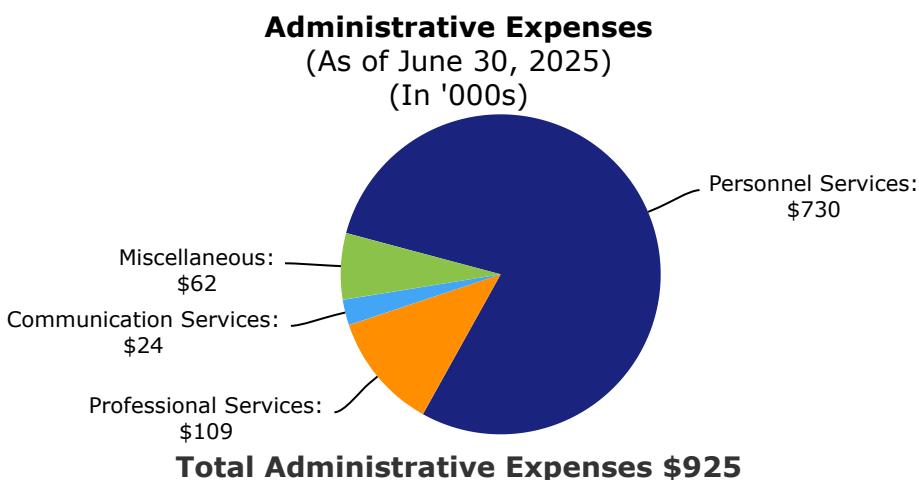
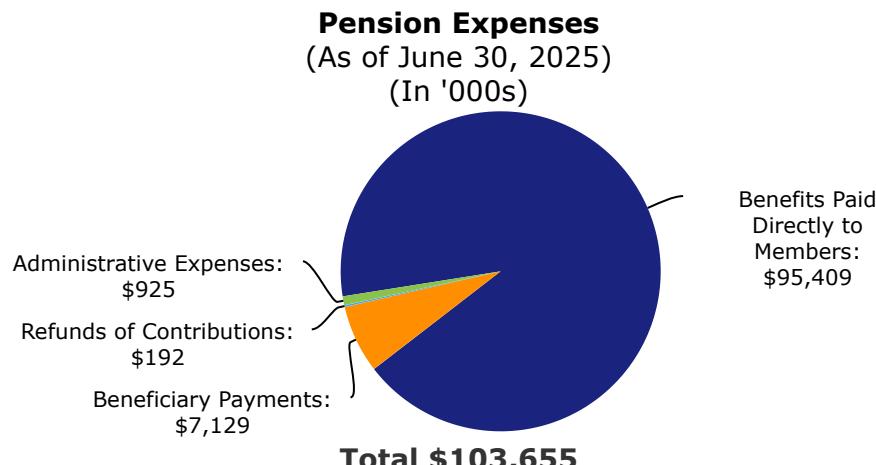


* Assumed Rate of Return reduced from 7.0% to 6.75% in Fiscal Year 2022.

Expenses

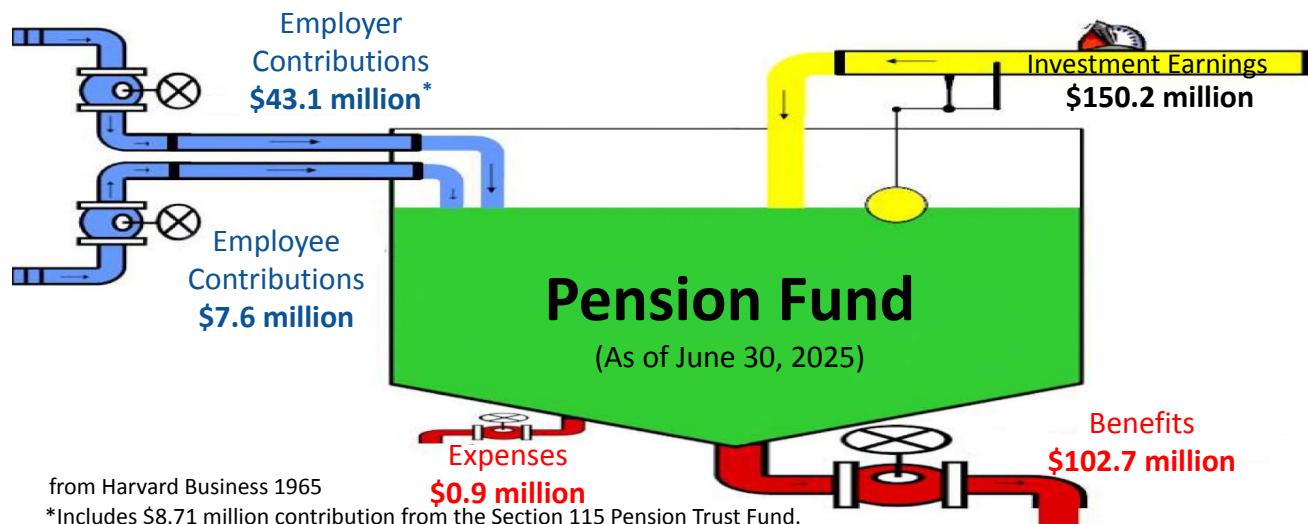
The System's expenses, deductions from net position, include benefit payments, refunds of contributions to former members and the necessary day-to-day costs to operate the System.

