# Annual Comprehensive 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

THE CITY OF NORFOLK
FINANCE

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THE CITY OF NORFOLK
NORFOLK EMPLOYEES' RETIREMENT SYSTEM

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Year Ended**

**June 30, 2025**

**Prepared by:**

**Norfolk Employees' Retirement System**

**A Component Unit of the City of Norfolk**

**Penny Whitson**

Executive Director of Retirement

THE CITY OF NORFOLK
FINANCE

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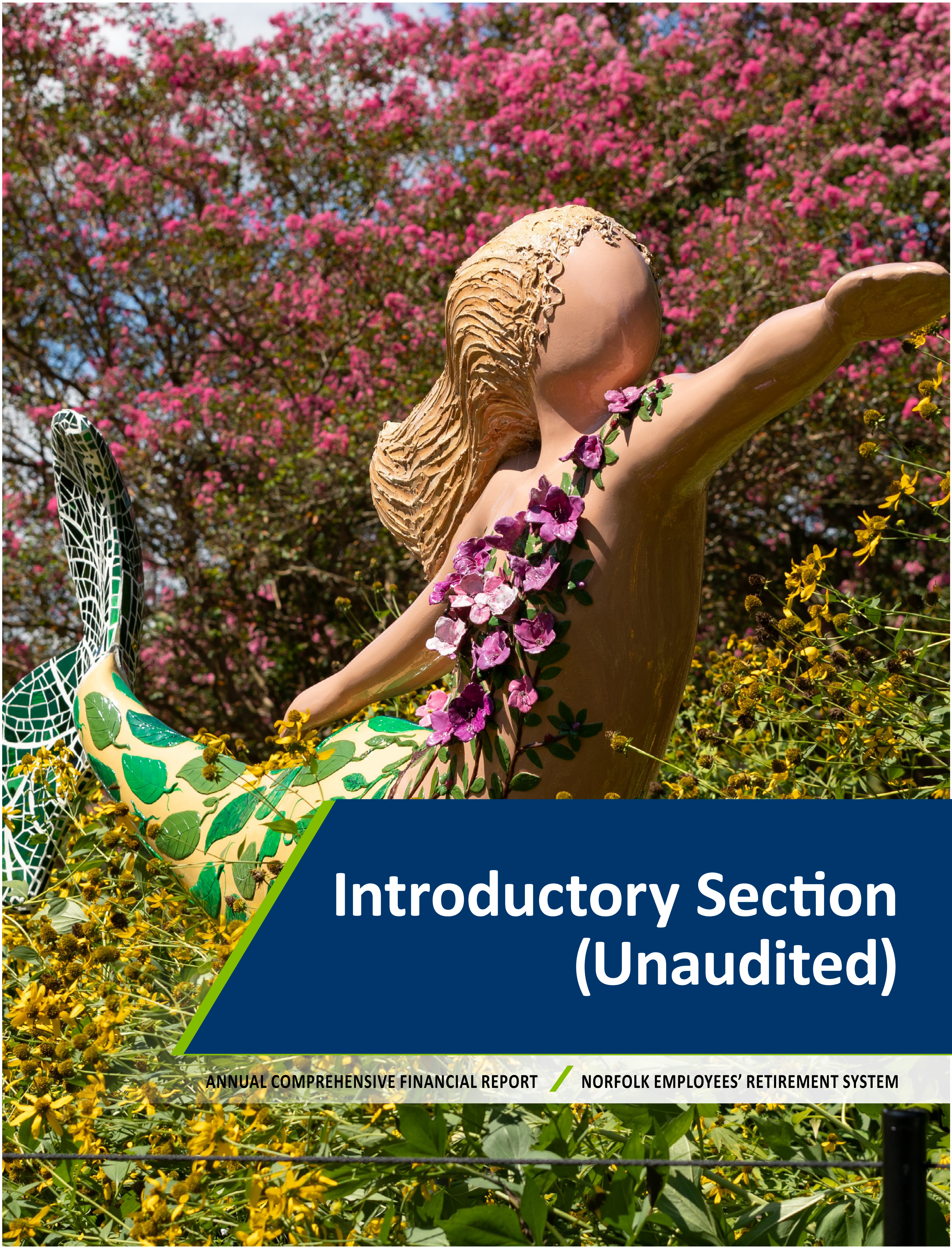

# Introductory Section (Unaudited)

THE CITY OF NORFOLK

FINANCE

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November 30, 2025

# Letter of Transmittal

Members of the Retirement System
Employees' Retirement System of the City of Norfolk Board of Trustees
Norfolk, Virginia 23510

Dear Members and Board of Trustees:

We are proud to present the Annual Comprehensive Financial Report (ACFR) for the Employees' Retirement System of the City of Norfolk (the System or Plan) for the fiscal year ended June 30, 2025. This report demonstrates our continued dedication to delivering timely, accurate, and transparent reporting of our financial and operational information. The System is a Component Unit Pension Trust Fund, included in the financial statements of the City of Norfolk, Virginia.

This report is intended to provide complete and reliable information for a variety of stakeholders, including citizens, taxpayers, plan participants, and credit analysts. The annual financial report offers an overview of the System's financial condition and demonstrates the prudent oversight exercised by the Norfolk Employees' Retirement System (NERS) Board of Trustees (the Board or Trustees). In addition, the report serves as a valuable resource for making informed management decisions and for evaluating the responsible stewardship of the System's assets.

The System's administration is responsible for the preparation, accuracy, completeness, and fairness of the presentation of information included in this report, including all necessary disclosures. Every effort has been made to ensure the financial statements fairly represent the System's net position and changes therein, in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the information provided herein is complete and includes all disclosures necessary to allow the reader to gain a clear understanding of the System's financial activities.

Management's Discussion and Analysis (MD&A), as required by GAAP, is included in the financial section of this report, immediately following the independent auditor's report. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements, along with a detailed assessment of the financial status of the System for the fiscal year ended June 30, 2025 (see page 24). This Letter of Transmittal complements the MD&A and should be read in conjunction with it.

### System History

The System operates a defined benefit pension plan established by ordinance of the City of Norfolk, Virginia (the City), as codified in Section 37 of the Code of the City of Norfolk, Virginia (the Code). The System began operations on January 1, 1942. Section 37 of the Code, as amended from time to time, prescribes the authority under which the City's obligation to contribute to the plan is set forth. The System maintains a single fund for all participants, without segregating assets by employee class or by source of contributions (employer or employee).

The System is a single-employer contributory defined benefit plan that provides retirement benefits to eligible employees of the City. It excludes Constitutional Officers, School Board employees and employees hired or rehired on or after January 1, 2022, who are covered by the Virginia Retirement System (VRS). Effective January 1, 2022, the City, a political subdivision of the Commonwealth of Virginia, through its City Council, elected to join the VRS to provide VRS retirement benefits for eligible employees. As a result, the System closed to new membership on that date. Although the System presents independent financial statements, it is also included as a Component Unit Pension Trust Fund, fiduciary fund type, within the City's ACFR.

**Major Initiatives**

This fiscal year has been marked by significant progress, enhanced operational efficiencies and a steadfast commitment to supporting the City of Norfolk's employees, retirees and beneficiaries. The NERS launched its inaugural Retirement Benefit Verification (Proof of Life) campaign, reaching more than 4,679 retirees and beneficiaries, reflecting NERS' commitment to operational integrity and resource stewardship. Throughout the year, the System placed a heightened emphasis on promoting financial wellness and encouraging retirement savings among its members through expanded outreach and educational initiatives that reflect NERS' ongoing commitment to fostering a well-informed and engaged membership and workforce. The System also prioritized the development and revision of key educational and procedural materials. These resources underscore the System's dedication ensuring members are well-informed and equipped to make decisions aligned with their retirement goals, while simultaneously providing comprehensive guidance to our Board of Trustees, thereby strengthening effective governance and stewardship.

The City continues to promote a workplace culture that embraces continual learning, innovation and the open exchange of ideas. In support of these values, the NERS team remains committed to serving our members both in-person and online, offering counseling services, education and personalized guidance. Members have increasingly utilized online tools, including virtual training webinars, retirement estimate calculators and appointment scheduling through the System's website. Recent updates to the System's website have further improved access to resources, forms and tools for retirement planning.

Looking to the future, we are dedicated to strengthening the System to further enhance both our public service and member support. Our guiding principles continue to focus on serving the best interests of our members, preserving the financial integrity of the System, investing retirement assets prudently, and upholding the highest standards of ethical conduct as stewards of public trust.

**Benefit Provisions**

The System provides a comprehensive range of benefits, including normal and early service retirements, disability pensions and death benefits. Eligibility for most benefits is established after five (5) years of creditable service, a vesting standard in effect since January 1, 1997. Ad hoc cost-of-living adjustments and one-time supplemental benefits may be granted at the discretion of the City Council. All benefit provisions are governed by Section 37 of the City Code.

As of January 8, 2015, all active members of the System are required to contribute five percent (5.0%) of their earnable compensation through mandatory payroll deductions. Once vested, these member contributions become assets of the System and are used to fund future benefit payments. In the event of death or departure prior to retirement or vesting, member contributions, including interest shall be refunded. For the fiscal year ended June 30, 2025, interest on member contributions accrued at a rate of 1.80 percent.

NERS remains committed to delivering responsive and accessible customer service tailored to meet the diverse needs of its members and retirees. Individuals are empowered to engage with the Retirement Office through the channels that best suit them, whether in person, virtually or by participating in employee development fairs and educational sessions.

A cornerstone of NERS' service model is its robust educational outreach program, which emphasizes the importance of proactive retirement planning. To support informed decision-making, actively employed members receive annual estimated retirement benefit statements. In addition, the City's website offers a self-service NERS Benefit Estimator, enabling members to model potential retirement outcomes and project benefit amounts based on various retirement dates. All forms and retirement planning information are available in the Retirement Office, 810 Union Street, Suite 309, Norfolk, Virginia 23510, in addition to email via retirement@norfolk.gov or via the City of Norfolk retirement website at www.norfolk.gov/retirement.

**Accounting System and Internal Control**

This ACFR has been prepared in conformity with accounting and reporting principles established by the GASB. The basic financial statements are presented in accordance with guidelines established by GASB Statement No. 67, Financial Reporting for Pension Plans, and other authoritative accounting standards. Specific accounting policies are disclosed in detail in the "Notes to the Financial Statements."

The System utilizes the accrual basis of accounting to record its assets, liabilities, additions and deductions. Benefit payments and member refunds are recognized when due and payable in accordance with the provisions governing the System. System management is responsible for establishing and maintaining an internal control framework designed to protect the assets of the retirement system against loss, theft or misuse, ensure the integrity of financial data and support the accurate and timely preparation of financial statements in conformity with generally accepted accounting principles. While this framework is intended to provide reasonable assurance of achieving these objectives, it does not provide absolute assurance, as the cost of internal controls must be weighed against their benefits, and such evaluations necessarily involve management, judgement and estimation. The System continues to refine and strengthen its internal controls to promote the sound stewardship of plan assets, the reliability of its financial reporting and adherence to applicable laws and policies.

The Fiscal Year 2025, have been audited by CliftonLarsonAllen LLP (CLA), certified public accountants, in conjunction with the City's annual audit. CLA issued an unmodified ("clean") opinion on the System's financial statements for the Fiscal Year ended June 30, 2025. The independent auditors' report is located on pages 19 through 22.

**Funded Status and Net Pension Liability**

The fundamental objective of public pension funding is to provide a dependable and systematic process for financing the benefits that the retirement system provides. The System is structured to meet its long-term obligations through a combination of investment returns on pension trust fund assets and consistent annual contributions from both the employer and employees. Assessing the funding status of the System is essential to understanding how effectively this objective is being achieved.

Two key indicators are used to measure funding health: the funded ratio and the presence of any unfunded liability. These metrics compare the System's assets to its accrued benefit obligations, or liabilities. A higher funded ratio reflects a stronger financial position and greater capacity for long-term investment growth. Maintaining an adequate funding level provides essential assurance to members that resources are available to meet both current and future benefit commitments.

The System undergoes an annual actuarial valuation, conducted by its actuary, Cheiron. This valuation, provides information for both the actuarially determined contributions (ADC), as well as the actuarially determined total pension liability. The actuarial valuation used for this ACFR was completed with payroll data as of June 30, 2025. As of June 30, 2025, the System's actuarial funded ratio was 87.8 percent, an increase from 85.1 percent as of June 30, 2024. This funded ratio reflects conditions as of the valuation date and does not incorporate market activity subsequent to June 30, 2025. Additional information is included in the Actuarial Section of this ACFR. The System's next planned valuation will reflect market conditions through June 30, 2026.

The financial markets performed better than expected during the Fiscal Year ended June 30, 2025. The actual return on a fair value basis was approximately 11.48 percent. The System experienced a gain on the actuarial value of assets due to investment gains. On an actuarial value basis, the assets returned 8.10 percent compared with an assumed rate of return of 6.75 percent. The System's liabilities decreased by $1.44 million, primarily due to a decrease in contributions refundable at year end.

This ACFR illustrates the City's ongoing commitment to maintaining a financially sound retirement plan for its employees. Long-term funding progress covering the last ten (10) fiscal years is detailed in the Schedule of Funding Progress on page 81. "The Schedule of Employer's Net Pension Liability and Related Ratios" found in the Required Supplementary Information of the Financial Section, presents the System's fiduciary net position as a percentage of the total pension liability, an important measure of funding health. Additionally, the "Schedule of Employer's Contributions" includes historical trend information about the ADC of the employer and the contribution made by the employer in relation to the ADC.

**Section 115 Pension Trust Fund**

In Fiscal Year 2025, the City of Norfolk continued its strategic use of the Section 115 Pension Trust Fund (Trust), originally established in June 2021 with proceeds from the issuance of General Obligation Bonds, to support the NERS and provide long-term flexibility in meeting pending funding obligations. Planned annual contributions from the Section 115 Pension Trust Fund to the System are expected to remain steady at approximately $8.71 million until the assets of the Section 115 Pension Trust Fund are depleted.

As of June 30, 2025, the Section 115 Pension Trust Fund held $67.0 million in assets. If the entire Trust balance had been contributed on June 30, 2025, and recognized as part of the System's assets, the System would be 92.1 percent funded based on the actuarial value of assets and 94.4 percent funded based on the fair value of assets.

**Investment Program**

In accordance with Section 37-96 of the City of Norfolk Code, the Board of Trustees (the Board or Trustees) oversees the System's investment portfolio with the objective to maximize returns while managing risk prudently. Recognizing the need to balance risk and return, the Board has implemented a disciplined, diversified investment strategy designed to meet the System's long-term funding obligations.

The Board formally amended and adopted a Statement of Investment Policy on March 6, 2024, which outlines goals, guidelines, risk parameters and performance expectations for the investments of the System. The Investment Policy is reviewed annually and updated as warranted to ensure alignment with evolving market conditions and the System's funding objectives.

The Board establishes asset allocation targets that constitute the Board's view of a prudent and well-reasoned approach to the management of the entrusted funds. The Independent Outsourced Chief Investment Officer (OCIO), Meketa Investment Group Inc., monitors, evaluates and reports the performance of the investment managers and the aggregated total plan investment portfolio to the Board on a monthly basis. At any given time, the asset mix might deviate from the Board established target; deviations greater than predetermined acceptable levels require rebalancing. The goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes. Most pension funds are invested in a diversified pool of investments. The System has an asset allocation target of 52.0 percent Global Equities and 5.0 percent Private Equity (57.0 percent Growth Assets); 4.0 percent High Yield Bonds and Bank Loans (4.0 percent Credit); 8.0 percent Real Estate, 5.0 percent Natural Resources and Infrastructure, 3.0 percent Gold and 5.0 percent Short-Term Treasury Inflation-Protected Securities (TIPS) (21.0 percent Inflation Hedges); in addition to 14.0 percent Investment Grade Fixed Income and 4.0 percent Hedge Funds (18.0 percent Risk Mitigation).

For Fiscal Year 2025, the investments provided a 11.5 percent one year time-weighted rate of return. The annualized rate of return was 6.8 percent over the past three years and 8.6 percent over the past five years. A listing of investment professionals who provide services to the Board is available beginning on page 12. The Schedule of Investment Management Fees and Commissions is available beginning on page 66. Additional investment information is included in the Investment Section of this ACFR.

The Trustees are empowered to invest the System's assets utilizing the "Prudent Person" standard and to take appropriate action regarding the investment, management and custodianship of Plan assets with the guidance of the OCIO. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, assisting in the selection of investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives. Each investment manager must adhere to the guidelines established by the Trustees and OCIO for investment asset quality, diversification, liquidity and risk. Both annual and longer-term (3 to 10 years) goals for investment returns are established for each manager.

**Professional Services**

The consultants and professionals who are contracted by the Board to perform services that are essential to the effective and efficient operation of the System are listed on page 12. A certification letter from the actuary, Cheiron, is also included as part of this ACFR on pages 69 through 71. The System's policy is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. State Street Bank and Trust is the System's custodian.

**Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System of the City of Norfolk for its ACFR for the Fiscal Year ended June 30, 2024. This was the twentieth consecutive year that the System has achieved this prestigious award.

In addition to the ACFR, GFOA awarded the System the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the Fiscal Year ended June 30, 2024. This was the fifth year the System has achieved this award.

These prestigious national awards recognize conformance with the highest standards for preparation of governmental financial reports. Recognition from various industry organizations demonstrates the NERS' commitment to excellence in financial reporting.

To receive a Certificate, a financial report must be easily readable, efficiently organized, and satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility.

**Acknowledgements**

The compilation of this report reflects the combined effort of the System's staff under the leadership of the Director of Finance, serving the Board of Trustees.

The reliability of monthly benefit payments is paramount to our retired members. The System also provides estimates of what working members can expect to receive in retirement, retirement information and account balances to those entering the Deferred Retirement Option Program (DROP), account balances of what has been paid in contributions during employment and tax documents for payments received and taxes withheld, just to name a few services. But the System does not operate on its own. Having team members dedicated to the best outcome for our customers is at the heart of our service delivery and therefore on behalf of the Board of Trustees, I would like to take this opportunity to express our sincere gratitude to the staff, the advisors and to the many people who have worked so diligently to help ensure the successful operation of the System.

Sincerely,

Christine Garczynski
Director of Finance

Penny L. Whitson
Executive Director of Retirement

# Board of Trustees

## Composition of The Board

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, neither of whom shall be a member of the System.

## Consultants and Professionals

**Legal Advisor**
Bernard A. Pishko, City Attorney
Andrew R. Fox, Deputy City Attorney

**Actuary**
Cheiron
McLean, VA

**Outsourced Chief Investment Officer (OCIO)**
Meketa Investment Group, Inc.
Boston, MA

**Medical Examiners**
NowCare Physicians, PC
Norfolk, VA

**Custodian**
State Street Bank and Trust
Kansas City, MO

**Independent Auditor**
CliftonLarsonAllen LLP (CLA)
Arlington, VA

## Investment Managers

See page 60 of the Investment Section for Manager Assignments.

**Global Equity**

State Street Global Advisors
Boston, MA

Kopernik Global Investors
Tampa, FL

Dimensional Fund Advisors
New York, NY

First Eagle Investment Management
New York, NY

ABS Global Investments
Greenwich, CT

DF Dent & Co.
Baltimore, MD

J. Stern & Co.
London, UK

## Real Estate

J.P. Morgan Chase Bank
New York, NY

UBS Trumbull
Hartford, CT

Morgan Stanley Asset Management
New York, NY

## Fixed Income

State Street Global Advisors
Boston, MA

Wellington Management
Boston, MA

Brigade Capital Management
New York, NY

Brandywine Global Investment Management
Philadelphia, PA

The Vanguard Group
Malvern, PA

## Natural Resources, Gold, and Infrastructure

State Street Global Advisors
Boston, MA

J.P. Morgan Chase Bank
New York, NY

First Eagle Investment Management
New York, NY

## Hedge Funds

36 South Capital Advisors
London, UK

BH-DG Systematic Trading
London, UK

Sculptor Capital Management
New York, NY

Alpstone Capital (Suisse) SA
Geneva, Switzerland

Lombard Odier Asset Management
New York, NY

## Private Equity

NexPhase Capital
New York, NY

Vitruvian Partners
London, UK

Lexington Partners
New York, NY

Flagship Pioneering
Cambridge, MA

Gauge Capital
Southlake, TX

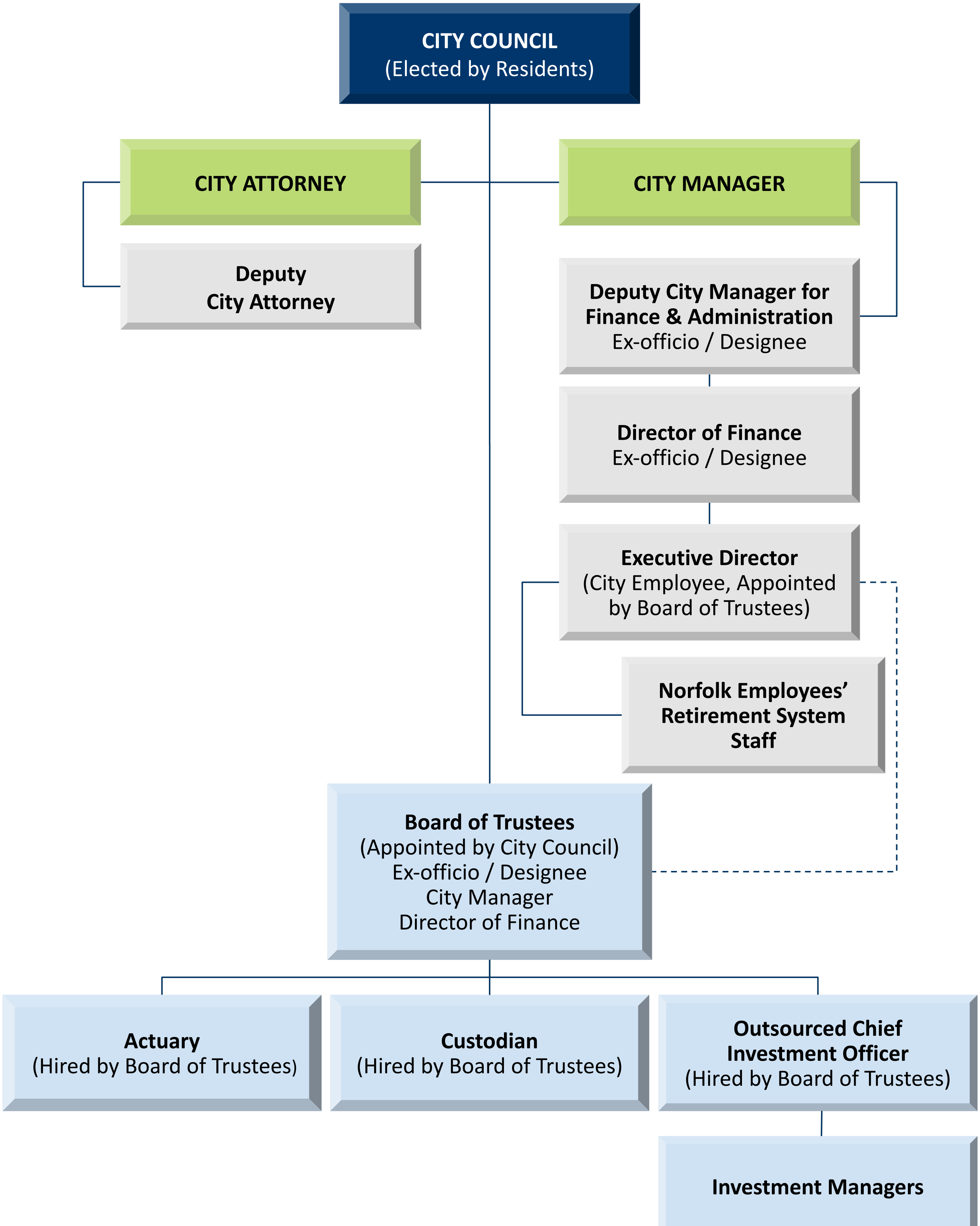
KPS Capital Partners LP
New York, NY

Oakley Capital
London, UK

Mainsail Partners
Austin, TX

Falfurrias Capital Partners
Charlotte, NC

## Organizational Chart



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Employees' Retirement System of the City of Norfolk Virginia**

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

Government Finance Officers Association

# Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Employees' Retirement System of the City of Norfolk Virginia**

For its Annual Financial Report
For the Fiscal Year Ended

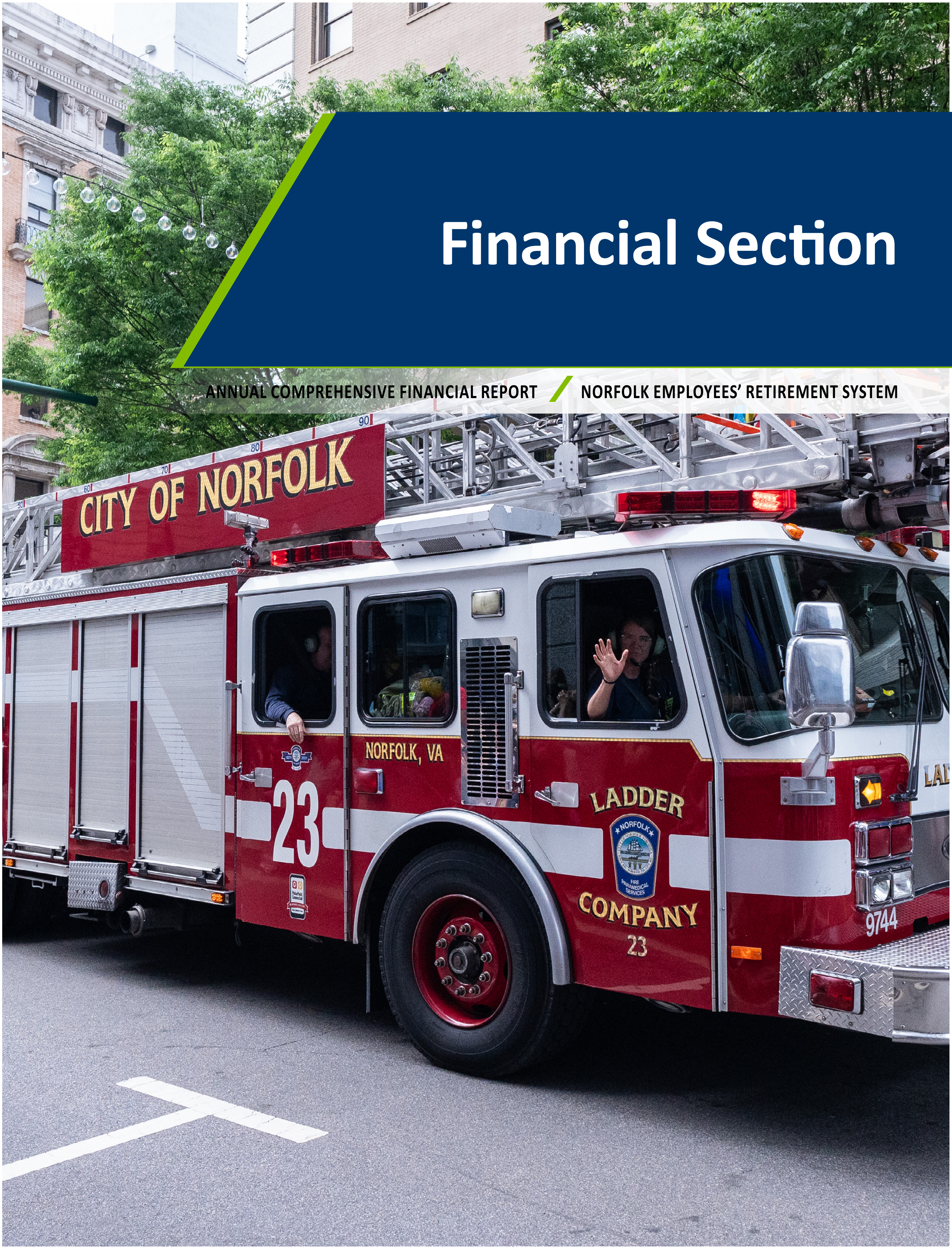
June 30, 2024

Christopher P. Morrill

Executive Director/CEO

# Financial Section





THE CITY OF NORFOLK
FINANCE

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CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Trustees
Employees' Retirement System of the City of Norfolk
Norfolk, Virginia

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Norfolk (the System), a component unit of the City of Norfolk, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System'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 System, as of June 30, 2025, and the 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 Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System 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 opinions.

### *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 System'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.

Board of Trustees
Employees' Retirement System of the City of Norfolk

***Auditors' 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 auditors' report that includes our opinions. 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 System'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 System'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.

Board of Trustees
Employees' Retirement System of the City of Norfolk

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer's net pension liability and related ratios, employer's contributions, and investment returns and related notes 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 GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedule of administrative expenses and schedule of investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of administrative expenses and the schedule of investment expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Employees' Retirement System of the City of Norfolk

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

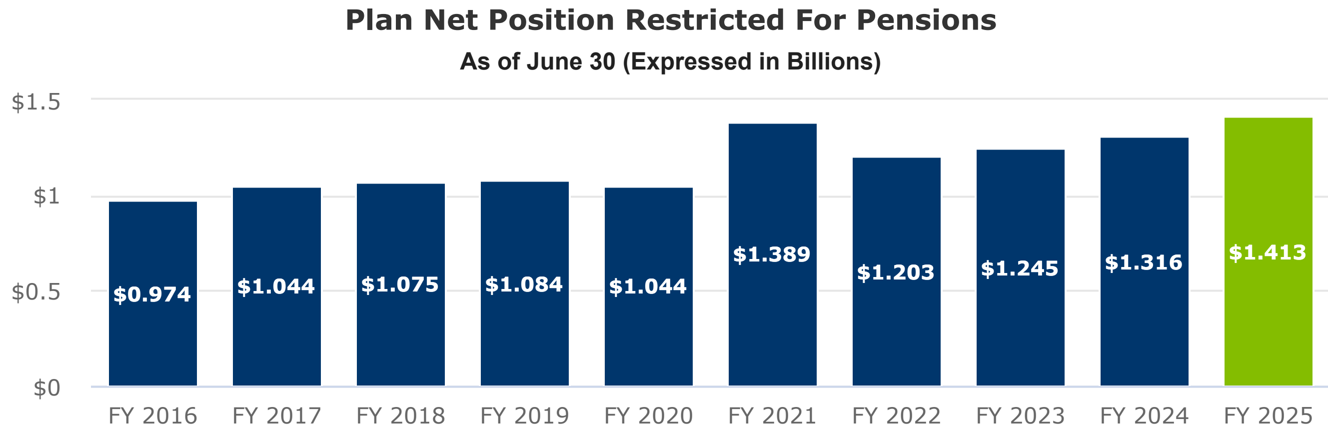
Arlington, Virginia
November 26, 2025

## Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the financial performance of the System provides an overview and comparison of financial activities for the Fiscal Years ended June 30, 2025, and 2024. Please read Management's Discussion and Analysis in conjunction with the basic financial statements and the related notes thereto, which follows this discussion.

## Financial Highlights

- System assets exceeded liabilities at the close of Fiscal Years 2025 and 2024 by $1.41 billion and $1.32 billion, respectively (reported as Plan Net Position Restricted for Pensions). Total Plan assets are held in trust to meet future benefit obligations.
- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The actuarial value net position as a percentage of the total pension liability was 87.8 percent and 85.1 percent, for June 30, 2025, and June 30, 2024, respectively. The fair value net position as a percentage of the total pension liability was 90.1 percent and 84.6 percent, for June 30, 2025, and June 30, 2024, respectively.
- The City of Norfolk began making separate contributions to the System from the Section 115 Pension Trust Fund established in June 2021. The first $8.71 million contribution was made from the Section 115 Pension Trust Fund effective Fiscal Year ended 2023 (July 2022) and is projected to continue at approximately $8.71 million annually until the Section 115 Pension Trust Fund assets are depleted. As of June 30, 2025, the Section 115 Pension Trust Fund held $67 million in assets. If the entire Trust balance had been contributed on June 30, 2025, and recognized as part of the System's assets, the System would be 92.1 percent funded based on the actuarial value of assets and 94.4 percent funded based on the fair value of assets.
- 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 of benefit payments made over the prior year by $1.13 million or approximately 1.1 percent as the number of retirees increase.




The above graph represents the System's annual difference between the total assets and the total liabilities over a period of ten years, also known as the net position restricted for pensions.

## Overview of the Financial Statements

This ACFR consists of two financial statements: The Statement of Plan Fiduciary Net Position and the Statement of Changes in Plan Fiduciary Net Position. These financial statements report information about the System as a whole and about its financial condition. These financial statements include all assets and liabilities that are due and payable using an economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all additions and deductions are accounted for regardless of when cash is received or paid.

The Statement of Plan Fiduciary Net Position presents all the System's assets and liabilities, with the difference reported as plan net position restricted for pensions. Over time, increases and decreases in plan net position restricted for pensions measure whether the System's assets available for benefits is improving or deteriorating. The Statement of Changes in Plan Fiduciary Net Position presents how the System's plan net position restricted for pensions, changed during the most recent fiscal year. These two financial statements should be reviewed along with the footnotes, unaudited required supplementary information and the other supplementary information, to determine the financial strength of the System and to understand changes over time in the funded status of the System.

**Employees' Retirement System of the City of Norfolk**
**Summary of Plan Fiduciary Net Position**
**For the Fiscal Years Ended June 30, 2025, and 2024**
(Expressed in '000s)

| | FY 2025 | FY 2024 | 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%** |

## Analysis of Financial Activities

Total assets as of June 30, 2025, and 2024, were $1.42 billion and $1.32 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. Total assets increased $95.82 or 7.3 percent for Fiscal Year 2025, as a result of increase in the investments.

Total liabilities as of June 30, 2025, and 2024, were $2.56 million and $3.99 million, respectively, and were comprised of accounts payable and accrued expenses. Total liabilities decreased by $1.44 million or 36.0 percent for Fiscal Year 2025, primarily due to a decrease in contributions refundable at year end.

System assets exceeded liabilities at the close of Fiscal Years 2025 and 2024 by $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 year. The increase is due to an increase in investment income that more than offsets the increased deductions, resulting from the increased number of retirees and the expansion of the DROP.

**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**
(Expressed in '000s)

| | FY 2025 | FY 2024 | Percentage Change |
|---|---|---|---|
| **ADDITIONS** | | | |
| Investment Income (Loss), net | $ 150,157 | $ 123,193 | 21.9% |
| Employer Contributions* | 43,091 | 42,319 | 1.8% |
| Employee Contributions | 7,287 | 8,036 | -9.3% |
| Other Income | 381 | 551 | -30.9% |
| **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 contributions from the Section 115 Pension Trust Fund.

## Additions to Plan Net Position

The funds needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income for Fiscal Years 2025 and 2024 totaled $200.92 million and $174.10 million, respectively.

Additions increased for Fiscal Year 2025 by $26.82 million from the prior year, due primarily to increase in investment income. The actual return on a fair value basis was approximately 11.48 percent. On an actuarial value basis, the assets returned 8.10 percent compared with an assumed rate of 6.75 percent.

## Deductions from Plan Net Position

The deductions from plan net position restricted for pensions include pension benefit payments to retirees and beneficiaries, refunds of mandatory contributions to non-vested members that left City employment or NERS membership, in addition to the cost of administering the System. Total deductions for Fiscal Year 2025 were $103.66 million, an increase of 0.4 percent over Fiscal Year 2024 deductions.

Pension benefit payments increased by $1.13 million in Fiscal Year 2025 or 1.1 percent, from the previous fiscal year. The increase in pension benefits payments is attributed to the increase in the number of new retirements resulting from the expansion of the Deferred Retirement Option Program (DROP) to all NERS members. The DROP expansion entitles all eligible NERS members, including public safety and general employees, the ability to retire and continue working as an active employee with a reduced deferred retirement benefit up to sixty consecutive months, without exceeding the mandatory retirement age. See page 79 for details on changes to the beneficiary population. Refunds of Contributions decreased by $0.74 million in Fiscal Year 2025 or 79.5 percent, from the previous fiscal year due to the decrease in the number of non-vested members resulting from the closure of the System. Administrative expenses for the Fiscal Years 2025 and 2024 were $0.93 million and 0.95 million, respectively.

## Retirement System as a Whole

The System's plan net position restricted for pensions as a percentage of the total pension liability, referred to as the funded ratio, increased in Fiscal Year 2025 compared to Fiscal Year 2024. The System's funded ratio on an actuarial value of assets over liabilities was 87.8 percent and 85.1 percent as of June 30, 2025 and 2024, respectively.

Effective Fiscal Year beginning 2023, the City of Norfolk began making separate contributions to the System from the Section 115 Pension Trust Fund that was previously established in June 2021. The first $8.71 million contribution was made from the Trust in July 2022 and is projected to continue at $8.71 million annually until the Trust assets are depleted. As of June 30, 2025, the Trust held $67 million in assets. Had this entire amount been contributed on June 30, 2025, and recognized as part of System's assets, the System's funded ratios would be 92.1 percent on an actuarial value basis compared to the 87.8 percent that does not include the Section 115 Pension Trust Fund assets.

## Current Economic Condition

### Fiscal 2025 Year in Review

At the beginning of Fiscal Year 2025, the global economy was characterized by stubborn inflation and steady growth. Global growth was projected at 3.2%[1] for 2024, and 3.3% in 2025, roughly in line with previous forecasts. Inflation in global services-oriented sections was elevated and keeping inflation levels above the tolerance levels for many central banks, especially in developing markets, delaying anticipated interest rate cuts.

**Quarter ended September 30, 2024**

As the first quarter of Fiscal Year 2025 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5%[2] in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the U.S., inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter and services costs remained a significant contributor to monthly price increases.

Global economic growth was projected to remain stable, and most major economies were expected to avoid a recession. However, key economic data in the U.S. had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some reducing rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

The U.S. equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the U.S. equity markets.

Non-U.S. developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the first quarter, with Japanese equities hitting multi-decade highs, which significantly contributes to the overall performance. In a reversal of earlier trends, the weakening U.S. dollar in first fiscal quarter had a beneficial impact on returns for U.S. investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the first fiscal quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad U.S. bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the first quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

**See accompanying footnotes on page 53.**

**Quarter ended December 31, 2024**

At the start of the second quarter of Fiscal Year 2025, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The U.S. election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts, and deportations, raising concerns about future inflationary pressures and economic stability. Despite these concerns, U.S. equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

Even with the market focused on economic impacts from the incoming U.S. administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-U.S. markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong U.S. dollar. Overall, the quarter highlighted significant divergence between U.S. and international markets, driven by varying economic policies and geopolitical uncertainties.

Global equity and bond markets exhibited varied performance. U.S. equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-U.S. developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong U.S. dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of U.S. investments.

In the fixed income market, the broad U.S. bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High Yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.

**Quarter ended March 31, 2025**

At the start of the third quarter of Fiscal Year 2025, the global economy was guided by mixed outcomes across the globe influenced by various geopolitical and economic factors. Uncertainty surrounding U.S. administration tariffs, economic policies, and inflationary pressures shaped market sentiment. In the U.S., domestic equities sold off during the first quarter, with the Russell 3000 Index declining by 4.7%. Growth stocks underperformed value stocks, while small-cap stocks trailed large-cap stocks. Defensive sectors outperformed, reflecting cautious investor sentiment.

Internationally, non-U.S. developed market stocks, as measured by the MSCI EAFE, rose by 6.9%, bolstered by rate cuts from the European Central Bank, planned increases in EU defense spending, and a weakening U.S. dollar. Emerging market equities, tracked by the MSCI Emerging Markets Index, returned 2.9%, with notable gains in Chinese equities (+15.0%), driven by enthusiasm around DeepSeek AI and stimulus measures introduced by the Chinese government. Divergence in the returns among various asset classes displayed the benefits of a diversified portfolio after a long stretch of U.S. Large Cap Equity dominance.

**See accompanying footnotes on page 53.**

In the fixed income market, most segments posted positive returns. The broad U.S. bond market (Bloomberg Aggregate) gained 2.8%, supported by a declining rate environment. Long-term Treasuries were the best performers, with the Bloomberg Long U.S. Treasury index returning 4.7%, while high yield bonds, as represented by the Bloomberg High Yield index, posted modest gains (+1.0%) due to prevailing economic uncertainties. Bond and equity volatility increased during the quarter amidst policy and trade uncertainties, with the U.S. Volatility Index (VIX) finishing above its long-run average.

**Quarter ended June 30, 2025**

At the close of the final quarter of Fiscal Year 2025, the global economy exhibited mixed outcomes influenced by trade news, fiscal concerns, inflationary pressures, and improving risk sentiment across asset classes. In early April, President Trump unveiled the Liberation Day tariffs, which sent shock waves throughout global markets, before announcing a 90-day pause a week later.

In the U.S., equity markets posted strong returns during the quarter, with the Russell 3000 Index gaining 11.0%, driven by stabilizing tariff concerns, robust corporate earnings, and the resilient U.S. economy. Growth Stocks significantly outperformed value stocks, particularly in the large-cap segment (Russell 1000 Growth: +17.8% vs. Russell 1000 Value: +3.8%), bolstered by gains in AI-related mega-cap technology companies. Small-cap stocks (Russell 2000) also performed well, rising 8.5%, though they trailed large-cap stocks.

In the fixed income market, most segments posted positive returns, with the Bloomberg Aggregate gaining 1.2%, supported by stable or declining Treasury yields. Longer duration Treasuries underperformed (Bloomberg Long U.S. Government: -1.5%) due to fiscal concerns driving yields higher along the 30-year curve. Inflation-related risks contributed to gains in Treasury Inflation-Protected Securities (TIPS), with the Bloomberg TIPS index gaining 0.5%.

In summary the quarter underscored the benefits of diversification across asset classes, with varying performance driven by fiscal and inflationary dynamics alongside improving risk sentiment.

**Summary**

The table below highlights the full fiscal year returns for various benchmarks referenced in the review:

| Index | 1-Year Return as of June 30, 2025 |
|---|---|
| S&P 500 | 15.2% |
| Russell 3000 | 15.3% |
| MSCI EAFE | 17.7% |
| MSCI EAFE (Local) | 8.0% |
| MSCI EM | 15.3% |
| MSCI China | 33.8% |
| Bloomberg Aggregate | 6.1% |
| Bloomberg TIPS | 5.8% |
| Barclays High Yield | 10.3% |
| Bloomberg Long US Government | 1.6% |

Overall, in Fiscal Year 2025, global economies experienced varied growth and inflation trends.

**See accompanying footnotes on page 53.**

The U.S. saw an annual GDP growth of 2.0% for the full fiscal year, using the advanced estimate of economic growth from the Bureau of Economic Analysis. Inflation in the U.S. moderated to 2.7% by June, and the Federal Funds rate declined from a range of 5.25-5.50% to start the fiscal year down to 4.25-4.50% by the year end. Using the preliminary estimate from Eurostat, Eurozone's GDP grew by 1.4%[3] in fiscal 2025, with inflation stabilizing at 2.0% for the year. Japan's economy expanded by 0.8% in fiscal 2025 (preliminary), with an annual inflation rate of 3.3%, and was the only major economy to raise rates during the year. China's official government numbers showed it grew GDP by 5.2%[4], supported by resilience exports and government stimulus, though inflation remained low at 0.1% for the full fiscal year.

Unemployment rates also varied across these regions. In the U.S., the unemployment rate was 4.1%[5] in June 2025, reflecting a slight decrease from a year ago. The Eurozone's unemployment rate remained relatively stable, ending at 6.3%[6]. Japan's unemployment rate was low, at approximately 2.5%[7], down from 2.7% at the start of the fiscal year, supported by steady job creation. In China, the unemployment rate hovered around 5.0%[8], with government policies aimed at maintaining employment stability.

## Fiscal Year 2026 Outlook

In Fiscal Year 2025, the U.S. economy continued to outpace other developed markets, maintaining robust growth despite elevated interest rates. The Federal Funds rate ended the year just above 4% and roughly one percentage point lower than where it began, and economic activity remained well above recessionary levels. Investor resilience in the face of new tariffs, coupled with sustained enthusiasm for AI innovation, contributed to strong performance in equity markets. Fixed income markets also delivered positive returns, supported by the positive risk sentiment.