In Fiscal Year 2025, pension benefit payments increased over the prior year by \$1.13 million, or approximately 1.1 percent, as the number of retirees increased.



Funded Status

Funded status measures how well NERS is keeping pace with future obligations and indicates whether sufficient assets are being accumulated to pay retirement benefits. The System's objective is to manage contributions and investment earnings in a way that ensures benefits can be met over time. This is illustrated in the graphic below using Fiscal Year 2025 financial data.



To maintain sound practices, NERS regularly evaluates its funded ratio, which is the ratio of the System's assets to its accrued liabilities, as of a point in time. Assets are the value of investments that the System has accumulated. Liabilities are the present value of the future benefits that have been accrued to date.

The actuarial funded ratio increased to 87.8 percent as of June 30, 2025, compared to 85.1 percent in 2024.

Funded Ratio
(As of June 30, 2025)



The Fiscal Year 2021 funded ratio increase was due to the inclusion of the City's one-time \$119.6 million initial contribution from the issuance of pension-related General Obligation Bonds.



As of June 30, 2025, the City's Section 115 Pension Trust Fund held \$67.0 million designated for the benefit of NERS. Had this entire amount been contributed on that date, and recognized as part of System's assets, the System's funded ratio would be 92.1 percent on an actuarial value basis compared to 87.8 percent.

Glossary Of Terms

Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Valuation

A financial estimate of a retirement plan's status at a specified time and is performed by an actuary. It is a tool that helps determine how to finance the plan's future obligations.

Assets

Any resource owned or controlled by a business or economic entity that can be used to produce economic value. Assets represent the value of ownership that either is cash or can be converted into cash.

Change in Plan Net Position

The difference in the total net assets of a pension plan or other fiduciary fund between the beginning and end of a reporting period.

Fiduciary Component Unit

A fiduciary fund that holds and manages pension assets for employees for which a primary government is financially accountable. It is included in the government's financial statements to reflect the full scope of the government's financial activities.

Fiduciary Net Position

The representation of the value of assets minus the liabilities available to fund the pension system's obligations.

Funded Ratio

A financial tool that measures the sufficiency of total assets in comparison to the spending needs.

Liabilities

Debts and obligations that the City owes to other parties.

Net Position

The difference between an entity's total assets and total liabilities.

Total Pension Liability

The projected obligated cost an employer will pay to eligible employees for promised future pension benefits.

Financial Reporting Awards

The Government Finance Officers Association (GFOA) represents public finance officials across the United States and Canada. Its mission is to promote the professional management of government financial resources. The GFOA offers highly regarded professional recognition programs to encourage state and local governments to improve the quality of their financial management.

Award for Outstanding Achievement in Popular Annual Financial Reporting

The GFOA has awarded the fifth consecutive Award for Outstanding Achievement in Popular Annual Financial Reporting to the Employees' Retirement System for the City of Norfolk for the Fiscal Year ended June 30, 2024.

Certificates of Achievement for Excellence in Financial Reporting

The Employees' Retirement System for the City of Norfolk's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2024, was also awarded the Certificate of Achievement for Excellence in Financial Reporting by GFOA. This was the twentieth consecutive year the System has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

These prestigious national awards recognize conformance with the highest standards for preparation of governmental financial reports.



2024 Award for Outstanding Achievement

Contacting Retirement

For a detailed copy of our ACFR and PAFR, other financial reports, as well as a host of further details on the System, please visit our website at www.norfolk.gov/retirement.

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A Component Unit of the City of Norfolk, VA