Fiscal Year 2026 is poised to be a pivotal one, potentially marked by significant economic, political, and social development. There are several areas that could guide markets, both positively and negatively. These include:

Trump Administration Policies

- The Trump Administration, so far, has entailed increased immigration enforcement, tariffs, and the passage of the fiscal spending and tax legislation known as the "One Big Beautiful Bill". While headlines and economists have opined on how these policies may affect the market and economy, limited impacts have flowed through to hard data so far.
- President Trump's tariff announcements, specifically on "Liberation Day" caused material market volatility. A week later, the administration announced a 90-day pause of these tariffs levels to allow for negotiations. Upon expiration of that 90-day pause, the delay was extended until August 1st. While some partial trade deals have been made, agreements with most trading partners are still up in the air, keeping uncertainty in place in the global economy. Uncertainty can delay business investment, depressing spending. While tariffs on imports from countries like China, Mexico, Canada, and the European Union aim to protect U.S. industries and generate federal revenue, they could lead to domestic inflation by increasing prices of imported goods, though the extent of this impact depends on the final breadth, height, and duration of the tariffs, as well as potential mitigating actions by companies and countries.[9]

**See accompanying footnotes on page 53.**

- The One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025. This comprehensive legislation includes significant tax cuts, adjustments to federal spending, and an increase in the statutory debt limit. Major impacts include reduction in Medicaid and Affordable Care Act coverage, changes to student loan repayment options, and substantial funding for rural health programs.
- The Congressional Budget Office (CBO) provided a detailed analysis of the One Big Beautiful Bill Act (the Bill). Here are some key points:

Federal Deficit: The bill is projected to increase the federal deficit by $3.8 trillion over the 2026-2034 period, primarily due to tax changes, including making the 2017 tax cuts permanent.[10]

Medicaid and SNAP: There will be significant reductions in federal spending, with $698 billion less for Medicaid and $267 billion less for the Supplemental Nutrition Assistance Program (SNAP).[10]

Distributional Effects: The Bill's benefits are not evenly distributed. Higher-income households are expected to see an increase in resources, while lower-income households, particularly those in the lowest decile, may experience a decrease.[10]

- Stricter immigration policies could reduce the labor force, leading to wage inflation and potential negative effects on economic growth and investment, especially as the U.S. population ages and the share of seniors increases.[11]

Federal Reserve Policy Dynamics

- The Federal Reserve faces a challenging year in fiscal 2026, dealing with inflation levels above its target and uncertainties related to the Trump Administration's economic policies.[12]
- The most recent Summary of Economic Projections (SEP) from March 2025, shows a slight downward revision in GDP growth estimates compared to the previous SEP from December 2024. The median GDP growth projection for 2025 was adjusted from 2.1% to 1.7%.[12]
- The SEP from March 2025 also indicated a slight upward revision in inflation expectations compared to the previous SEP from December 2024. The median projection for the Personal Consumption Expenditures (PCE) inflation rate for 2025 was adjusted from 2.2% to 2.4%, while the core PCE inflation rate, which excludes food and energy prices, was revised from 2.1% to 2.3% for 2025.[12]

U.S. Equities and Market Concentration

- In Fiscal Year 2026, U.S. equities are likely focused on concentration risk and elevated valuations, with a few selected large-cap stocks, known as the "Magnificent 7," driving much of the market gain.
- As of June 30, 2025, the Magnificent 7 accounted for 32.2% of the total market capitalization of the S&P 500. This is down from 32.5% on June 30, 2024.[13]
- Overall, since President Trump's election, consumer stables, materials and utilities have performed well. The outperformance of utilities is often credited to the massive energy needs of the expanding artificial intelligence businesses. Performance of these sectors, at the expense of Information Technology and Telecommunications, show that at least in calendar 2025, positive performance is broadened out versus just the Magnificent 7 companies.

**See accompanying footnotes on page 53.**

- Valuations remain elevated, with price-to-earnings ratios well above historic averages as of the end of Fiscal Year 2025, reflecting optimism about earnings growth and economic resilience, but also increasing vulnerability to macroeconomic shocks and earnings disappointments.

Global Economic Growth

- According to the International Monetary Fund's (IMF) April annual report, global growth in 2025 was downgraded from 3.3% to 2.8%, 0.5% lower than 2024. For 2026, the IMF estimate of global growth declined from 3.3% to 3.0%. Concerns related to trade policy, including tariffs, and their impact on growth drove the reduction.[14]
- Growth forecast in the U.S. saw one of the larger declines for calendar 2025 (2.7% to 1.8%). The IMF cited trade war escalation, persistent inflation, and a possible slowdown in consumption as reasons for the decline.[15]
- China's growth forecast was also substantially lowered for this year (4.6% to 4.0%) versus the projection from January. Key reasons behind the downgrade include weaker external demand from trade tensions, continued property sector struggles, policy uncertainty and continued demographic pressures.[15]
- Growth in the EU is projected to only be slightly lower (1.0% to 0.8%) in 2025.[15]

**See accompanying footnotes on page 53**.

## Contacting System Financial Management

The ACFR is designed to provide citizens, taxpayers, plan participants, and the marketplace's credit analysts with an overview of the System's finances and the prudent exercise of the Board's oversight. Any questions regarding this report or requests for additional financial information should be directed to the Employees' Retirement System of the City of Norfolk, 810 Union Street, Suite 309, Norfolk, Virginia 23510, or via email to retirement@norfolk.gov. This report, along with previous years financial reports, can be found online at www.norfolk.gov/retirement.

## Employees' Retirement System of the City of Norfolk
## (A Pension Trust Fund)
## Statement of Plan Fiduciary Net Position
## June 30, 2025
(Expressed in '000s)

| | |
|---|---|
| **Assets:** | |
| Cash and Cash Equivalents | $ 3,880 |
| Receivables: | |
| Accrued Investment Income | 605 |
| **Investments:** | |
| **Alternative Investments:** | |
| Private Equity | 7,886 |
| **Commingled Funds:** | |
| Equity | 875,951 |
| Fixed Income | 370,591 |
| Real Estate | 105,477 |
| Hedge Funds | 51,146 |
| **Total Commingled Funds** | **1,403,165** |
| **Total Investments** | **1,411,051** |
| **Total Assets** | **1,415,536** |
| **Liabilities:** | |
| Accounts Payable and Accrued Expenses | 2,556 |
| **Total Liabilities** | **2,556** |
| **Plan Net Position Restricted for Pensions** | **$ 1,412,980** |

**See accompanying independent auditor's report.**

## Employees’ Retirement System of the City of Norfolk
## (A Pension Trust Fund)
## Statement of Changes in Plan Fiduciary Net Position
## For the Fiscal Year Ended June 30, 2025
(Expressed in ‘000s)

| | |
|---|---|
| **Additions:** | |
| Investment Income: | |
| Net Appreciation in Fair Value of Investments | $ 139,155 |
| Interest | 165 |
| Dividends | 7,869 |
| Other Income | 4,953 |
| **Investment Income, Gross** | **152,142** |
| Less: Investment Expenses | (1,985) |
| **Investment Income, Net** | **150,157** |
| Employer Contributions* | 43,091 |
| Employee Contributions | 7,287 |
| Purchase of Service | 287 |
| Other Income/Interest | 94 |
| **Total Additions** | **200,916** |
| **Deductions:** | |
| Benefits Paid Directly to Members | 95,409 |
| Beneficiary Payments | 7,129 |
| Refunds of Contributions | 192 |
| Administrative Expenses | 925 |
| **Total Deductions** | **103,655** |
| **Net Increase** | **97,261** |
| | |
| **Plan Net Position Restricted for Pensions** | |
| Beginning of the Year | **1,315,719** |
| End of the Year | **$ 1,412,980** |

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

**See accompanying independent auditor’s report.**

# Employees' Retirement System of the City of Norfolk
# (A Component Unit)
# Notes to Financial Statements
# For the Fiscal Year Ended June 30, 2025

## Note 1. Organization and Summary of Significant Accounting Policies

**Reporting Entity**: The Employees' Retirement System of the City of Norfolk (the System or Plan) is the administrator of a single-employer contributory defined benefit plan that covers eligible employees of the City of Norfolk (the City). It excludes Norfolk School Board and Constitutional Officer employees covered by the Virginia Retirement System (VRS), as authorized by Section 143(a) of the City Charter. The City, a political subdivision of the Commonwealth of Virginia, acting through the Council of the City, elected to join the VRS and provide VRS retirement benefits for its eligible employees effective January 1, 2022. The System was closed to new membership effective January 1, 2022. The System was established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and death benefits as authorized by the provisions of Chapter 37 of the City Code. Effective January 8, 2015, all System members pay contributions on a salary reduction basis in the amount of five percent (5%) of earnable compensation, except for City Council members hired before October 5, 2010. City Council members hired before October 5, 2010, do not pay member contributions. Effective December 13, 2011, all employees hired on or after December 13, 2011, are required to meet the employee contributions and vesting requirement of five years of NERS participation to be eligible to receive benefits under the System.

The System has a ten-member Board of Trustees appointed by the City Council of the City, including the City Manager and Director of Finance as ex-officio trustees. The System meets the definition of a fiduciary fund of the City under applicable accounting standards and as a result, the System's financial statements are incorporated into the Annual Comprehensive Financial Report (ACFR) of the City. These financial statements are those of the System and not of the City as a whole. The System represents resources held in trust for the benefit of employees and retirees, rather than for the City's own programs or general operation.

**Basis of Accounting**: The financial statements of the System are prepared using the accrual basis of accounting as required under the provisions of Governmental Accounting Standards Board ("GASB") No. 67, Financial Reporting for Pension Plans ("GASB 67"). Employer contributions are recognized when received by the Plan or when a legal obligation has been established. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

**Cash and Cash Equivalents:** Cash equivalents consist of short-term investments with maturities of six months or less. Short-term investments are recorded at fair value.

**Investment Valuation Method:** Investments are reported at fair value in accordance with GASB 72, Fair Value Measurement and Application. 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.

Net appreciation or depreciation in fair value of investments is reflected in the Statement of Changes in Plan Fiduciary Net Position and includes realized gains and losses on investments purchased and sold and the change in appreciation or depreciation from one period to the next. 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. Acquisition costs are included in the cost of investments purchased, and sales are recorded net of selling expenses.

**Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in plan net position during the reporting period. Actual results could differ from those estimates.

## Note 2. Description of the Plan

The System is the administrator of a single-employer, contributory, defined benefit plan that covers eligible employees of the City of Norfolk, Virginia, excluding the School Board and the Constitutional Officer employees and City employees hired on or after January 1, 2022, who are covered by the Virginia Retirement System. Although the System presents separate financial statements, it is also included in the City of Norfolk's ACFR as a fiduciary component unit. The types of employees covered and current membership as of June 30, 2025, consists of the following:

**Active, Retired and Vested Former Members and Beneficiaries**
**For the Fiscal Year Ended June 30, 2025**

| | General | Public Safety | Total |
|---|---|---|---|
| Retirees and Beneficiaries Receiving Benefits | 3,150 | 1,527 | 4,677 |
| Vested Former Members Entitled to but not Receiving Benefits | 1,146 | 414 | 1,560 |
| Active Plan Members | 1,093 | 613 | 1,706 |
| **Total*** | **5,389** | **2,554** | **7,943** |

*Excludes fourteen (14) members due a refund of mandatory member contributions. See Note 4 for more details. Also includes one-hundred thirty two (132) members currently in the Deferred Retirement Option Program (DROP) and eight (8) members on Leave of Absence that are currently vested.

The System provides retirement benefits, as well as disability pensions and death benefits. Benefits vest after ten (10) years of creditable service prior to January 1, 1997. All benefits vest after five (5) years of creditable service as of January 1, 1997. Creditable service includes membership service and allowable military service. Employee eligibility requirements are as follows:

Retirement (for employees who became members prior to July 1, 1980): Normal service retirement age is the earlier of age 60 or after completion of 30 years of creditable service for general employees, and the earlier of age 55 or after the completion of 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Retirement (for employees who became members on or after July 1, 1980): Normal service retirement age is the earlier of age 60 or after completion of 30 years of creditable service for general employees, and age 55 or after the completion of 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation (average of three highest years of earnable compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Retirement (for employees who became members on or after July 1, 2018): Normal service retirement age is the earlier of the retirement age as defined under the Social Security Act (42 U.S.C. 416 et seq. and amended) with at least five (5) years of creditable service or the age at which the sum of creditable service years and age equals 90 for general employees, and age 60 with 5 years of creditable service or age 50 with 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation (average of five consecutive highest years of earnable compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Effective January 1, 2015, the City Council adopted Ordinance Number 45,566 that established a Deferred Retirement Option Program (DROP) for police officers and firefighters eligible for normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of seventy (70) percent while continuing employment with the City without loss of any other employee benefits. Effective October 1, 2022, the City Council approved to amend the program and extend the maximum permissible DROP duration from four to five years of participation. Effective January 1, 2023, the DROP was expanded to include all eligible NERS members, including any police officer or firefighter as well as all general employee classifications.

Upon the member's election to participate in the DROP, the amount of creditable service and the average final compensation becomes frozen for purposes of determining pension benefits. The participant is considered retired for all purposes related to the System and does not accrue additional retirement benefits, except for ad hoc one-time cost-of-living supplements, often commonly referred to as "COLAs", if applicable.

The DROP participant's reduced monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive their DROP account balance and will begin receiving their full monthly pension benefit. The participant's DROP account balance is not credited with investment gains or losses.

As of June 30, 2025, the DROP liability is $64.69 million and is not recognized as due and payable in the Statement of Plan Fiduciary Net Position since it represents accumulated liabilities of active employees within the DROP.

Ad hoc COLAs, one-time supplemental payments, are provided at the discretion of the City Council. Participants should refer to the Plan document for a complete description of these provisions. No supplemental payment was authorized by City Council for NERS retirees in Fiscal Year 2025.

The System is established by Chapter 37 of the Code of the City of Norfolk, Virginia. The benefit provisions of the System are also determined by this Code section.

Effective January 1, 2022, the System closed to new membership.  City employees hired or rehired on or after January 1, 2022, will be participating members of the Virginia Retirement System (VRS), if applicable.

## Note 3. Net Pension Liability

The components of the net pension liability of the System on June 30, 2025, were as follows:

(Expressed in '000s)

| | |
|---|---|
| Total Pension Liability (Actuarial Value) | $1,568,398 |
| Plan Fiduciary Net Position (Fair Value) | 1,412,980 |
| **Net Pension Liability** | **$ 155,418** |
| **Plan Fiduciary Net Position as a percentage of the Total Pension Liability** | **90.1%** |

## Note 4. Actuarial Assumptions and Contributions Made

Significant assumptions used to calculate contribution requirements are the same as those used to calculate the actuarial accrued liability. Normal cost is funded on a current basis. Due to the Plan closure and declining future payroll, periodic contributions for normal cost will be represented as a dollar amount as of Fiscal Year 2025. The funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

Chapter 37 of the Code of the City of Norfolk, Virginia, as amended from time to time, establishes the City's obligation to contribute to the Plan. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The employer contribution was made by the City totaling $34.38 million in July 2024, in accordance with the actuarially determined contribution requirement, and additionally $8.71 million was received from the Section 115 Pension Trust Fund, for a total employer contribution of $43.09 million.

Effective January 8, 2015, all System members (with the exception of City Council members hired before October 5, 2010) are required to make mandatory contributions on a salary reduction basis in the amount of five (5) percent of earnable compensation. These contributions accumulate thereafter with interest equivalent to the 12-month certificate of deposit (CD) instrument as established by the Board at the beginning of each fiscal year until the member is fully vested in benefits under the Plan. Such contributions are refundable to members who terminate before becoming vested for retirement benefits. Upon vesting, members' mandatory contributions become an asset of the System to be used to pay benefits under the System. Mandatory employee contributions totaled $7.29 million for the Fiscal Year ended June 30, 2025. The System paid approximately $0.19 million in refundable contributions in the year ended June 30, 2025, and is retaining approximately $1.15 million in refundable contributions payable as of June 30, 2025, for ninety eight (98) members that have left or may leave NERS membership prior to vesting and may be due a refund of mandatory contributions.

The funding objective of the Employees' Retirement System is to:

A. fully fund the normal cost contribution for the current year determined under the funding method, and
B. liquidate the unfunded accrued liability based on a level percent of payroll over a closed amortization period of 20 years.

**Employee and Employer Contributions**
**For the Fiscal Year Ended June 30, 2025**
(Expressed in '000s)

| | Total |
|---|---|
| Employee Contributions | $ 7,574 |
| Employer Contributions* | 43,091 |
| **Total** | **$ 50,665** |

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

The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following summarized actuarial assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Asset Valuation Method | 3-Year Smoothed Value |
| Amortization Method | Level Dollar Closed, 20-Year Layers |
| Discount Rate | 6.75% |
| Inflation | 3.0% |
| Salary Increases – General Employees | Average of 4.52% over a 30-year-career; based on rates that vary by year of service and are compounded annually |
| Salary Increases – Public Safety Employees | Average of 5.04% over a 30-year-career; based on rates that vary by year of service and are compounded annually |

**Mortality:**

Pre-Retirement

| | |
|---|---|
| General: | Pub-2010(B) General Employee Below-Median Table with fully generational improvements using Scale MP-2021, with 5 percent of deaths assumed accidental |
| Public Safety: | Pub-2010 Safety Employee Table with fully generational improvements using Scale MP-2021, with 60 percent of deaths assumed accidental |

Healthy Annuitant

| | |
|---|---|
| General: | Pub-2010(B) General Healthy Annuitant Below-Median Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Healthy Annuitant Table with fully generational improvements using Scale MP-2021 |

Disabled

| | |
|---|---|
| General: | Pub-2010 General Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |

**Rate of Return:** The annual money-weighted rate of return, net of investment expenses, as of June 30, 2025, was 11.50 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2025, are summarized in the following table:

| Asset Class | 20-Year 2025 Long-Term Expected Real Rate of Return |
|---|---|
| Global Equity | 5.8% |
| Private Equity | 8.5% |
| High Yield Bonds & Bank Loans | 4.3% |
| Short-Term TIPS | 5.8% |
| Natural Resources & Infrastructure | 6.5% |
| Real Estate | 3.9% |
| Gold | 1.4% |
| Investment Grade Bonds | 2.6% |
| Hedge Funds | 2.1% |
| Inflation Assumption | 3.0% |

**Discount Rate:** The discount rate, as of June 30, 2025, used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contributions rate and that City contributions will be made in accordance with the funding policy assumption adopted by the City Council. That policy includes contributions equal to the employer portion of the Entry Age normal cost for members as of the valuation date plus an amortization payment on the unfunded actuarial liability (UAL). The UAL is based on an actuarial value of the assets that smooths investment gains and losses over three years and a measurement of the actuarial liability. The initial UAL is being amortized over a closed 20-year period. Future annual changes to the UAL due to plan changes, assumption changes, gains and losses will be amortized over their own closed 20-year periods. All rates are developed using a level percent of pay amortization method with a three (3) percent per year increase. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments and pay administrative expenses. The GASB 67 depletion schedule was prepared for the next 99 years. Projected benefit payments are discounted at the long-term expected return of 6.75 percent (net of investment expenses). The single equivalent rate used, for purposes of GASB 67/68, to determine the Total Pension Liability as of June 30, 2025, was 6.75 percent.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following presents the net pension liability of the System, calculated using the discount rate of 6.75 percent, compared to the System's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

**Net Pension Liability**
(Expressed in '000s)

| 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|
| $326,898 | $155,418 | $11,086 |

The actuarial assumptions above are based on the results of an Experience Study performed in 2022, which covered the period from July 1, 2016, to June 30, 2021, and the presumption that the System will continue until the last employee and beneficiary are paid. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial accrued liability. Experience studies are typically conducted every five years with the next one scheduled for 2027.

## Note 5. Deposits and Investments

**Deposits:** The carrying amount of the System's deposits with financial institutions was $634 thousand as of June 30, 2025. These bank balances were covered by Federal Depository Insurance or commercial insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Regulations of the Code of Virginia. Under the Act, banks holding public deposits more than the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Virginia Security for Public Deposits Act and for notifying local governments of compliance by banks.

**Investments:** The Board of Trustees of the System has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the Code of Virginia (1950), as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such instruments to minimize the risk of large losses unless under the circumstances, it is clearly prudent not to do so.

The following was the Board's adopted asset allocation policy as of June 30, 2025:

| Asset Class | Target Allocation |
|---|---|
| **Growth Assets** | **57.0%** |
| Global Equity | 52.0% |
| Private Equity | 5.0% |
| **Credit** | **4.0%** |
| High Yield & Bank Loans | 4.0% |
| **Inflation Hedges** | **21.0%** |
| Real Estate | 8.0% |
| Natural Resources & Infrastructure | 5.0% |
| Gold | 3.0% |
| Short-Term TIPS | 5.0% |
| **Risk Mitigation** | **18.0%** |
| Investment Grade Fixed Income | 14.0% |
| Hedge Funds | 4.0% |

The following investment disclosures are in accordance with GASB Statement No. 40.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Equity and fixed income investments are not insured and are registered in the name of the System and held by State Street Bank as custodian. The System's policy is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia.

**Interest Rate Risk:** The System has outlined a policy on duration to help manage its interest rate risk. The Investment Policy Statement outlines "duration" as the weighted average effective duration of each Account's fixed income portfolio, including cash equivalents. As of June 30, 2025, the System had Commingled Funds holding fixed income assets, which are based on their average maturity.

## Segmented Time Distribution
## For the Fiscal Year Ended June 30, 2025
(Expressed in '000s)

| | | Investment Maturities (in years) | | | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Fair Value | Under 1 | 1 – 3 | 3 – 6 | 6 – 10 | 10+ | Not Available[1] |
| Equity Funds[2] | $ 875,951 | $ - | $ - | $ - | $ - | $ - | $ 875,951 |
| Fixed Income Funds | 370,591 | - | 69,477 | 44,702 | 47,126 | 181,964 | 27,321 |
| Private Real Estate Funds | 105,477 | - | - | - | - | - | 105,477 |
| Hedge Funds | 51,146 | - | - | - | - | - | 51,146 |
| Private Equity | 7,886 | - | - | - | - | - | 7,886 |
| **Totals** | **$ 1,411,051** | **$ -** | **$ 69,477** | **$ 44,702** | **$ 47,126** | **$ 181,964** | **$ 1,067,781** |

[1]Commingled fixed income funds are included at their NAV based on the weighted average maturity of the fund.

[2]Includes Natural Resources, Gold and Infrastructure.

**Credit Risk:** Credit Risk is the risk that the System will lose money because of the default of the security of the issuer or investment counterparty. The System's commingled funds are unrated, as they are not subject to credit risk rating disclosure**.**

## S&P Credit Quality Rating Scale
## For Fiscal Year Ended June 30, 2025
(Expressed in '000s)

| | Fair Quality Ratings | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AAA | AA+/AA /AA- | A+/A /A- | BBB+ /BBB /BBB- | BB+/BB /BB- | B+ and below | Unrated[3] | Totals |
| Equity Funds[4] | $ - | $ - | $ - | $ - | $ - | $ - | $ 875,951 | $ 875,951 |
| Fixed Income Fund | - | - | - | - | - | - | 370,591 | 370,591 |
| Private Real Estate Funds | - | - | - | - | - | - | 105,477 | 105,477 |
| Hedge Funds | - | - | - | - | - | - | 51,146 | 51,146 |
| Private Equity | - | - | - | - | - | - | 7,886 | 7,886 |
| **Totals** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$1,411,051** | **$1,411,051** |

[3]Commingled fixed income funds are included in the unrated section because they are not subject to credit risk rating disclosure.

[4]Includes Natural Resources, Gold and Infrastructure.

**Concentration of Credit Risk:** Concentration of Credit Risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investments are managed by the OCIO.

The following table presents the fair value of investments that represent five (5) percent or more of the System's net position on June 30, 2025:

**Investment**
(Expressed in '000s)

| | | |
|---|---|---|
| SSGA Russell 3000 Index | $ | 215,060 |
| First Eagle Global Equity | $ | 126,224 |
| SSGA MSCI EAFE Index | $ | 99,667 |
| Wellington Core Bond | $ | 97,481 |
| J. Stern & Co. World Stars Global Equity | $ | 92,360 |
| SSGA Russell 1000 Growth Index | $ | 76,034 |

**Foreign Currency Risk:** Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2025, all investments were held in alternative investments and commingled funds. Therefore, the System did not have direct foreign currency exposure.

## Note 6. Transactions with the City of Norfolk

The System reimburses the City for administrative costs related to the System's operations. The costs reimbursed for the Fiscal Year 2025 were $773,942.

## Note 7. Income Tax Status

The Internal Revenue Service has ruled in a determination letter dated September 29, 2016, that the System qualifies under Section 401-1(b)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The System operates pursuant to City Code. Instances of non-compliance with City Code are addressed when discovered. As of June 30, 2025, there are no such instances expected to have a material impact to the financial statements.

## Note 8. GASB 72 Fair Value Measurements and Application

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2025:

| | June 30, 2025 |
|---|---|
| **Investments measured at the Net Asset Value (NAV)** | |
| Equity Funds | $ 875,951 |
| Fixed Income Funds | 370,591 |
| Private Real Estate Funds | 105,477 |
| Hedge Funds | 51,146 |
| Private Equity | 7,886 |
| **Total Investments measured at the NAV** | **$ 1,411,051** |
| **Total Investments measured at Fair Value** | **$ 1,411,051** |

(Expressed in '000s)

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Funds disclose the fair values of their investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

> Level 1 – Quoted prices in active markets for identical assets. Equity securities are priced using an exchange traded price or a broker quote in an active market. There are no level 1 investments as of June 30, 2025.
>
> Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and alike factors. There are no level 2 investments as of June 30, 2025.
>
> Level 3 – Unobservable inputs for the assets, including the Fund's own assumptions for determining fair value. There are no level 3 investments as of June 30, 2025.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The commingled funds are reported at Net Asset Value (NAV), as a practical expedient for fair value, based on the fair values of the underlying securities in the respective fund and since they are liquid securities, there are no unfunded commitments for these types of investments.

1. Equity Funds. This type includes an investment in an equity fund with an investment objective to track the performance of the MSCI ACWI IMI Index Fund over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice. There are fourteen equity funds as of June 30, 2025. Equity funds also include an infrastructure investment that has an objective to diversify the portfolio, especially during market downturns, as well as provide inflation protection. These investments are made across various sectors and sub-sectors ranging from energy and power to digital communications and can be redeemed on a semi-annual basis. There is one infrastructure fund as of June 30, 2025.
2. Fixed Income Funds. This type includes an investment in a fund with an investment objective to track the performance of the Bloomberg U.S. Aggregate Bond Index over the long term. This investment can be redeemed within 1-15 days, depending on trade size, with 1-day notice. There are seven fixed income funds as of June 30, 2025.
3. Real Estate Funds. This type includes two investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-End Diversified Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with 45-60 days' notice. There are three real estate funds as of June 30, 2025.
4. Hedge Funds. This type of investment has an investment objective to diversify the portfolio and provide downside protection. These investments can utilize options, derivatives, and leverage, and invest across all asset classes (equity, rates, currencies, etc.). The liquidity varies by strategy ranging from daily liquid to monthly. Some strategies have a soft lock up (e.g., illiquid for a year but then monthly thereafter). There are four hedge funds as of June 30, 2025.
5. Private Equity. This type of investment has an investment objective to diversify the portfolio and provide enhanced returns. These investments are made across various sub-asset classes and vehicle types, but are typically a limited partnership. These investments are illiquid, requiring an investment period of 10-12 years for each strategy. There are nine private equity funds as of June 30, 2025. Uncalled commitments as of June 30, 2025, totaled $22.0 million.

# Required Supplementary Information

## Schedule of Changes in Net Pension Liability and Related Ratios
## Last 10 Fiscal Years
## For the Fiscal Years Ended June 30
(Expressed in '000s)

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | |
| Service Cost | $ 25,919 | $ 26,310 | $ 25,146 | $ 26,372 | $ 26,978 |
| Interest | 84,711 | 86,974 | 92,517 | 94,853 | 96,458 |
| Change In Benefits | 568 | 590 | 11,698 | - | - |
| Change In Assumptions | (6,509) | 53,197 | 16,606 | (7,031) | - |
| Differences Between Expected and Actual Experience | (2,666) | (2,543) | (1,598) | (8,189) | (6,398) |
| Benefit Payments | (76,489) | (83,215) | (84,704) | (91,999) | (93,078) |
| Refunds of Contributions | (4,295) | (762) | (1,229) | (867) | (920) |
| **Net Change in total Pension Liability** | **21,239** | **80,551** | **58,436** | **13,139** | **23,040** |
| **Total Pension Liability – Beginning** | **1,224,623** | **1,245,862** | **1,326,413** | **1,384,849** | **1,397,988** |
| **Total Pension Liability – Ending (a)** | **$1,245,862** | **$1,326,413** | **$1,384,849** | **$1,397,988** | **$1,421,028** |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions – Employer * | 30,761 | 33,457 | 35,494 | 37,079 | 38,494 |
| Contributions – Employee | 8,735 | 9,450 | 9,858 | 10,009 | 10,210 |
| Net Investment Income | 3,278 | 111,228 | 72,663 | 55,313 | 5,736 |
| Benefit Payments | (76,489) | (83,215) | (84,704) | (91,999) | (93,078) |
| Refunds of Contributions | (4,295) | (762) | (1,229) | (867) | (920) |
| Administrative Expenses | (672) | (668) | (764) | (617) | (600) |
| **Net Change in Plan Fiduciary Net Position** | **(38,682)** | **69,490** | **31,318** | **8,918** | **(40,158)** |
| **Plan Fiduciary Net Position – Beginning** | **1,013,204** | **974,522** | **1,044,012** | **1,075,330** | **1,084,248** |
| **Plan Fiduciary Net Position – Ending (b)** | **974,522** | **1,044,012** | **1,075,330** | **1,084,248** | **1,044,090** |
| **Plan Net Pension Liability – Ending (a-b)** | **$ 271,340** | **$ 282,401** | **$ 309,519** | **$ 313,740** | **$ 376,938** |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a) | 78.2% | 78.7% | 77.6% | 77.6% | 73.5% |
| Covered Payroll (c) | $ 175,679 | $ 188,066 | $ 191,549 | $ 195,358 | $ 197,405 |
| Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c) | 154.5% | 150.2% | 161.6% | 160.6% | 190.9% |

* Employer contributions during FY 2025 and FY 2024 includes $8.71 million contribution from the Section 115 Pension Trust Fund.

**See notes to Required Supplementary Information.**

## Schedule of Changes in Net Pension Liability and Related Ratios
## Last 10 Fiscal Years
## For the Fiscal Years Ended June 30
(Expressed in ‘000s)

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | |
| Service Cost | $ 27,208 | $ 25,972 | $ 21,246 | $ 17,117 | $ 16,487 |
| Interest | 98,032 | 98,454 | 101,376 | 101,028 | 102,596 |
| Change In Benefits | - | (880) | (4,451) | - | - |
| Change In Assumptions | - | 77,210 | - | - | - |
| Differences Between Expected and Actual Experience | (19,181) | 4,369 | (14,071) | 8,286 | (2,798) |
| Benefit Payments | (94,649) | (99,101) | (103,551) | (101,407) | (102,538) |
| Refunds of Contributions | (923) | (2,924) | (4,410) | (935) | (192) |
| **Net Change in total Pension Liability** | **10,487** | **103,100** | **(3,861)** | **24,089** | **13,555** |
| **Total Pension Liability – Beginning** | **1,421,028** | **1,431,515** | **1,534,615** | **1,530,754** | **1,554,843** |
| **Total Pension Liability – Ending (a)** | **$1,431,515** | **$1,534,615** | **$1,530,754** | **$1,554,843** | **$1,568,398** |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions – Employer * | 160,252 | 41,457 | 40,134 | 42,319 | 43,091 |
| Contributions – Employee | 10,367 | 9,937 | 8,096 | 8,587 | 7,574 |
| Net Investment Income | 270,352 | (134,727) | 102,983 | 123,193 | 150,251 |
| Benefit Payments | (94,649) | (99,101) | (103,551) | 102,342 | (102,538) |
| Refunds of Contributions | (923) | (2,924) | (4,410) | - | (192) |
| Administrative Expenses | (620) | (848) | (1,005) | (948) | (925) |
| **Net Change in Plan Fiduciary Net Position** | **344,779** | **(186,206)** | **42,247** | **70,809** | **97,261** |
| **Plan Fiduciary Net Position – Beginning** | **1,044,090** | **1,388,869** | **1,202,663** | **1,244,910** | **1,315,719** |
| **Plan Fiduciary Net Position – Ending (b)** | **1,388,869** | **1,202,663** | **1,244,910** | **1,315,719** | **1,412,980** |
| **Plan Net Pension Liability – Ending (a-b)** | **$ 42,646** | **$ 331,952** | **$ 285,844** | **$ 239,124** | **$ 155,418** |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a) | 97.0% | 78.4% | 81.3% | 84.6% | 90.1% |
| Covered Payroll (c) | $ 200,484 | $ 195,554 | $ 199,856 | $ 160,320 | $ 141,434 |
| Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c) | 21.3% | 169.7% | 143.0% | 149.2% | 109.9% |

* Employer contributions during FY 2025 and FY 2024 includes $8.71 million contribution from the Section 115 Pension Trust Fund.

**See notes to Required Supplementary Information.**

## Schedule of Employer's Net Pension Liability and Related Ratios
## Last 10 Fiscal Years
(Expressed in '000s)

| Fiscal Year | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability* | Plan Fiduciary Net Position as a Percentage of Total Pension Liability | Covered Payroll | Plan Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2016 | $ 1,245,862 | $ 974,522 | $ 271,340 | 78.2% | $ 175,679 | 154.5% |
| 2017 | 1,326,413 | 1,044,012 | 282,401 | 78.7 | 188,066 | 150.2 |
| 2018 | 1,384,849 | 1,075,330 | 309,519 | 77.6 | 191,549 | 161.6 |
| 2019 | 1,397,988 | 1,084,248 | 313,740 | 77.6 | 195,358 | 160.6 |
| 2020 | 1,421,028 | 1,044,090 | 376,938 | 73.5 | 197,405 | 190.9 |
| 2021 | 1,431,515 | 1,388,869 | 42,646 | 97.0 | 200,484 | 21.3 |
| 2022 | 1,534,615 | 1,202,663 | 331,952 | 78.4 | 195,554 | 169.7 |
| 2023 | 1,530,754 | 1,244,910 | 285,844 | 81.3 | 199,856 | 143.0 |
| 2024 | 1,554,843 | 1,315,719 | 239,124 | 84.6 | 160,320 | 149.2 |
| 2025 | 1,568,398 | 1,412,980 | 155,418 | 90.1 | 141,434 | 109.9 |

* FY 2021 Net Pension Liability change attributable to the inclusion of the City's one-time $119.6 million contribution from the issuance of General Obligation Bonds.

## Schedule of Employer's Contributions
## Last 10 Fiscal Years
(Expressed in '000s)

| Fiscal Year | Contribution (ADC) | Contribution* | Contribution Deficiency (Excess) | Covered Payroll** | Contribution as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2016 | $ 30,761 | $ 30,761 | $ - | $ 175,679 | 17.5% |
| 2017 | 33,457 | 33,457 | - | 188,066 | 17.8 |
| 2018 | 35,494 | 35,494 | - | 191,549 | 18.5 |
| 2019 | 37,079 | 37,079 | - | 195,358 | 19.0 |
| 2020 | 38,494 | 38,494 | - | 197,405 | 19.5 |
| 2021 | 40,698 | 160,252 | (119,554) | 200,484 | 79.9 |
| 2022 | 41,457 | 41,457 | - | 195,554 | 21.2 |
| 2023 | 31,417 | 40,134 | (8,717) | 199,856 | 20.1 |
| 2024 | 33,603 | 42,319 | (8,716) | 160,320 | 26.4 |
| 2025 | 34,375 | 43,091 | (8,716) | 141,434 | 30.5 |

* Employer Contributions during FY 2023 thru 2025 includes $8.71 million contribution from the Section 115 Pension Trust Fund.

**The actuarially determination of the ADC is based on a projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary.

**See notes to Required Supplementary Information.**

## Schedule of Investment Returns
## Last 10 Fiscal Years

| Fiscal Year | Money-Weighted Rate of Return |
|---|---|
| 2016 | 0.39 % |
| 2017 | 11.64 |
| 2018 | 7.16 |
| 2019 | 8.91 |
| 2020 | 0.58 |
| 2021 | 25.85 |
| 2022 | (10.32) |
| 2023 | 8.39 |
| 2024 | 10.11 |
| 2025 | 11.50 |

**See notes to Required Supplementary Information.**

## Notes to Required Supplementary Information

### Changes in Benefits

None.

### Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

| | |
|---|---|
| Valuation Date | June 30, 2023 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Asset Valuation Method | 3-Years Smoothed Value |
| Amortization Method | Level Dollar Closed, 20-Years Layers |
| Discount Rate | 6.75% |
| Inflation | 3.00% |
| Salary Increases - General Employees | Average of 4.52% over a 30-year-career; based on rates that vary by year of service and are compounded annually. |
| Salary Increases - Public Safety Employees | Average of 5.04% over a 30-year-career; based on rates that vary by year of service and are compounded annually. |

**Mortality:**

| | |
|---|---|
| <u>Pre-Retirement</u> | |
| General: | Pub-2010(B) General Employee Below-Median Table with fully generational improvements using Scale MP-2021, with 5 percent of deaths assumed accidental |
| Public Safety: | Pub-2010 Safety Employee Table with fully generational improvements using Scale MP-2021, with 60 percent of deaths assumed accidental |
| <u>Healthy Annuitant</u> | |
| General: | Pub-2010(B) General Healthy Annuitant Below-Median Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Healthy Annuitant Table with fully generational improvements using Scale MP-2021 |
| <u>Disabled</u> | |
| General: | Pub-2010 General Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |

# Other Supplementary Information

## Employees’ Retirement System of the City of Norfolk
## (A Pension Trust Fund)
## Schedule of Administrative Expenses
## For the Fiscal Year Ended June 30, 2025
(Expressed in ‘000s)

| | | |
|---|---|---|
| **Personnel Services:** | | |
| Staff Salaries | $ | 517 |
| Benefits | | 213 |
| **Total Personnel Services** | | **730** |
| **Professional Services:** | | |
| Actuarial Fees | | 75 |
| Medical Examinations | | 4 |
| Audit Fees | | 30 |
| **Total Professional Services** | | **109** |
| **Communication Services:** | | |
| Travel and Training | | 5 |
| Postage and Shipping | | 19 |
| **Total Communication Services** | | **24** |
| **Miscellaneous Expenses:** | | |
| Supplies and Equipment | | 39 |
| Other | | 23 |
| **Total Miscellaneous Expenses** | | **62** |
| **Total Administrative Expenses** | **$** | **925** |

## Employees' Retirement System of the City of Norfolk
## (A Pension Trust Fund)
## Schedule of Investment Expenses
## For the Fiscal Year Ended June 30, 2025
(Expressed in '000s)

| | | |
|---|---|---|
| **Investment Manager Fees:** | | |
| Manager Fees | $ | 1,190 |
| **Custody and Investment Consultant Fees:** | | |
| Investment Consultant Fees | | 741 |
| Custody Fees | | 38 |
| **Total Custody and Investment Consultant Fees** | | **779** |
| **Total Investment Expenses** | **$** | **1,969** |

### Footnotes for Current Economic Conditions located on pages 27-32.

Return data from Bloomberg unless otherwise indicated

[1] Source: International Monetary Fund https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20broadly%20unchanged%20amid,and%203.3%20percent%20in%202025

[2] Source: International Monetary Fund https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~.text=Global%20growth%20broadly%20unchanged%20amid,and%203.3%20percent%20in%202025

[3] Source: Eurostat via Bloomberg

[4] Source: National Bureau of Statistics of China via Bloomberg

[5] Source: FRED and BLS. Data is as of June 30, 2025

[6] Source: Eurostat

[7] Source: Ministry of Internal Affairs and Communications via Bloomberg

[8] Source: National Bureau of Statistics of China via Bloomberg

[9] Source: Bureau of Economic Analysis national accounts data as of December 2023

[10] Source: https://www.cbo.gov/system/files/2025-05/61422-Reconciliation-Distributional-Analysis.pdf

[11] Source: FRED as of November 2024. Between 2007 and November 2024 the number of employed workers rose from 137.6 million to 159.3 million

[12] Source: https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20250319.htm

[13] Source: Bloomberg

[14] Source: https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025

[15] Source: Bloomberg

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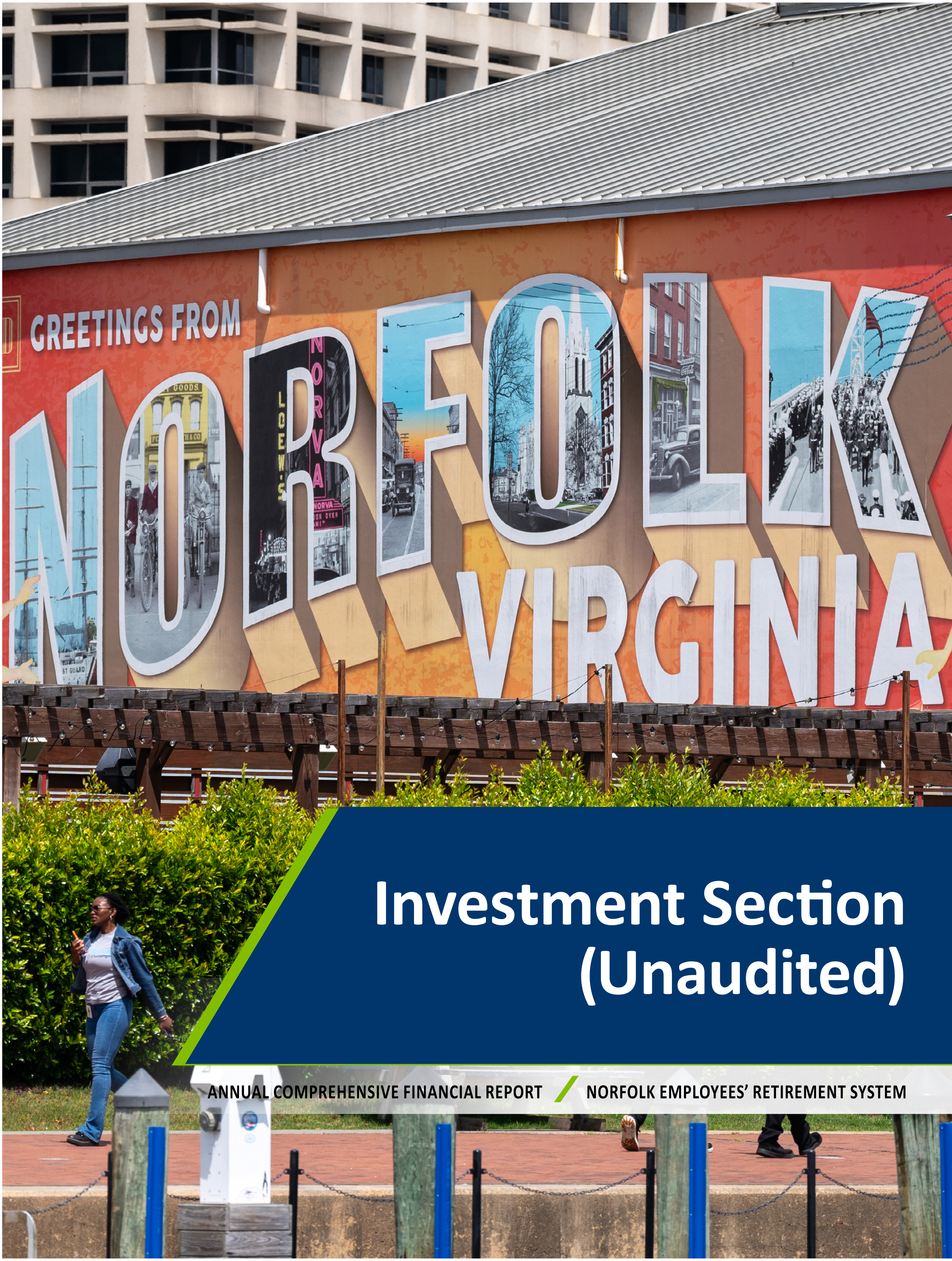


# Investment Section (Unaudited)

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## Investment Performance, Policy, Statistics and Activity

*This section was prepared by Meketa Investment Group LLC, investment consultant to the System, and a Securities and Exchange Commission registered investment adviser under the Investment Advisers Act of 1940.*

In the investment of public funds, adequate funding of employee retirement benefits at a reasonable and affordable cost is a paramount concern. An appropriate balance must be struck between risks taken and return sought to ensure the long-term health of the System. The System has adopted an investment policy that works to control the extent of the downside risk to which assets are exposed, while maximizing the potential for long-term increase in the value of the assets.

### Investment Objectives

The Board of Trustees for the Employees' Retirement System has adopted investment policies and guidelines, which outline the System's investment goals and objectives. The Statement of Investment Policy contains a statement of investment goals and objectives, general investment principles, and guidelines. The general investment goals of the System are broad in nature. The primary objectives are to efficiently allocate and manage the assets dedicated to the payment of Plan benefits and administrative expenses. The following goals, consistent with the above-described purpose, are adopted:

- The overall goal of the System's investment portfolio is to provide a retirement benefit for the members of the System. This will be accomplished through a carefully planned and executed long-term investment program.
- The total portfolio over the long-term will be expected to earn a return that equals or exceeds:

    1. The return of a target policy index ("Total Fund Public Benchmark") comprised of 74 percent MSCI AC World IMI (Net), and 26 percent Bloomberg Capital Aggregate Bond Index.
    2. The return of a Policy Index ("Total Fund Policy Benchmark"); such index being comprised of the return of the various broad market benchmarks assigned to each manager or other indices representing each asset class, each weighted to reflect the target asset allocation.
    3. The actuarially assumed investment rate of return.
    4. For the aggregate Global Equity, Private Equity, High Yield Bonds and Bank Loans, Short-Term TIPS, Real Estate, Natural Resources & Infrastructure, Gold, Investment Grade Fixed Income and Hedge Funds components of the Fund: the return of the MSCI AC World IMI (Net), MSCI AC World IMI (Net 1 Quarter Lagged +3%), S&P UBS Leveraged Loans, Bloomberg U.S. High Yield, Bloomberg U.S. Treasury TIPS 0-5 Yr, NCREIF – ODCE, S&P Global LargeMidCap Commodity and Resources NR, FTSE Gold Mines, Gold (Spot), Bloomberg U.S. Aggregate Bond, and Hedge Fund Custom Benchmark (HFRI Macro (Total), SG Trend, HFR/Eurekahedge Long Volatility) indices, respectively.

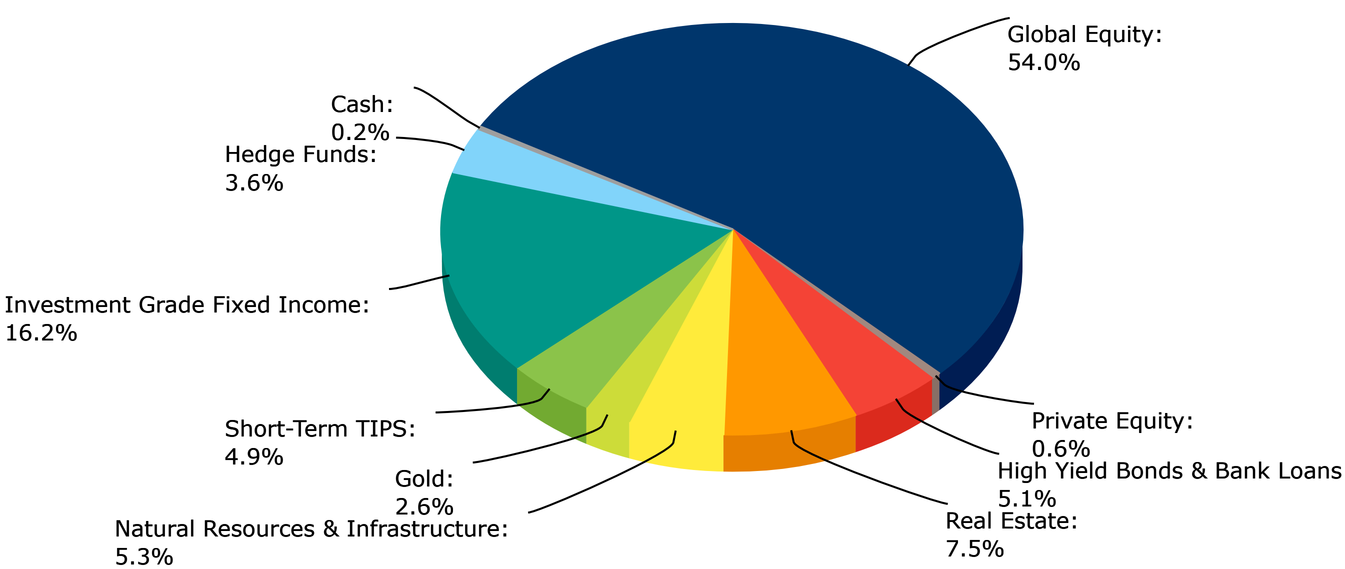
## Asset Allocation

The System adopts and implements an asset allocation policy that is predicated on several factors, including:

- Historical and expected long-term capital market risk and return behavior;
- Projected assets, liabilities, benefit payments, and contributions provided by System's actuary;
- An assessment of future economic conditions, including inflation and interest rate levels; and
- The specific investment objectives set forth in the Statement of Investment Policy.

The System will be diversified both by asset class (e.g., common stocks, bonds, cash) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total System.

**Asset Allocation by Asset Class as of June 30, 2025**



## Asset Allocation by Asset Class as of June 30, 2025

| | | |
|---|---|---|
| Global Equity | $ | 764,236 |
| Private Equity | | 7,886 |
| High Yield Bonds & Bank Loans | | 72,023 |
| Real Estate | | 105,477 |
| Natural Resources & Infrastructure | | 74,862 |
| Gold | | 36,854 |
| Short-Term TIPS | | 69,477 |
| Investment Grade Fixed Income | | 229,090 |
| Hedge Funds | | 51,146 |
| Cash and Cash Equivalents* | | 3,246 |
| **Total** | **$** | **1,414,297** |

(Expressed in ‘000s)

*Excludes cash held in deposits.

| | | |
|---|---|---|
| **Total Net Position Fair Value** | **$** | **1,414,297** |
| Adjustments to Reconcile Statement of Plan Asset Investments Total: | | |
| Total Cash and Cash Equivalent held in deposit | | 634 |
| Accrued Investment Income | | 605 |
| **Total Investments Reconciled to the Statement of Plan Fiduciary Net Position** | **$** | **1,415,536** |

(Expressed in ‘000s)

## Investment Managers and Investment Assignments

| | | Fair Value | % of Portfolio |
|---|---|---|---|
| SSgA Russell 1000 Growth Index | $ | 76,034 | 5.4% |
| SSgA Russell 1000 value Index | | 42,702 | 3.0 |
| SSgA Russell 3000 Index | | 215,060 | 15.2 |
| SSgA MSCI EAFE | | 99,667 | 7.0 |
| SSgA Emerging Markets Index | | 19,207 | 1.4 |
| DF Dent Small Cap Growth Fund | | 13,258 | 0.9 |
| DFA U.S. SMALL CAP VALUE PORTFOLIO | | 4,868 | 0.3 |
| ABS China Direct | | 10,126 | 0.7 |
| ABS EM ex China Direct | | 22,710 | 1.6 |
| Kopernik Global All-Cap | | 42,018 | 3.0 |
| First Eagle Global Equity | | 126,224 | 8.9 |
| J. Stern & Co. World Stars Global Equity | | 92,360 | 6.5 |
| NexPhase Capital Fund V, L.P. | | 854 | 0.1 |
| Vitruvian Investment Partnership | | 686 | - |
| Lexington Capital Partners X, L.P. | | 5,001 | 0.4 |
| Flagship Pioneering Fund VIII, L.P. | | 331 | - |
| Gauge Capital IV, L.P. | | 389 | - |
| KPS Special Situations Fund VI, L.P. | | 367 | - |
| Mainsail Partners VII, L.P. | | 137 | - |
| Oakley Capital VI | | 102 | - |
| Falfurrias Capital Partners VI, L.P. | | 20 | - |
| Sculptor Credit Opportunities Overseas Fund | | 27,321 | 1.9 |
| Brigade High Income Fund | | 44,702 | 3.2 |
| JP Morgan Asset Management Strategic Property Fund | | 45,424 | 3.2 |
| UBS Trumbull Property Fund | | 19,691 | 1.4 |
| Morgan Stanley Prime Property Fund | | 40,362 | 2.9 |
| SSgA S&P Global LargeMidCap Natural Resources Index | | 57,597 | 4.1 |
| JP Morgan Infrastructure Investments Fund | | 17,265 | 1.2 |
| First Eagle Institutional Gold Fund, L.P. | | 36,854 | 2.6 |
| Vanguard Short-Term TIPS Index | | 69,477 | 4.9 |
| SSgA U.S. Aggregate Bond | | 47,126 | 3.3 |
| Wellington Core Bond | | 97,481 | 6.9 |
| Brandywine U.S. Fixed Income | | 35,380 | 2.5 |
| SSgA Long U.S. Treasury Index | | 49,104 | 3.5 |
| 36 South Kohinoor Series (Cayman) Fund | | 13,499 | 1.0 |
| BH-DG Systematic Trading Master Fund | | 14,578 | 1.0 |
| Lombard Odier Bear Convexity | | 5,996 | 0.4 |
| Alpstone Global Macro Fund | | 17,073 | 1.2 |
| Cash and Cash Equivalents* | | 3,246 | 0.2 |
| **Total** | **$** | **1,414,297** | **100.0%** |

(Expressed in ‘000s)
*Excludes cash held in deposits.
***See reconciliation of Statement of Plan Assets in page 59.**

## Asset Allocation Comparison

| | Global Equity Commitment | Fixed Income Commitment | Total Other * |
|---|---|---|---|
| Total Fund | 54.0% | 26.2% | 19.7% |
| Median All Public Plans >$1 billion | 48.0% | 23.1% | 16.6% |

*Includes total alternative asset classes. Medians do not sum to 100 percent as not all plan sponsors are exposed to each asset class.

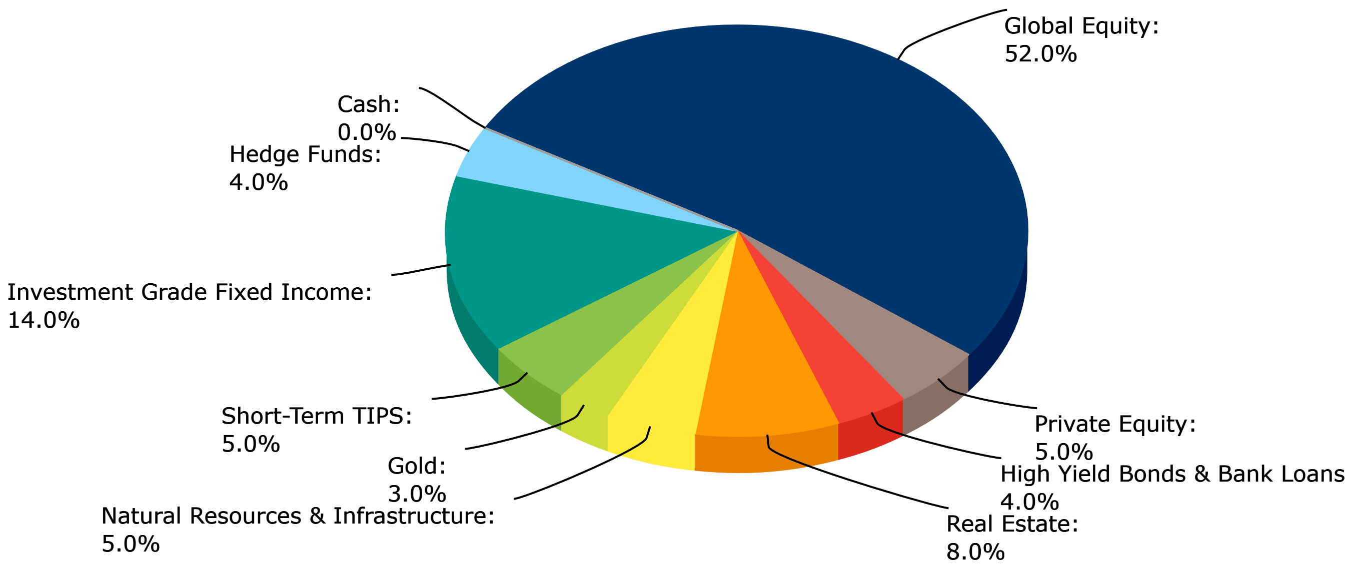
## Target Asset Allocation

The target asset allocation for the investment portfolio is determined by the Board of Trustees to facilitate the achievement of the investment program's long-term investment objectives within the established risk parameters. Due to the fact the allocation of funds between asset classes may be the single most important determinant of the investment performance over the long run, the System's assets shall be divided into the following asset classes:

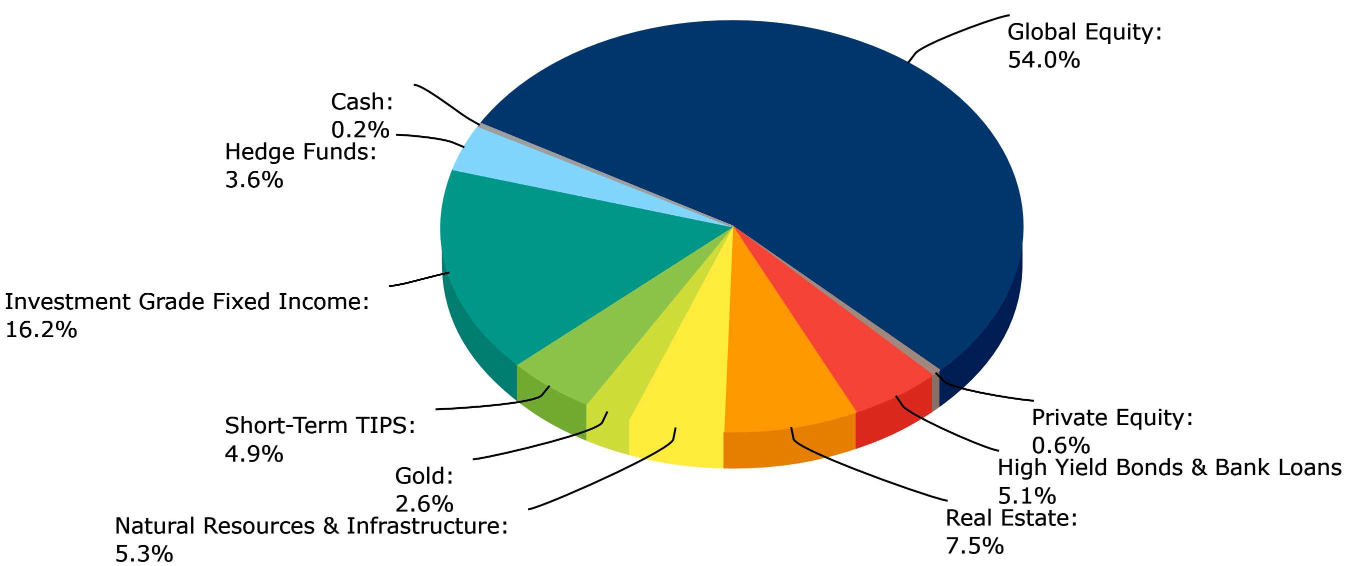
| Asset Class | Minimum Percentage | Maximum Percentage | Target Percentage |
|---|---|---|---|
| Global Equity | 42.0% | 62.0% | 52.0% |
| Private Equity | 0.0% | 10.0% | 5.0% |
| High Yield Bonds & Bank Loans | 0.0% | 9.0% | 4.0% |
| Real Estate | 3.0% | 13.0% | 8.0% |
| Natural Resources & Infrastructure | 0.0% | 10.0% | 5.0% |
| Gold | 0.0% | 6.0% | 3.0% |
| Short-Term TIPS | 0.0% | 10.0% | 5.0% |
| Investment Grade Fixed Income | 7.0% | 21.0% | 14.0% |
| Hedge Funds | 0.0% | 9.0% | 4.0% |
| Cash | 0.0% | 3.0% | 0.0% |

Formal asset allocation studies will be conducted at least every five (5) years, with annual evaluations of the validity of the adopted asset allocation based on updated return projections. Any change in capital market assumptions or liabilities will require consideration of revision to the asset allocation policy.

## 2025 Target Asset Allocation




## 2025 Actual Asset Allocation



## Investment Performance Summary
## For the Fiscal Year Ended June 30, 2025

| Account | 1 Year | 2 Years | 3 Years | 5 Years |
|---|---|---|---|---|
| **Growth Assets** | **14.10** | **15.75** | -- | -- |
| *Growth Assets Custom Benchmark[1]* | *15.49* | *17.40* | -- | -- |
| **Global Equity** | **14.20** | **15.79** | **15.78** | **12.98** |
| *Global Equity Policy Benchmark[2]* | *15.89* | *17.14* | *16.80* | *13.40* |
| SSgA Russell 1000 Growth Index | 17.14 | 25.03 | -- | -- |
| *Russell 1000 Growth* | *17.22* | *25.09* | *25.76* | *18.15* |
| SSgA Russell 1000 Value Index | 13.63 | 13.34 | -- | -- |
| *Russell 1000 Value* | *13.70* | *13.38* | *12.76* | *13.93* |
| DF Dent Small Cap Growth Fund | 7.00 | -- | -- | -- |
| *Russell 2000 Growth Index* | *9.73* | *9.43* | *12.38* | *7.42* |
| DFA U.S. Small Cap Value Portfolio | -- | -- | -- | -- |
| *Russell 2000 Value Index* | *5.54* | *8.18* | *7.45* | *12.47* |
| SSgA Russell 3000 Index | 15.22 | 19.10 | -- | -- |
| *Russell 3000* | *15.30* | *19.15* | *19.08* | *15.96* |
| SSgA MSCI EAFE | 18.03 | 14.82 | -- | -- |
| *MSCI EAFE* | *17.73* | *14.59* | *15.97* | *11.16* |
| SSgA Emerging Markets Index | 14.91 | 13.25 | -- | -- |
| *MSCI Emerging Markets* | *15.29* | *13.91* | *9.70* | *6.81* |
| ABS China Direct | 25.36 | 8.38 | -- | -- |
| *MSCI China NR USD* | *33.78* | *14.72* | *3.06* | *-0.99* |
| ABS EM ex China Direct | 7.53 | 12.57 | -- | -- |
| *MSCI EM ex China* | *9.39* | *13.84* | *13.22* | *11.34* |
| Kopernik Global All-Cap | 34.65 | 22.71 | -- | -- |
| First Eagle Global Equity | 16.69 | 13.57 | -- | -- |
| J. Stern & Co. World Stars Global Equity | 7.98 | -- | -- | -- |
| *MSCI ACWI* | *15.89* | *17.14* | *16.80* | *13.40* |
| **Private Equity** | 2.21 | -- | -- | -- |
| *MSCI ACWI + 3% 1Q Lag* | *10.35* | *18.31* | *10.11* | *18.59* |
| NexPhase Capital Fund V, L.P. | -1.66 | -- | -- | -- |
| Vitruvian Investment Partnership V | -8.84 | -- | -- | -- |
| Lexington Capital Partners X, L.P. | 5.63 | -- | -- | -- |
| Flagship Pioneering Fund VIII, L.P. | -15.39 | -- | -- | -- |
| Gauge Capital IV, L.P. | -27.37 | -- | -- | -- |
| KPS Special Situations Fund VI, L.P. | -- | -- | -- | -- |
| Oakley Capital VI | -- | -- | -- | -- |
| Mainsail Partners VII | -- | -- | -- | -- |
| Falfurrias Capital Partners VI, L.P. | -- | -- | -- | -- |

## Investment Performance Summary
## For the Fiscal Year Ended June 30, 2025 (Continued)

| | | | | |
|---|---|---|---|---|
| **Credit** | 8.89 | 9.36 | -- | -- |
| *Credit Custom Benchmark[3]* | 8.90 | 9.83 | -- | -- |
| ***High Yield & Bank Loans*** | 8.89 | 9.36 | -- | -- |
| *High Yield & Bank Loans Custom Benchmark[4]* | 8.90 | 9.83 | 9.77 | 6.72 |
| Sculptor Credit Opportunities Overseas | 5.60 | 5.99 | -- | -- |
| *Bloomberg Global High Yield TR* | 13.05 | 12.43 | 11.78 | 5.65 |
| Brigade High Income Fund | 11.38 | 11.84 | -- | -- |
| *60% Barclays U.S. Corporate High Yield & 40% CS Lev Loans* | 9.17 | 9.94 | 9.81 | 6.57 |
| **Inflation Hedges** | 11.78 | 6.71 | -- | -- |
| *Inflation Hedges Custom Benchmark[5]* | 10.42 | 5.72 | -- | -- |
| **Real Estate** | 6.24 | -1.37 | -5.07 | 0.94 |
| JP Morgan Asset Management Strategic Property Fund | 4.03 | -5.88 | -7.74 | 1.21 |
| UBS Trumbell Property Fund | 3.17 | -2.88 | -7.30 | -0.10 |
| *NCREIF ODCE (net)* | 2.67 | -3.87 | -6.21 | 2.54 |
| Morgan Stanley Prime Property Fund | -- | -- | -- | -- |
| **Natural Resources & Infrastructure** | 6.60 | 6.72 | -- | -- |
| SSgA S&P Global LargeMidCap Natural Resources Index | 6.27 | 5.72 | -- | -- |
| *S&P Global LargeMidCap Commodity and Resources NR USD* | 6.17 | 5.67 | 5.86 | 13.68 |
| JP Morgan Infrastructure Investments Fund | 7.69 | -- | -- | -- |
| DJ Brookfield Listed Public Infrastructure +1% | 25.50 | 13.92 | 8.94 | 9.82 |
| ***Gold*** | 47.53 | 30.43 | -- | -- |
| *First Eagle Institutional Gold Fund, LP* | 47.53 | 30.43 | -- | -- |
| *60% Gold (Spot) / 40% FTSE Gold Mines* | 48.80 | 32.37 | 23.16 | -- |
| **Short-Term TIPS** | 6.55 | 5.95 | -- | -- |
| Vanguard Short-Term TIPS Index | 6.55 | 5.95 | -- | -- |
| *Bloomberg US TIPS 0-5 Yr TR* | 6.49 | 5.93 | 3.95 | 3.76 |
| **Risk Mitigation** | 3.23 | 1.88 | -- | -- |
| *Risk Mitigation Custom Benchmark[6]* | 4.30 | 3.74 | -- | -- |
| **Investment Grade Fixed Income** | 5.26 | 3.08 | 2.07 | -0.93 |
| **Intermediate-Term Bonds** | 6.38 | 4.75 | 3.13 | -0.32 |
| SSgA US Aggregate Bond | 6.07 | 4.33 | 2.55 | -0.72 |
| Wellington Core Bond | 6.14 | 5.04 | -- | -- |
| Brandywine U.S. Fixed Income | 7.49 | 3.94 | -- | -- |
| *Bloomberg US Aggregate TR* | 6.08 | 4.34 | 2.55 | -0.73 |
| **Long-Term Bonds** | 1.52 | -2.14 | -- | -- |
| SSgA Long US Treasury Index | 1.52 | -2.14 | -- | -- |
| *Bloomberg US Treasury Long TR* | 1.56 | -2.09 | -3.69 | -8.22 |
| **Hedge Funds** | -4.34 | -2.79 | -- | -- |
| *Hedge Fund Custom Benchmark[7]* | -1.93 | 1.36 | -- | -- |
| 36 South Kohinoor Series (Cayman) Fund | 0.09 | 0.34 | -- | -- |
| *HFR/Eurekahedge Long Volatility Hedge Fund Index* | 8.17 | 2.08 | -0.71 | -1.29 |
| BH-DG Systematic Trading Master Fund | -16.48 | -10.79 | -- | -- |
| *Barclay CTA Index TR USD* | -3.56 | -0.26 | -0.29 | 3.34 |
| Lombard Odier Bear Convexity | 3.13 | 0.09 | -- | -- |

# Investment Performance Summary
# For the Fiscal Year Ended June 30, 2025 (Continued)

| | | | | |
|---|---|---|---|---|
| *HFR/ Eurekahedge Long Volatility Hedge Fund Index* | 8.17 | 2.08 | -0.71 | -1.29 |
| Alpstone Global Macro Fund | 1.79 | 1.46 | -- | -- |
| *HFRI Macro (Total) Index* | -1.31 | 2.25 | 1.36 | 5.25 |
| **Total Fund[8]** | 11.24 | 10.79 | 9.99 | 8.57 |
| *Total Fund Policy Benchmark[9]* | 12.19 | 12.17 | 11.28 | 9.43 |
| *Total Fund Public Benchmark[10]* | 13.35 | 13.77 | 12.67 | 8.82 |

[1]Growth Assets Custom Benchmark = 91% MSCI ACWI IMI Net USD / 9% MSCI ACWI + 3% 1Q Lag

[2]Global Equity Policy Benchmark = 100% MSCI ACWI IMI Net USD

[3]Credit Custom Benchmark = 50% S&P UBS Leveraged Loan Index / 50% Bloomberg US High Yield

[4]High Yield & Bank Loans Custom Benchmark = 50% Credit Suisse Leveraged Loan Index / 50% Bloomberg US High Yield

[5]Inflation Hedges Custom Benchmark = 24% Bloomberg US TIPS 1-5Yr TR / 14% 60% Gold (Spot) /40% FTSE Gold Mines / 24% S&P Global LargeMidCap Commodity and Resources NR USD / 38% NCREIF ODCE (net)

[6]Risk Mitigation Custom Benchmark = 78% Bloomberg US Aggregate TR / 22% Hedge Fund Custom Benchmark

[7]Hedge Fund Custom Benchmark = 33% HFRI Macro (Total) Index / 33% SG Trend Index / 33% HFR/ Eurekahedge Long Volatility Hedge Fund Index

[8]Total Fund performance as of 7/29/2025 consists of latest available data.

[9]Total Fund Policy Benchmark = 52% MSCI ACWI IMI Net USD / 5% MSCI ACWI +3% 1Q Lag / 2% Credit Suisse Leveraged Loans / 2% Bloomberg US High Yield TR / 5% Bloomberg US Treasury TIPS 0-5 Yr TR / 3% 60% Gold (Spot) / 40% FTSE Gold Mines / 5% S&P Global LargeMidCap Commodity and Resources NR USD / 8% MCREIF ODCE (net) / 14% Bloomberg US Aggregate TR / 4% Hedge Fund Custom Benchmark

[10]Total Fund Public Benchmark = 74% MSCI ACWI IMI / 26% Bloomberg US Aggregate

Investment returns are time-weighted returns based on fair value and net of investment management fees.

## Schedule of Investment Manager, Custody and Consultant Fees
(Expressed in '000s)

| | | FY 2025 |
|---|---|---|
| **Investment Manager Fees:** | | |
| Manager Fees | $ | 1,190 |
| **Custody and Investment Consultant Fees:** | | |
| Investment Consultant Fees | | 741 |
| Custody Fees | | 38 |
| **Total Custody and Investment Consultant Fees** | | **779** |
| **Total Fees** | **$** | **1,969** |

## List of Largest Assets

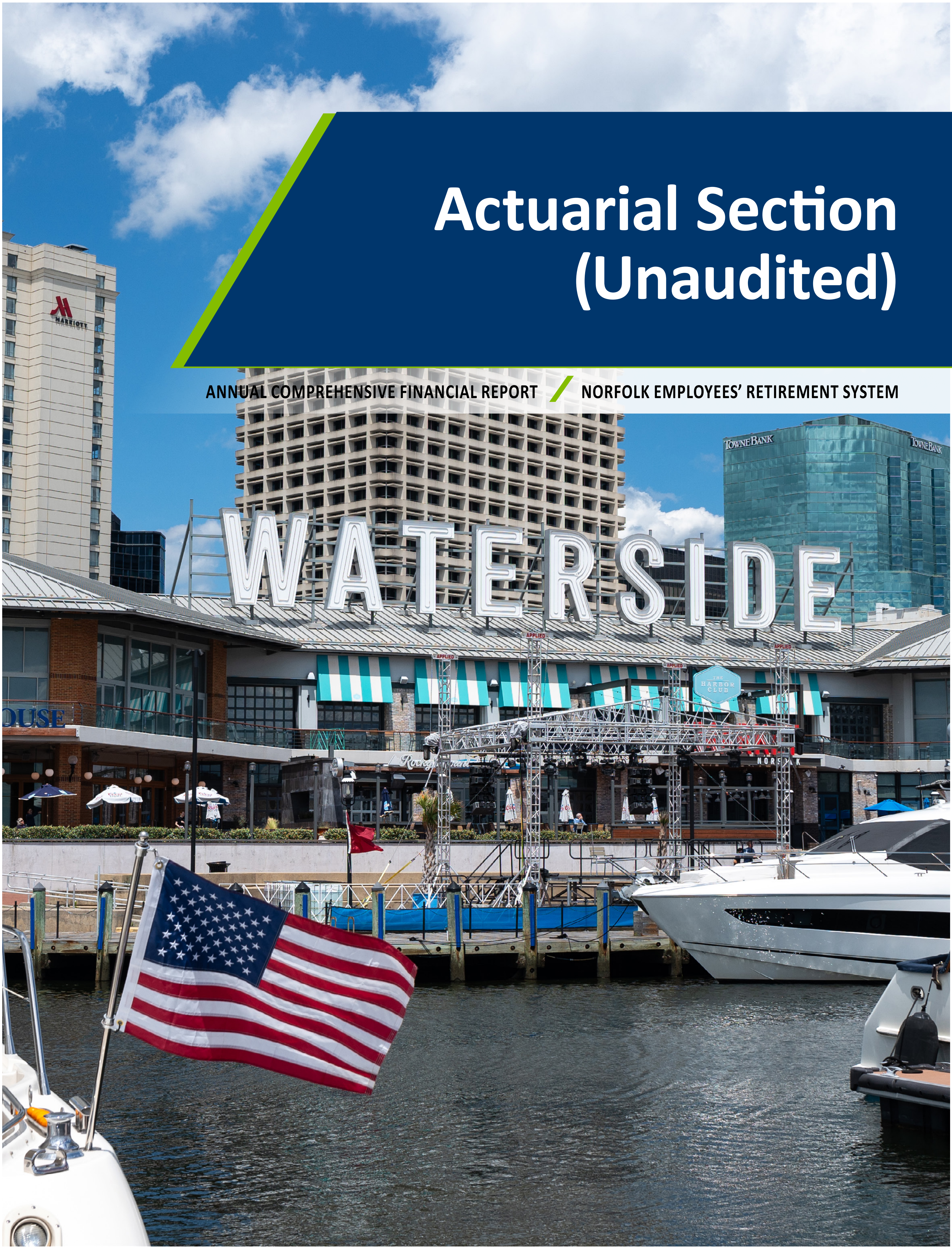
Ten largest stock holdings within the Global Equity (Commingled) Funds (by fair value) changed to the global equity aggregate as holdings are not separated by region.

| Description | Shares of Fund | | Fair Value |
|---|---|---|---|
| NVIDIA Corporation | 165,956 | $ | 26,219 |
| Microsoft Corp | 36,980 | $ | 18,394 |
| Meta Platforms Inc | 23,984 | $ | 17,702 |
| Amazon.com Inc | 67,941 | $ | 14,906 |
| Apple Inc | 71,566 | $ | 14,683 |
| Alphabet Inc | 63,882 | $ | 11,332 |
| Broadcom Inc | 22,620 | $ | 6,235 |
| Mastercard Inc | 11,027 | $ | 6,197 |
| Oracle Corp | 28,186 | $ | 6,162 |
| SALESFORCE INC | 21,678 | $ | 5,911 |

(Fair Value Expressed in '000s)

# Actuarial Section (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



THE CITY OF NORFOLK

FINANCE

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CHEIRON *Classic Values, Innovative Advice*

## Actuary's Certification Letter

September 19, 2025

Board of Trustees
Employees' Retirement System
City of Norfolk
Norfolk, Virginia 23510

The Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Employees' Retirement System of the City of Norfolk (System) with respect to pension benefits.

### Actuarial Valuation Used for Funding Purposes

Actuarial valuations of the Employees' Retirement System of the City of Norfolk are performed annually. The results of the latest actuarial valuation of the System, which we have prepared as of June 30, 2025, are summarized in this letter. Please refer to that valuation report for additional information related to the System.

The valuation reflects the benefits in effect on the valuation date and was prepared on the basis of the data submitted by the City of Norfolk and the actuarial assumptions as adopted by the Board of Trustees of the Employees' Retirement System, including a valuation interest rate assumption of 6.75 percent per annum, compounded annually. The actuarial cost method, the Entry Age Normal Cost Method, and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

We prepared the following schedules for inclusion in the Actuarial Section of the Annual Comprehensive Financial Report based on the June 30, 2025, actuarial valuation.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funded Liabilities by Type
- Analysis of Financial Experience
- Summary of Benefits and Contribution Provisions

The financing objective of the Employees' Retirement System is to:

A. fully fund the normal cost contribution for the current year determined under the funding method; and

B. amortize the June 30, 2017, unfunded actuarial liability (UAL) over a closed 20-year period and to create additional, closed 20-year periods for annual UAL changes that arise. These payments are assumed to remain level throughout the amortization period. City contributions are assumed to occur on the July 1 following the valuation date.

In accordance with the above, the City's contribution appropriated for the fiscal year ended June 30, 2026 (and to be paid July 1, 2025) was determined based on the results of the June 30, 2024, valuation. In accordance with this policy, the City contributed $34.5 million on July 1, 2025. Effective fiscal year ending 2023, the City of Norfolk began making separate contributions to the System from the Section 115 Trust that was previously established as an extension of the bond issuance from June 2021. The City projects an $8.71 million annual contribution to the System until the Section 115 Pension Trust Fund assets are depleted. As of June 30, 2025, the Trust held $67.0 million in assets.

The results of the June 30, 2025, valuation determine the contribution appropriation for the Fiscal Year ending June 30, 2027 (to be paid July 1, 2026), which will be presented in our valuation report subject to your approval.

As of June 30, 2025, the System's Actuarial Liability was 87.8 percent funded based on the Actuarial Value of Assets and 90.1 percent funded based on the Fair Value of Assets. These ratios exclude the Section 115 Pension Trust Fund assets. If the Trust balance of $67.0 million as of June 30, 2025, was included, the System would be 92.1 percent funded based on the Actuarial Value of Assets and 94.4 percent funded based on the Fair Value of Assets.

Included in the valuation report are contribution and funding progress schedules prepared by the actuary.

### Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2025, actuarial valuation. Please refer to the GASB 67/68 report for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the Annual Comprehensive Financial Report based on the June 30, 2025, valuation report.

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions

## Reliance on the Information Provided by the City and Compliance with Actuarial Standard of Practices and GAAP

In preparing our valuations and schedules for the Annual Comprehensive Financial Report, we relied on information (some oral and some written) supplied by the City of Norfolk. This information includes, but is not limited to, the plan provisions, employee data and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

The current actuarial assumptions used for valuation purposes were adopted by the Board of Trustees and are first effective for the June 30, 2022, Actuarial Valuation. The most recent study of the System's experience, used in developing the current actuarial assumptions, was based on a period from July 2016 to June 2021. In our opinion, the actuarial assumptions used in the valuation are reasonable. Included in the valuation report is a schedule that presents an outline of the actuarial assumptions and methods used to prepare the actuarial valuation results. The assumptions and methods used for funding purposes were developed in compliance with Actuarial Standards of Practice as they relate to pension plans. Future valuation reports may differ significantly from the current results presented in this letter due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

This certification letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted actuarial principles as promulgated by the GASB. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This letter was prepared for the City of Norfolk Employees' Retirement System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any such other users.

Respectfully submitted,
Cheiron

Kevin J. Woodrich , FSA, EA, MAAA
Principal Consulting Actuary

Justin Runkel, ASA, EA, MAAA
Consulting Actuary

# Summary of Actuarial Assumptions and Methods

**Summary of Actuarial Assumptions and Methods**

## Actuarial Assumptions

### Interest Rate:

6.75 percent per annum, compounded annually (originally adopted as of June 30, 2022).

### Mortality:

***Pre-Retirement***

| | |
|---|---|
| General: | Pub-2010(B) General Employee Below-Median Table with fully generational improvements using Scale MP-2021, with 5% of deaths assumed accidental |
| Public Safety: | Pub-2010 Safety Employee Table with fully generational improvements using Scale MP-2021, with 60% of deaths assumed accidental |

***Healthy Annuitants***

| | |
|---|---|
| General: | Pub-2010(B) General Healthy Annuitant Below-Median Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Healthy Annuitant Table with fully generational improvements using Scale MP-2021 |

***Disabled***

| | |
|---|---|
| General: | Pub-2010 General Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |
| Public Safety: | Pub-2010 Safety Disabled Annuitant Table with fully generational improvements using Scale MP-2021 |

### Salary Increase:

Annual rates of salary increases are as follows:

| Service Years | General | Public Safety |
|---|---|---|
| 0 | 6.09% | 9.18% |
| 1 | 5.94 | 5.58 |
| 2 | 5.78 | 5.32 |
| 3 | 5.63 | 5.32 |
| 4 | 5.47 | 5.32 |
| 5 | 5.32 | 5.32 |
| 10 | 4.55 | 5.32 |
| 15 | 4.03 | 5.32 |
| 20 | 4.03 | 4.65 |
| 25 | 4.03 | 4.03 |
| 30 | 3.71 | 4.03 |

The table above includes an annual inflation rate of 3.00 percent.

# Summary of Actuarial Assumptions and Methods (Continued)

## Withdrawal:

| Service Years | General | Public Safety |
|---|---|---|
| 0 | 23.00% | 12.50% |
| 1 | 20.00 | 12.00 |
| 2 | 18.00 | 11.00 |
| 3 | 16.00 | 10.00 |
| 4 | 15.00 | 9.00 |
| 5 | 14.00 | 8.00 |
| 10 | 8.00 | 3.00 |
| 15 | 3.00 | 1.00 |
| 20 | 3.00 | 1.00 |
| 25 | 3.00 | 1.00 |

## Disability:

| | General* | | Public Safety** |
|---|---|---|---|
| Age | Male | Female | Unisex |
| 20 | 0.02% | 0.02% | 0.02% |
| 25 | 0.03 | 0.02 | 0.02 |
| 30 | 0.03 | 0.02 | 0.04 |
| 35 | 0.05 | 0.03 | 0.05 |
| 40 | 0.06 | 0.05 | 0.09 |
| 45 | 0.09 | 0.07 | 0.18 |
| 50 | 0.16 | 0.12 | 0.30 |
| 54 | 0.21 | 0.16 | 0.41 |
| 55 | 0.25 | 0.19 | 0.43 |
| 59 | 0.37 | 0.28 | 0.57 |

*25 percent of General disabilities are assumed to be accidental.

**70 percent of Firefighters and Police Officers disabilities are assumed to be accidental.

## Summary of Actuarial Assumptions and Methods (Continued)

### Retirement:

*General:*

| | | Hired On or After July 1, 2018 | | |
|---|---|---|---|---|
| Age | Hired Before July 1, 2018 | Social Security NRA* 65 | Social Security NRA* 66 | Social Security NRA* 67 |
| 50 | 10.00% | 10.00% | 10.00% | 10.00% |
| 51 | 10.00 | 10.00 | 10.00 | 10.00 |
| 52 | 10.00 | 10.00 | 10.00 | 10.00 |
| 53 | 10.00 | 10.00 | 10.00 | 10.00 |
| 54 | 10.00 | 10.00 | 10.00 | 10.00 |
| 55 | 10.00 | 10.00 | 10.00 | 10.00 |
| 56 | 10.00 | 10.00 | 10.00 | 10.00 |
| 57 | 10.00 | 10.00 | 10.00 | 10.00 |
| 58 | 10.00 | 10.00 | 10.00 | 10.00 |
| 59 | 10.00 | 10.00 | 10.00 | 10.00 |
| 60 | 22.50 | 12.50 | 12.50 | 12.50 |
| 61 | 22.50 | 12.50 | 12.50 | 12.50 |
| 62 | 30.00 | 12.50 | 12.50 | 12.50 |
| 63 | 22.50 | 12.50 | 12.50 | 12.50 |
| 64 | 25.00 | 15.00 | 15.00 | 15.00 |
| 65 | 35.00 | 35.00 | 15.00 | 15.00 |
| 66 | 35.00 | 35.00 | 35.00 | 15.00 |
| 67 | 35.00 | 35.00 | 35.00 | 35.00 |
| 68 | 25.00 | 25.00 | 25.00 | 25.00 |
| 69 | 25.00 | 25.00 | 25.00 | 25.00 |
| 70 | 100.00 | 100.00 | 100.00 | 100.00 |

*NRA - Normal Retirement Age.

For those hired before July 1, 2018, the retirement rates at ages before 60 are 10 percent higher than those shown above if the participant has at least 30 years of service. For those hired on or after July 1, 2018, the retirement rate is 10 percent higher than shown above at ages before Social Security Normal Retirement Age (SSNRA) if the participant is eligible for an unreduced benefit under the “Rule of 90.”

## Summary of Actuarial Assumptions and Methods (Continued)

### Public Safety:

| Service Years | Rate of Retirement* |
|---|---|
| 20 | 5.00% |
| 21 | 7.50 |
| 22 | 7.50 |
| 23 | 10.00 |
| 24 | 30.00 |
| 25 | 30.00 |
| 26 | 30.00 |
| 27 and up | 20.00 |

*In lieu of the rates above, any active participant at least age 65 is assumed to retire immediately.

### Terminated Vested Retirement Age:

Terminated vested participants are assumed to retire at the later of their normal retirement date and valuation date.

### Future Expenses:

Administrative expenses are assumed to be $1,000,000 payable at the end of the year, increasing 3% annually. The assumed interest rate is net of anticipated investment expenses.

### Loading or Contingency Reserves:

A load of 1.00 percent for General employees and 1.15 percent for Firefighters and Police Officers is applied to retirement benefits for active employees to account for unused sick leave balances at time of retirement.

### Marital Status:

For active members, 65 percent of Public Safety and 55 percent of General employees are assumed to be married, with males three years older than females.

For inactive participants, those with “unknown” marital status were updated to use data from the prior year.

### Form of Payment Election:

For retirees with a specified optional form of payment, the raw data was used. For all other retirees and beneficiaries, the form of payment is determined by marital status. Those with a marital status of “married” are assumed to receive their benefit as a 50 percent Joint & Survivor, and all unmarried participants are assumed to receive a Single Life Annuity.

# Summary of Actuarial Assumptions and Methods (Continued)

## DROP Election:

For current active participants, 70 percent of members that have reached the maximum pensionable service (26 years for Public Safety, 35 years for General) and 30 percent of the members with less than the maximum pensionable service are assumed to elect to enter DROP in lieu of immediate retirement.

For current DROP participants, we have assumed each will commence retirement benefits after the maximum permissible time in DROP (earlier of five (5) years and mandatory retirement date).

## Rationale for Economic and Demographic Assumptions:

Assumptions were set by the Board based on recommendations made by Cheiron as a result of an experience study covering the period from July 1, 2016, through June 30, 2021.

The combined effect of the assumptions in aggregate is expected to have no significant bias.

## Change in Assumptions:

None.

# Summary of Actuarial Assumptions and Methods (Continued)

## Actuarial Cost Method:

Entry Age Normal Cost Method. The unfunded actuarial liability (UAL) as of June 30, 2017, is being amortized over a closed 20-year period. Subsequent annual changes in the UAL are amortized over their own closed 20-year periods calculated as follows: The UAL is adjusted for one year, by increasing it at the assumed interest rate and reducing it by the portion of the City's scheduled contribution not attributable to the value of additional benefits earned (i.e., normal cost) or administrative expenses. The difference between the resulting projected UAL and the outstanding balance of prior amortization bases is then amortized over a 20-year period using a level-dollar amortization.

City contributions are assumed to occur on July 1 following the valuation date. In accordance with the pension funding policy, City contributions in the first year after the issuance of general obligation bonds(POB) were based on the actuarial determined contribution. With the most recent (POB) issuance on June 29, 2021, the July 1, 2022, contribution amount was set through the actuarial process. For all subsequent fiscal years, City contributions cannot be less than the preceding year until the System reaches 100 percent funding. In this determination, no consideration is given for Section 115 Pension Trust Fund contributions or any additional one-time City contributions from the prior fiscal year. Other conditions that would provide consideration to adjust the contribution amount would be if the total contribution exceeds a 6 percent increase from the preceding year or if the contribution amount exceeds $80 million.

## Asset Valuation Method:

The actuarial value of assets is determined by first calculating the expected actuarial value of assets based on last year's valuation interest rate, last year's actuarial value of assets, and the net cash flow (contributions less benefit payments and assumed administrative expenses) of the System over the year prior to the valuation. One-third of the fair value of assets less the expected actuarial value of assets is then added to the expected actuarial value of assets to determine the valuation assets.

## Valuation Software:

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech), to calculate liabilities and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

## Changes in Actuarial Methods

None.

## Schedule of Active Member Valuation Data

### Census and Assets:

The valuation was based on members of the System as of June 30, 2025. All census data was supplied by the Executive Director of the System and were subject to reasonable consistency checks. Asset data was supplied by the Executive Director and the accountants of the System.

### General Employees:

| Valuation as of June 30 | Number of Active Members[1] | Valuation Payroll (In '000s) | Average Salary | Percent Increase (Decrease) in Average |
|---|---|---|---|---|
| 2016 | 2,741 | $ 126,900 | $ 46,297 | 1.5% |
| 2017 | 2,727 | 128,708 | 47,198 | 1.9 |
| 2018 | 2,689 | 129,910 | 48,312 | 2.4 |
| 2019 | 2,599 | 127,569 | 49,084 | 1.6 |
| 2020 | 2,591 | 130,005 | 50,176 | 2.2 |
| 2021 | 2,492 | 126,671 | 50,831 | 1.3 |
| 2022 | 2,022 | 114,991 | 60,817 | 11.9 |
| 2023 | 1,417 | 86,178 | | 6.9 |
| 2024 | 1,238 | 81,923 | 66,174 | 8.8 |
| 2025 | 1,087 | 76,369 | 70,257 | 6.2 |

[1]Excludes members on leave of absence and participants due a refund as of each respective June 30.

### Public Safety:

| Valuation as of June 30 | Number of Active Members[1] | Valuation Payroll (In '000s) | Average Salary | Percent Increase (Decrease) in Average |
|---|---|---|---|---|
| 2016 | 1,238 | $ 66,136 | $ 53,422 | 2.8 % |
| 2017 | 1,219 | 68,343 | 56,065 | 4.9 |
| 2018 | 1,216 | 71,415 | 58,729 | 4.8 |
| 2019 | 1,187 | 70,942 | 59,766 | 1.8 |
| 2020 | 1,171 | 71,415 | 60,986 | 2.0 |
| 2021 | 1,123 | 67,982 | 60,536 | (0.1) |
| 2022 | 892 | 60,111 | 67,390 | 11.3 |
| 2023 | 704 | 50,467 | 71,686 | 6.4 |
| 2024 | 653 | 49,457 | 75,738 | 5.7 |
| 2025 | 611 | 48,927 | 80,076 | 5.7 |

[1]Excludes members on leave of absence and participants due a refund as of each respective June 30.

**Total:**

| Valuation as of June 30 | Number of Active Members[1] | Valuation Payroll (In '000s) | Average Salary | Percent Increase (Decrease) in Average |
|---|---|---|---|---|
| 2016 | 3,979 | $ 193,036 | $ 48,514 | 1.1% |
| 2017 | 3,946 | 197,051 | 49,937 | 2.9 |
| 2018 | 3,905 | 201,325 | 51,556 | 3.2 |
| 2019 | 3,786 | 198,511 | 52,433 | 1.7 |
| 2020 | 3,762 | 201,420 | 53,541 | 2.1 |
| 2021 | 3,615 | 194,653 | 53,846 | 0.6 |
| 2022 | 2,914 | 175,102 | 60,090 | 11.6 |
| 2023 | 2,121 | 136,645 | 64,425 | 7.2 |
| 2024 | 1,891 | 131,380 | 69,477 | 7.8 |
| 2025 | 1,698 | 125,296 | 73,790 | 6.2 |

[1]Excludes members on leave of absence and participants due a refund on each respective June 30.

## Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

| | Added to Rolls | | Removed from Rolls | | On Rolls at Year-End | | | |
|---|---|---|---|---|---|---|---|---|
| Year Ended June 30 | No. | Annual Allowance (In '000s) | No. | Annual Allowance (In '000s) | No. | Annual Allowance (In '000s) | Average Allowance | % Increase Average Allowance |
| 2016 | 159 | $ 3,369 | 82 | $ 1,047 | 3,837 | $ 80,874 | $ 21,077 | 0.9 % |
| 2017 | 176 | 3,449 | 100 | 1,272 | 3,913 | 83,051 | 21,224 | 0.7 |
| 2018 | 201 | 4,876 | 120 | 1,543 | 3,994 | 86,383 | 21,628 | 1.9 |
| 2019 | 216 | 4,972 | 91 | 1,295 | 4,119 | 90,060 | 21,865 | 1.1 |
| 2020 | 208 | 4,946 | 115 | 1,606 | 4,212 | 93,400 | 22,175 | 1.4 |
| 2021 | 194 | 4,509 | 134 | 2,240 | 4,272 | 95,669 | 22,394 | 1.0 |
| 2022 | 206 | 3,567 | 127 | 2,091 | 4,351 | 97,145 | 22,327 | (0.3) |
| 2023 | 200 | 4,291 | 135 | 2,067 | 4,416 | 99,369 | 22,502 | 0.8 |
| 2024 | 198 | 3,174 | 112 | 1,470 | 4,502 | 101,073 | 22,451 | (0.2) |
| 2025 | 175 | 3,492 | 132 | 2,045 | 4,545 | 102,520 | 22,557 | 0.5 |

Note: The amount added to the rolls includes additions and deletions due to COLAs, supplements, workers' compensation in addition to the annual allowance for new retirees.

## Schedule of Funded Liabilities by Type

The System's funding objective is to meet long-term benefit obligations through contributions that remain approximately level from year to year as a dollar amount. If the contributions to the System are level in concept and soundly executed, the System will pay promised benefits when due; thus, providing the ultimate test of financial soundness. Testing for level contribution rates is the long-term test.

A short condition test is one means of checking a plan's progress under its funding program. In a short condition test, the System's present assets (cash and investments) are compared with: (1) active member contributions, (2) the liabilities for future benefits to present retired lives, and (3) the employer-provided portion of liabilities for service already rendered by active members. In a plan that has been following the discipline of level percent of payroll financing, the active member contribution balances (Liability (1)) and the liabilities for future benefits to present retired members (Liability (2)) will be fully covered by present assets, except in rare circumstances. In addition, the liabilities for service already rendered by active members (Liability (3)) will be at least partially covered by the remainder of present assets.

The relationship between actuarial liabilities and net assets of the System for Fiscal Years ended June 30, 2016, through June 30, 2025, are presented as follows:

| Valuation Date | (1) Active Member Contributions | (2) Retirees, Vested Terms, Beneficiaries | (3) Active Members (Employer Financed Portion) | Reported Assets[A] | Portion of Accrued Liabilities Covered by Reported Assets | | |
|---|---|---|---|---|---|---|---|
| | | | | | (1) | (2) | (3) |
| 2016 | $ 15,493 | $ 877,143 | $ 361,774 | $ 1,048,346 | 100.0 | 100.0 | 43.0% |
| 2017 [B] | 21,937 | 921,087 | 392,802 | 1,043,620 | 100.0 | 100.0 | 25.6 |
| 2018 [C] | 29,427 | 950,489 | 397,973 | 1,074,892 | 100.0 | 100.0 | 23.9 |
| 2019 | 34,844 | 979,721 | 383,423 | 1,097,451 | 100.0 | 100.0 | 21.6 |
| 2020 | 40,701 | 1,001,938 | 378,389 | 1,100,046 | 100.0 | 100.0 | 15.2 |
| 2021 | 45,445 | 1,024,402 | 361,668 | 1,297,114 | 100.0 | 100.0 | 62.8 |
| 2022 | 45,687 | 1,094,862 | 394,066 | 1,291,722 | 100.0 | 100.0 | 38.4 |
| 2023 | 43,443 | 1,134,726 | 352,585 | 1,293,562 | 100.0 | 100.0 | 32.7 |
| 2024 | 45,319 | 1,152,805 | 356,719 | 1,323,881 | 100.0 | 100.0 | 35.3 |
| 2025 | 47,265 | 1,166,295 | 354,838 | 1,377,463 | 100.0 | 100.0 | 46.2 |

(Expressed in '000s)

[A] Reported assets are actuarial value of assets. If assets were fair value of assets, the results would be different.

[B] Reported assets for 2017 do not include the receivable employer contribution. Reported assets prior to 2017 included these amounts.

[C] Retirees and beneficiaries receiving a benefit as of June 30, 2014, were granted a permanent 2.0 percent supplemental benefit increase on their annual benefit up to $36,000 effective July 2018.

## Schedule of Funding Progress
## Last 10 Fiscal Years
(Expressed in '000s)

| Fiscal Year | Actuarial Accrued Liability | Actuarial Value of Plan Net Position | Unfunded Actuarial Accrued Liability/ Surplus | Actuarial Value of Plan Net Position as a Percentage of Actuarial Accrued Liability | Covered Payroll | Unfunded Actuarial Accrued Pension Liability/Surplus as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2016 | $1,254,410 | $1,048,346 | $ 206,064 | 83.6 | $ 175,679 | 117.3% |
| 2017 | 1,335,826 | 1,043,620 | 292,206 | 78.1 | 188,066 | 155.4 |
| 2018 | 1,377,889 | 1,074,892 | 302,997 | 78.0 | 191,549 | 158.2 |
| 2019 | 1,397,988 | 1,097,451 | 300,537 | 78.5 | 195,358 | 153.8 |
| 2020 | 1,421,028 | 1,100,046 | 320,982 | 77.4 | 197,405 | 162.6 |
| 2021 | 1,431,515 | 1,297,114 | 134,401 | 90.6 | 200,484 | 67.0 |
| 2022 | 1,534,614 | 1,291,722 | 242,892 | 84.2 | 195,554 | 124.7 |
| 2023 | 1,530,754 | 1,293,562 | 237,192 | 84.5 | 199,856 | 118.7 |
| 2024 | 1,554,843 | 1,323,882 | 230,961 | 85.1 | 160,320 | 144.1 |
| 2025 | 1,568,398 | 1,377,463 | 190,935 | 87.8 | 141,434 | 135.0 |

## Analysis of Financial Experience
## Gain or (Loss) for Year Ended June 30
(Expressed in '000s)

| Type of Activity | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Investment Income | $ (20,184) | $ 196 | $ 219 | $ (6,601) | $ (27,978) |
| Combined Liability Experience | 2,666 | 2,568 | 1,594 | 9,342 | 6,398 |
| Gain (Loss) During Year from Financial Experience | (17,518) | 2,764 | 1,813 | 2,741 | (21,580) |
| Non-recurring Items | (2,608) | (54,510) | (11,758) | - | - |
| Composite Gain (Loss) During Year | $ (20,126) | $ (51,746) | $ (9,945) | $ 2,741 | $ (21,580) |

| Type of Activity | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Investment Income | $ 45,878 | $ (44,529) | $ (24,326) | $ (4,081) | $ 17,758 |
| Combined Liability Experience | 19,181 | (4,369) | 14,071 | (8,286) | 2,798 |
| Gain (Loss) During Year from Financial Experience | 65,059 | (48,898) | (10,255) | (12,367) | 20,556 |
| Non-recurring Items | - | (76,330) | 4,451 | - | - |
| Composite Gain (Loss) During Year | $ 65,059 | $ (125,228) | $ (5,804) | $ (12,367) | $ 20,556 |

# Summary of Benefit and Contribution Provisions

The following is intended to summarize the key benefits valued in this valuation. Members of the System and other parties should not rely on this summary as a substitute for or interpretation of the laws and ordinances of the Norfolk City Code covering this retirement plan.

## Membership

Any permanent regular full-time employee entering the service of the City prior to January 1, 2022, is required to become a member of the System. Upon entering the System, members are classified according to their occupational group, either as General Employees, Firefighters, Police Officers, or Paramedics.

Paramedics, formerly members of the General Employees Group, were reclassified as members of Public Safety effective June 9, 1992. Per City Code Sec. 37-61(n), any member serving on the Council of the City on or after July 1, 2001, shall have a normal service retirement allowance of two and a half (2.5) percent of his or her average final compensation multiplied by the number of years of creditable service up to a number of years of creditable service that would allow the normal retirement allowance to equal up to sixty-five (65) percent of the average final compensation. The normal service retirement age of any member serving on the council on or after July 1, 2001, shall be fifty-five (55) years or the age at which twenty-five (25) years of creditable service has been completed, whichever comes first.

For each full calendar year beginning on or after January 1, 1997, any permanent part-time employees shall be members of and entitled to benefits in proportion to which their annual hours bear to that of full-time employees.

A member, who was a Norfolk Community Services Board employee on June 30, 2012, who became a City employee on July 1, 2012, began participating in the System on such date. Prior service for these employees was credited towards benefit eligibility only. Lastly, these employees were exempt from the members' mandatory contributions applicable to anyone hired on or after October 5, 2010, until January 8, 2015.

Effective January 1, 2022, the Retirement System is closed to new members. Between January 1, 2022 and December 31, 2022, participants of the Retirement System were permitted to port their service to the Virginia Retirement System.

## Benefits

### Normal Service Retirement Allowance

#### Eligibility

Employees Hired Before July 1, 2018

For General Employees, the earlier of age 60 or 30 years of creditable service.

For Firefighters, Police Officers and Paramedics, the earlier of age 55 or 25 years of creditable service. Mandatory retirement is age 65 for Firefighters and Police Officers.

Employees Hired On or After July 1, 2018

For General Employees, the earlier of the retirement age as defined under the Social Security Act (42 U.S.C §416) or the age at which the combination of a participant's age and service sums to at least 90.

For Firefighters, Police Officers and Paramedics, the earlier of age 60 or age 50 with 25 years of creditable service. Mandatory retirement is age 65 for Firefighters and Police Officers.

**Amount**

Employees Hired Before July 1, 1980

For General Employees, the pension earned is 2 percent of average final compensation for each year of creditable service.

Effective January 1, 1997, for General Employees, the maximum number of years of creditable service is the greater of 35 years or the number of years of service as of December 31, 1996.

For Firefighters, Police Officers and Paramedics, the pension earned is 2.5 percent of average final compensation for each year of creditable service up to a maximum of 65 percent of average final compensation.

Employees Hired Between July 1, 1980, and June 30, 2018

For General Employees, the pension earned is 1.75 percent of average final compensation for each year of creditable service up to a maximum of 35 years.

For Firefighters, Police Officers and Paramedics, the pension earned is 2.5 percent of average final compensation for each year of creditable service up to a maximum of 65 percent of average final compensation.

"Average Final Compensation" means the average annual earnable compensation for the three (3) years of creditable service that produces the highest average. Creditable service consists of membership service plus 100 percent of accumulated unused sick leave for all employees except Firefighters. For Firefighters, 46 percent of unused sick leave accumulated prior to July 1, 1985, and 100 percent of unused sick leave accumulated on and after July 1, 1985, is included.

Employees Hired On or After July 1, 2018

For General Employees, the pension earned is 1.75 percent of average final compensation for each year of creditable service up to a maximum of 35 years.

For Firefighters, Police Officers and Paramedics, the pension earned is 2.5 percent of average final compensation for each year of creditable service up to a maximum of 65 percent of average final compensation.

"Average Final Compensation" means the average annual earnable compensation for five (5) consecutive years of creditable service which produces the highest average. Creditable service consists of membership service plus 100 percent of accumulated unused sick leave for all employees except Firefighters. For Firefighters, 46 percent of unused sick leave accumulated prior to July 1, 1985, and 100 percent of unused sick leave accumulated on and after July 1, 1985, is included.

## Early Service Retirement Allowance

### Eligibility

Within five (5) years of eligibility for normal service retirement.

### Amount

Accrued service retirement allowance is deferred to normal service retirement age. A member may elect to receive an immediate benefit equal to the accrued service retirement allowance reduced by ¼ of 1 percent for each month commencement date precedes the normal retirement date for general employees, and ½ of 1 percent for each month commencement date precedes the normal retirement date for firefighters, police officers and paramedics.

## Vested Allowance

### Eligibility

Five (5) years of creditable service and upon attaining their normal service retirement age in accordance with the provisions of Chapter 37 in effect at the time of their termination.

### Amount

Accrued service retirement allowance is deferred to normal retirement age. If not eligible for retirement, a member may elect to leave their contributions made prior to July 1, 1972, with interest, if any, in the System until normal service retirement date.

## Ordinary Disability Retirement Allowance

### Eligibility

Five (5) years of creditable service and total and permanent disability not due to an accident in the performance of duty.

### Amount

Accrued service retirement allowance with a minimum of 25 percent of average final compensation. The minimum cannot exceed the normal service retirement allowance based on average final compensation and creditable service projected to normal service retirement date.

## Accidental Disability Retirement Allowance

### Eligibility

Total and permanent disability because of an accident in the performance of duty, regardless of length of service. Applications must be filed within six years from date of accident.

The disability of a firefighter, police officer, sheriff or deputy sheriff caused by hypertension, heart disease, or respiratory disease is presumed to have been suffered in the line of duty unless the contrary is shown by medical evidence.

**Amount**

The amount payable is 66⅔ percent of average final compensation.

## Ordinary Death Benefit

**Eligibility**

Death in active service due to causes not the result of an accident in the performance of duty. Benefits are paid to a designated beneficiary or estate.

**Amount**

If the deceased member was not vested, mandatory contributions made after October 5, 2010, prior to vesting, together with such interest, if any, made by the member with not less than one-half of the interest credited are paid to the nominated beneficiary, otherwise the estate. Any employee who becomes a member of the system on or after July 1, 1979, that attained five (5) or more years of creditable service in the System a lump-sum benefit equal to 50 percent of their earnable compensation during the year immediately preceding their death is payable to the nominated beneficiary. If a member dies in service on or after July 1, 1974, and the member was eligible for early or normal service retirement, and if the person nominated was their spouse, the spouse may elect to receive, in lieu of a lump sum benefit, a monthly benefit equal to one-half of the retirement allowance that would have been payable to the member had the member retired and immediately commenced payment. If the spouse dies or remarries before the youngest unmarried child attains age 18, the pension shall continue to the unmarried children to the date that all the children have died, married, or attained age 18, whichever occurs first. If the spouse was receiving benefits on or before June 30, 1978, payments shall continue after remarriage with no further payments after death.

## Accidental Death Benefit

**Eligibility**

Death in active service resulting from an accident in the performance of duty within six (6) years from the date of the accident. The death of a firefighter, police officer, sheriff or deputy sheriff caused by hypertension, heart disease, or respiratory disease in the case of firefighters is presumed to have been suffered in the line of duty, unless the contrary is shown by medical evidence.

**Amount**

If the deceased member was not vested, mandatory contributions made after October 5, 2010, prior to vesting, together with such interest, if any, made by the member with not less than one-half of the interest credited are paid to nominated beneficiary, otherwise the estate. A pension, one-half of the average final compensation, is payable to the spouse until death or remarriage. If there is no spouse or if the spouse dies or remarries, the benefit is payable to children under age 18 or if there are no children under the age of 18, then the member's living parents.

## Offset on Account of Workers' Compensation

All benefits paid under the provisions of any workers' compensation act or any similar law to any member or beneficiary, or to the dependents of any member or beneficiary on account of any disability or death are in such manner as the Board determines, offset against any benefits provided from City contributions to the Employees' Retirement System.

## Death Benefit after Retirement

### Eligibility

Death of a retiree who became a member between July 1, 1979, and June 30, 2016, completed five (5) years of creditable service, and was receiving retirement allowance payments; or of a spouse receiving an accidental death benefit.

### Amount

*Lump sum death benefit:* Lump sum equal to one-half of the average final compensation on which the retirement allowance of the deceased retired member or spouse was based. The lump sum is payable to the surviving spouse, to unmarried children under age 18, or unmarried children over age 18 who are physically or mentally unable to make a living.

*Survivor continuance:* Designated beneficiaries may also be eligible for a full or partial continuance of the member's monthly retirement allowance. The following table details the optional forms of payment available to members at retirement, specifies their corresponding continuance amounts, and indicates the options that are entitled to the lump sum death benefit described above. Reductions to the member benefit for the optional forms of payment are made on an actuarial equivalent basis.

| Option | Survivor Continuance | Surviving Spouse Lump Sum Death Benefit |
|---|---|---|
| No Option | For persons who became members before July 1, 2016, who have not made an optional allowance election, an unreduced pension with the provision that at death, 50 percent of the unreduced pension will be continued through the life of the surviving spouse; or, if there is no surviving spouse, then to a surviving unmarried child or children under age eighteen (18) at the date of death, or to a surviving unmarried child or children over age eighteen (18), if the medical board shall certify that such unmarried child or children are physically or mentally unable to make a living.<br><br>For members hired on or after July 1, 2016, an unreduced pension is payable for the life of the member.<br><br>This benefit would payable in lieu of the lump sum death benefit. | Eligible for members hired before July 1, 2016; at election of the survivor, the lump sum death benefit would be payable in lieu of the Survivor Continuance |
| Option A | For members hired before July 1, 2016, a reduced pension with the provision that at death, 100 percent of the reduced pension will be continued throughout the life of the designated beneficiary. | Eligible |
| Option B | For members hired before July 1, 2016, a reduced pension with the provision that at death, 50 percent of the reduced pension will be continued throughout the life of the designated beneficiary. | Eligible |
| Option C | For members hired before July 1, 2016, a reduced pension with the provision that at death some other benefit approved by the Board of Trustees will be payable. | Eligible |
| Option D | A reduced pension with the provision that at death, fifty (50) percent of the reduced pension will be continued throughout the life of the designated beneficiary. Upon divorce or death of the designated beneficiary, members are permitted to file only one (1) petition to name an alternative beneficiary under limited circumstances. | Ineligible |

## Return of Contributions

### Eligibility

Termination of membership prior to death or departure prior to retirement or vesting.

### Amount

All mandatory member contributions shall be refunded with interest on the accumulated contributions.

### Contributions

| | |
|---|---|
| By Members | Five (5) percent of pay for anyone hired on or after October 5, 2010. Effective January 8, 2015, all members (except City Council members, anyone hired before October 5, 2010) will be required to contribute five (5) percent of pay. |
| By City | Annual contributions actuarially computed to be required to cover the cost of benefits of the System. |

## Deferred Retirement Option Program (DROP)

### Eligibility

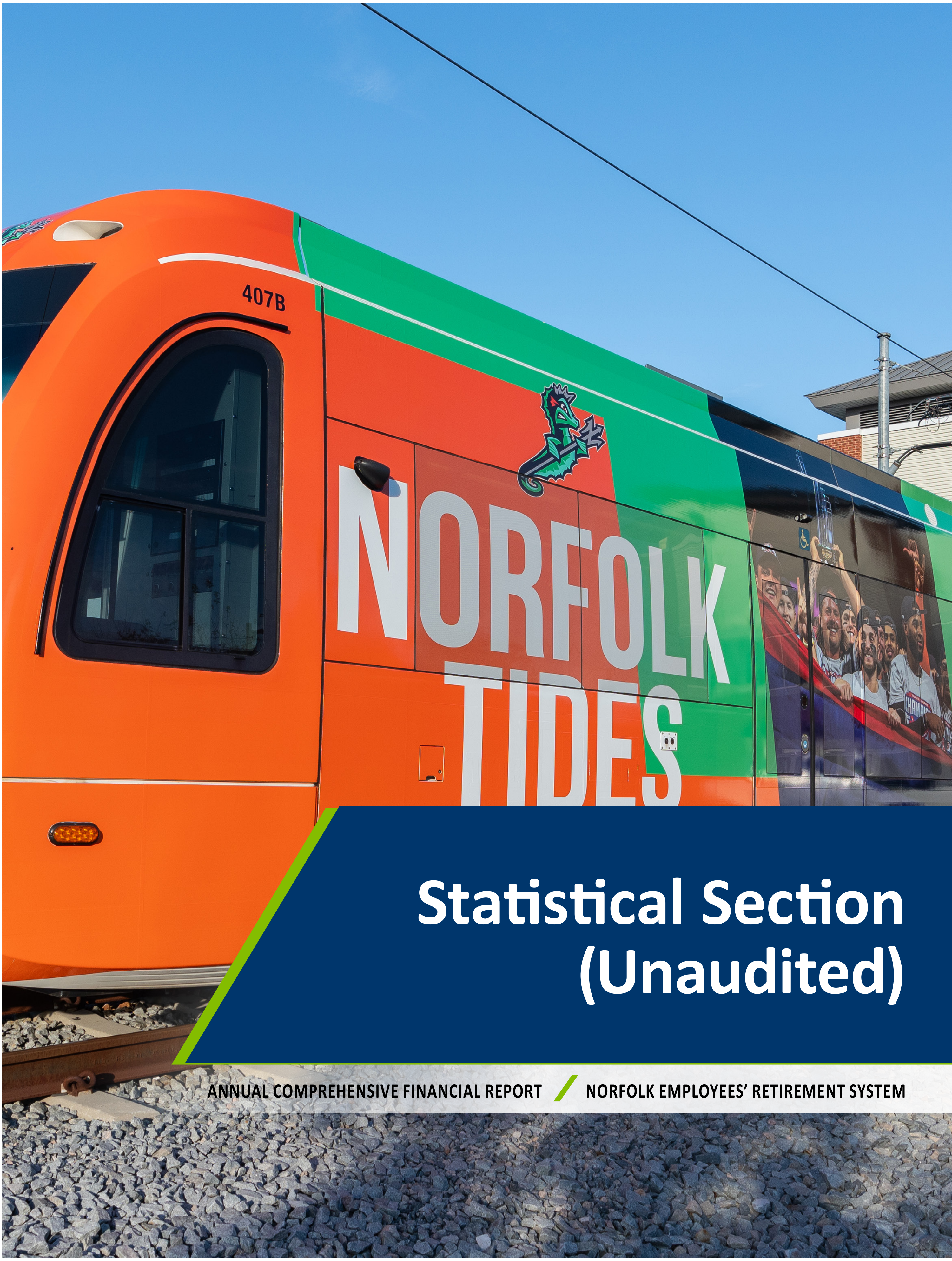
Any active member of the System who reaches Normal Retirement eligibility may elect to participate.

### Amount

The DROP period may be elected by the member but shall not exceed the earlier of five years or mandatory retirement age for Public Safety officers. During the DROP period, 70% of the participant's monthly retirement allowance shall be paid to the DROP account. No interest shall accrue on this account during the DROP period. At the end of the DROP period, the participant will receive a lump sum payment of the DROP account and shall begin receiving his or her full monthly benefit payment as a retired member.

## Changes in Plan Provisions

None.




# Statistical Section (Unaudited)

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## About the Statistical Section

This section provides the reader with detailed information about the economic and demographic trends experienced over the past ten years in the System.

Schedule of Additions by Source and Deductions by Type displays the changes in plan net position because of payments made to and by the System.

Schedule of Benefit Payments by Type identifies the type of payments made to beneficiaries and former employees.

Schedule of Retired Members by Type of Benefit identifies the range of benefit payments made to retirees sorted by plan and type of retirement for the current fiscal year.

Schedule of Average Benefit Payments presents the average monthly benefit paid as of June 30, 2025.

## Schedule of Additions by Sources and Deductions by Type
## Last 10 Fiscal Years
(Expressed in '000s)
### Schedule of Additions by Source

| Fiscal Year Ended June 30 | Employee Contributions | Employer Contributions | % of Covered Payroll | Employer Contributions from Pension Obligation Bonds | Total Net Investment Income (Loss) | Additions |
|---|---|---|---|---|---|---|
| 2016 | $ 9,038 | $ 30,761 | 17.51 | $ - | $ 3,278 | $ 43,078 |
| 2017 | 9,450 | 33,457 | 17.79 | - | 111,228 | 154,135 |
| 2018 | 9,858 | 35,494 | 18.53 | - | 72,663 | 118,015 |
| 2019 | 10,009 | 37,079 | 18.98 | - | 55,313 | 102,401 |
| 2020 | 10,209 | 38,494 | 19.50 | - | 5,737 | 54,440 |
| 2021 | 10,367 | 40,698 | 20.30 | 119,554 | 270,352 | 440,971 |
| 2022 | 9,936 | 41,457 | 21.20 | - | (134,727) | (83,334) |
| 2023 | 8,096 | 31,417 | 15.72 | 8,717 | 102,983 | 151,213 |
| 2024 | 8,587 | 33,603 | 20.96 | 8,716 | 123,193 | 174,099 |
| 2025 | 7,574 | 34,375 | 24.30 | 8,716 | 150,251 | 200,916 |

## Schedule of Deductions by Type
## Last 10 Fiscal Years

| Fiscal Year Ended June 30 | Benefit Payments (Age and Service Benefits) | Benefit Payments (Disability Benefits) | Refund of Contributions | Lump Sum Death Benefits | Administrative Expenses | Total Deductions |
|---|---|---|---|---|---|---|
| 2016 | $ 80,553 | N/A | $ 305 | $ 231 | $ 672 | $ 81,761 |
| 2017 | 83,049 | N/A | 762 | 166 | 668 | 84,645 |
| 2018 | 80,575 | 3,878 | 1,229 | 251 | 764 | 86,697 |
| 2019 | 87,943 | 3,886 | 867 | 170 | 617 | 93,483 |
| 2020 | 89,014 | 3,844 | 920 | 220 | 600 | 94,598 |
| 2021 | 90,515 | 3,957 | 923 | 177 | 620 | 96,192 |
| 2022 | 94,764 | 4,001 | 2,924 | 336 | 848 | 102,873 |
| 2023 | 99,276 | 4,099 | 4,410 | 176 | 1,005 | 108,966 |
| 2024 | 96,953 | 4,101 | 935 | 353 | 948 | 103,290 |
| 2025 | 98,155 | 4,128 | 192 | 255 | 925 | 103,655 |

## Total Change in Net Position
## Last 10 Fiscal Years
## (Expressed in '000s)

| Fiscal Year Ended June 30 | Total Change in Net Position |
|---|---|
| 2016 | $ (38,683) |
| 2017 | 69,490 |
| 2018 | 31,318 |
| 2019 | 8,918 |
| 2020 | (40,158) |
| 2021 | 344,779 |
| 2022 | (186,206) |
| 2023 | 42,247 |
| 2024 | 70,809 |
| 2025 | 97,261 |

Contributions were made in accordance with the actuarially determined contribution requirement.

## Schedule of Benefit Payments by Type

(Expressed in '000s)

**Annual Allowances Scheduled to be paid in Ensuing Fiscal Year**

### General

| As of June 30 | Service Retired Members | Contingent Annuitants | Disabled Annuitants | Total |
|---|---|---|---|---|
| 2016 | $38,726 | $2,746 | $2,711 | $44,183 |
| 2017 | 40,489 | 2,834 | 2,612 | 45,935 |
| 2018 | 42,210 | 3,006 | 2,632 | 47,848 |
| 2019 | 44,336 | 3,048 | 2,514 | 49,898 |
| 2020 | 45,553 | 3,244 | 2,699 | 51,496 |
| 2021 | 46,093 | 3,540 | 2,636 | 52,269 |
| 2022 | 46,618 | 3,772 | 2,641 | 53,031 |
| 2023 | 47,136 | 3,756 | 2,660 | 53,552 |
| 2024 | 47,794 | 3,862 | 2,527 | 54,183 |
| 2025 | 48,415 | 3,824 | 2,505 | 54,744 |

### Public Safety

| As of June 30 | Service Retired Members | Contingent Annuitants | Disabled Annuitants | Total |
|---|---|---|---|---|
| 2016 | $31,308 | $2,127 | $3,256 | $36,691 |
| 2017 | 31,743 | 2,206 | 3,167 | 37,116 |
| 2018 | 32,359 | 2,636 | 3,540 | 38,535 |
| 2019 | 34,315 | 2,660 | 3,187 | 40,162 |
| 2020 | 35,488 | 2,840 | 3,577 | 41,905 |
| 2021 | 36,753 | 3,355 | 3,292 | 43,400 |
| 2022 | 37,219 | 3,418 | 3,477 | 44,114 |
| 2023 | 38,492 | 3,654 | 3,671 | 45,817 |
| 2024 | 39,274 | 3,835 | 3,780 | 46,889 |
| 2025 | 40,114 | 3,768 | 3,894 | 47,776 |

### Total

| As of June 30 | Service Retired Members | Contingent Annuitants | Disabled Annuitants | Total* |
|---|---|---|---|---|
| 2016 | $70,034 | $4,873 | $5,967 | $80,874 |
| 2017 | 72,232 | 5,040 | 5,779 | 83,051 |
| 2018 | 74,569 | 5,642 | 6,172 | 86,383 |
| 2019 | 78,651 | 5,708 | 5,701 | 90,060 |
| 2020 | 81,041 | 6,084 | 6,276 | 93,401 |
| 2021 | 82,846 | 6,895 | 5,928 | 95,669 |
| 2022 | 83,837 | 7,190 | 6,118 | 97,145 |
| 2023 | 85,628 | 7,410 | 6,331 | 99,369 |
| 2024 | 87,068 | 7,697 | 6,307 | 101,072 |
| 2025 | 88,529 | 7,592 | 6,399 | 102,520 |

*Reflects monthly benefits in pay status, multiplied by 12. Not intended to agree with actual payouts in the prior year as shown on the previous page.

# Schedule of Retired Members by Type of Benefit as of June 30, 2025

## General

| | | Type of Retirement[1] | | | | | | | | | Option Selected[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 |
| Deferred[3] | 1,238 | | | | | | | | | | | | | |
| $1-$300 | 276 | 160 | 3 | 0 | 32 | 5 | 0 | 63 | 11 | 2 | 114 | 6 | 118 | 1 |
| $301-$600 | 547 | 270 | 4 | 0 | 89 | 24 | 0 | 121 | 35 | 4 | 217 | 7 | 224 | 2 |
| $601-$900 | 381 | 119 | 2 | 0 | 77 | 25 | 0 | 106 | 51 | 1 | 128 | 5 | 167 | 1 |
| $901-$1,200 | 342 | 63 | 2 | 1 | 60 | 18 | 7 | 133 | 56 | 2 | 118 | 7 | 151 | 1 |
| $1,201-$1,500 | 288 | 39 | 3 | 0 | 41 | 9 | 14 | 122 | 59 | 1 | 103 | 3 | 137 | 0 |
| $1,501-$1,800 | 223 | 17 | 1 | 0 | 13 | 11 | 13 | 101 | 66 | 1 | 101 | 3 | 104 | 0 |
| $1,801-$2,100 | 227 | 12 | 0 | 0 | 10 | 7 | 7 | 148 | 43 | 0 | 97 | 2 | 117 | 1 |
| $2,101-$2,400 | 167 | 4 | 1 | 0 | 5 | 2 | 4 | 120 | 31 | 0 | 67 | 2 | 91 | 0 |
| $2,401-$2,700 | 159 | 2 | 0 | 0 | 3 | 3 | 1 | 132 | 18 | 0 | 58 | 3 | 96 | 0 |
| $2,701-$3,000 | 118 | 1 | 0 | 0 | 1 | 2 | 2 | 103 | 9 | 0 | 57 | 1 | 59 | 0 |
| Over $3,000 | 336 | 4 | 0 | 0 | 4 | 2 | 3 | 307 | 16 | 0 | 114 | 1 | 214 | 3 |
| Totals | 4,302 | 691 | 16 | 1 | 335 | 108 | 51 | 1,456 | 395 | 11 | 1,174 | 40 | 1,478 | 9 |

## Public Safety

| | | Type of Retirement[1] | | | | | | | | | Option Selected[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 |
| Deferred[3] | 462 | | | | | | | | | | | | | |
| $1-$300 | 14 | 7 | 0 | 0 | 5 | 0 | 0 | 1 | 0 | 1 | 6 | 0 | 2 | 0 |
| $301-$600 | 94 | 56 | 1 | 1 | 22 | 3 | 0 | 3 | 2 | 6 | 36 | 0 | 28 | 0 |
| $601-$900 | 88 | 33 | 0 | 0 | 26 | 4 | 2 | 3 | 6 | 14 | 11 | 2 | 35 | 0 |
| $901-$1,200 | 75 | 18 | 1 | 2 | 32 | 5 | 2 | 3 | 5 | 7 | 9 | 2 | 22 | 0 |
| $1,201-$1,500 | 83 | 7 | 1 | 6 | 33 | 9 | 4 | 9 | 7 | 7 | 7 | 0 | 29 | 0 |
| $1,501-$1,800 | 74 | 8 | 2 | 5 | 28 | 2 | 5 | 12 | 8 | 4 | 13 | 0 | 22 | 0 |
| $1,801-$2,100 | 82 | 2 | 1 | 0 | 20 | 4 | 9 | 25 | 19 | 2 | 18 | 2 | 39 | 0 |
| $2,101-$2,400 | 86 | 5 | 0 | 0 | 11 | 2 | 15 | 37 | 15 | 1 | 22 | 1 | 51 | 0 |
| $2,401-$2,700 | 88 | 0 | 0 | 1 | 4 | 1 | 9 | 57 | 16 | 0 | 21 | 1 | 61 | 0 |
| $2,701-$3,000 | 120 | 1 | 0 | 0 | 2 | 2 | 19 | 81 | 15 | 0 | 30 | 2 | 86 | 0 |
| Over $3,000 | 677 | 2 | 0 | 0 | 2 | 2 | 33 | 602 | 36 | 0 | 171 | 10 | 493 | 1 |
| Totals | 1,943 | 139 | 6 | 15 | 185 | 34 | 98 | 833 | 129 | 42 | 344 | 20 | 868 | 1 |

## Total

| | | Type of Retirement[1] | | | | | | | | | Option Selected[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 |
| Deferred[3] | 1,700 | | | | | | | | | | | | | |
| $1-$300 | 290 | 167 | 3 | 0 | 37 | 5 | 0 | 64 | 11 | 3 | 120 | 6 | 120 | 1 |
| $301-$600 | 641 | 326 | 5 | 1 | 111 | 27 | 0 | 124 | 37 | 10 | 253 | 7 | 252 | 2 |
| $601-$900 | 469 | 152 | 2 | 0 | 103 | 29 | 2 | 109 | 57 | 15 | 139 | 7 | 202 | 1 |
| $901-$1,200 | 417 | 81 | 3 | 3 | 92 | 23 | 9 | 136 | 61 | 9 | 127 | 9 | 173 | 1 |
| $1,201-$1,500 | 371 | 46 | 4 | 6 | 74 | 18 | 18 | 131 | 66 | 8 | 110 | 3 | 166 | 0 |
| $1,501-$1,800 | 297 | 25 | 3 | 5 | 41 | 13 | 18 | 113 | 74 | 5 | 114 | 3 | 126 | 0 |
| $1,801-$2,100 | 309 | 14 | 1 | 0 | 30 | 11 | 16 | 173 | 62 | 2 | 115 | 4 | 156 | 1 |
| $2,101-$2,400 | 253 | 9 | 1 | 0 | 16 | 4 | 19 | 157 | 46 | 1 | 89 | 3 | 142 | 0 |
| $2,401-$2,700 | 247 | 2 | 0 | 1 | 7 | 4 | 10 | 189 | 34 | 0 | 79 | 4 | 157 | 0 |
| $2,701-$3,000 | 238 | 2 | 0 | 0 | 3 | 4 | 21 | 184 | 24 | 0 | 87 | 3 | 145 | 0 |
| Over $3,000 | 1013 | 6 | 0 | 0 | 6 | 4 | 36 | 909 | 52 | 0 | 285 | 11 | 707 | 4 |
| Totals | 6,245 | 830 | 22 | 16 | 520 | 142 | 149 | 2,289 | 524 | 53 | 1,518 | 60 | 2,346 | 10 |

[1]Type of Retirement:
1 = Resigned
2 = Pre-Retirement Ordinary Death
3 = Pre-Retirement Accidental Death
4 = Post-Retirement Death
5 = Ordinary Disability
6 = Accidental Disability
7 = Normal Retirement
8 = Early Retirement
9 = Qualified Domestic Relations Order

[2]Option Selected:
1 = Straight Life Annuity
2 = Option A: Joint and Survivor (100%)
3 = Option B: Joint and Survivor (50%)
4 = Option C: Joint and Survivor (Other)

Beneficiaries were excluded. Retirees provided without a specified option are allocated by marital status: single = Option 1, married = Option 3

[3]Deferred Future Benefits - Terminated employees entitled to benefits but not yet receiving them.
Includes 128 participants currently in DROP and 10 vested participants on Leave of Absence.

# Schedule of Retired Members by Type of Benefit as of June 30, 2025 (Continued)

## General

| | | Type of Retirement | | | Option Selected[1] | | | |
|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | Service Retired Members | Contingent Annuitants | Disabled Annuitants | 1 | 2 | 3 | 4 |
| Deferred[3] | 1,238 | | | | | | | |
| $1-$300 | 276 | 236 | 48 | 5 | 112 | 6 | 122 | 1 |
| $301-$600 | 547 | 406 | 101 | 26 | 213 | 6 | 211 | 2 |
| $601-$900 | 381 | 272 | 84 | 26 | 127 | 4 | 166 | 1 |
| $901-$1,200 | 342 | 243 | 64 | 25 | 115 | 7 | 145 | 1 |
| $1,201-$1,500 | 288 | 217 | 48 | 23 | 99 | 3 | 138 | 0 |
| $1,501-$1,800 | 223 | 184 | 13 | 24 | 101 | 3 | 104 | 0 |
| $1,801-$2,100 | 227 | 204 | 10 | 14 | 94 | 2 | 121 | 1 |
| $2,101-$2,400 | 167 | 154 | 7 | 6 | 67 | 2 | 91 | 0 |
| $2,401-$2,700 | 159 | 149 | 2 | 4 | 58 | 1 | 94 | 0 |
| $2,701-$3,000 | 118 | 109 | 1 | 4 | 55 | 0 | 58 | 0 |
| Over $3,000 | 336 | 326 | 3 | 5 | 114 | 1 | 213 | 3 |
| Totals | 4,302 | 2,500 | 381 | 162 | 1,155 | 35 | 1,463 | 9 |

## Public Safety

| | | Type of Retirement | | | Option Selected[1] | | | |
|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | Service Retired Members | Contingent Annuitants | Disabled Annuitants | 1 | 2 | 3 | 4 |
| Deferred[3] | 462 | | | | | | | |
| $1-$300 | 14 | 6 | 5 | 0 | 4 | 0 | 2 | 0 |
| $301-$600 | 94 | 57 | 32 | 4 | 34 | 0 | 27 | 0 |
| $601-$900 | 88 | 42 | 38 | 6 | 11 | 2 | 35 | 0 |
| $901-$1,200 | 75 | 26 | 44 | 8 | 9 | 2 | 23 | 0 |
| $1,201-$1,500 | 83 | 23 | 47 | 14 | 7 | 0 | 30 | 0 |
| $1,501-$1,800 | 74 | 28 | 34 | 8 | 12 | 0 | 24 | 0 |
| $1,801-$2,100 | 82 | 44 | 24 | 11 | 15 | 2 | 38 | 0 |
| $2,101-$2,400 | 86 | 54 | 12 | 17 | 20 | 1 | 50 | 0 |
| $2,401-$2,700 | 88 | 74 | 5 | 10 | 22 | 1 | 61 | 0 |
| $2,701-$3,000 | 120 | 97 | 2 | 22 | 32 | 2 | 85 | 0 |
| Over $3,000 | 677 | 627 | 5 | 33 | 167 | 9 | 483 | 1 |
| Totals | 1,943 | 1,078 | 248 | 133 | 333 | 19 | 858 | 1 |

## Total

| | | Type of Retirement | | | Option Selected[1] | | | |
|---|---|---|---|---|---|---|---|---|
| Amount of Monthly Benefit | Number of Retirees | Service Retired Members | Contingent Annuitants | Disabled Annuitants | 1 | 2 | 3 | 4 |
| Deferred[3] | 1,700 | | | | | | | |
| $1-$300 | 290 | 242 | 53 | 5 | 116 | 6 | 124 | 1 |
| $301-$600 | 641 | 463 | 133 | 30 | 247 | 6 | 238 | 2 |
| $601-$900 | 469 | 314 | 122 | 32 | 138 | 6 | 201 | 1 |
| $901-$1,200 | 417 | 269 | 108 | 33 | 124 | 9 | 168 | 1 |
| $1,201-$1,500 | 371 | 240 | 95 | 37 | 106 | 3 | 168 | 0 |
| $1,501-$1,800 | 297 | 212 | 47 | 32 | 113 | 3 | 128 | 0 |
| $1,801-$2,100 | 309 | 248 | 34 | 25 | 109 | 4 | 159 | 1 |
| $2,101-$2,400 | 253 | 208 | 19 | 23 | 87 | 3 | 141 | 0 |
| $2,401-$2,700 | 247 | 223 | 7 | 14 | 80 | 2 | 155 | 0 |
| $2,701-$3,000 | 238 | 206 | 3 | 26 | 87 | 2 | 143 | 0 |
| Over $3,000 | 1013 | 953 | 8 | 38 | 281 | 10 | 696 | 4 |
| Totals | 6,245 | 3,578 | 629 | 295 | 1,488 | 54 | 2,321 | 10 |

[1]Option Selected:

1 = Straight Life Annuity

2 = Option A: Joint and Survivor (100%)

3 = Option B: Joint and Survivor (50%)

4 = Option C: Joint and Survivor (Other)

Beneficiaries were excluded. Retirees provided without a specified option are allocated by marital status: single = Option 1, married = Option 3

[2]Deferred Future Benefits - Terminated employees entitled to benefits but not yet receiving them.

Includes 128 participants currently in DROP and 10 vested participants on Leave of Absence.

## Schedule of Average Benefits Payments (Excludes Beneficiaries)

### General

| Retirement Effective Dates | Years of Credited Service | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30+ |
| July 1, 2018 to June 30, 2019 | | | | | | | |
| Average Monthly Benefit | $ 36 | $ 560 | $ 786 | $ 1,012 | $ 1,849 | $ 2,236 | $ 3,537 |
| Average - Average Final Compensation | $ 14,108 | $ 56,178 | $ 42,331 | $ 46,267 | $ 57,821 | $ 56,339 | $ 67,144 |
| Number of Active Retirees | 1 | 18 | 24 | 10 | 22 | 12 | 39 |
| July 1, 2019 to June 30, 2020 | | | | | | | |
| Average Monthly Benefit | $ 221 | $ 523 | $ 757 | $ 1,081 | $ 1,905 | $ 1,979 | $ 3,416 |
| Average - Average Final Compensation | $ 48,699 | $ 52,195 | $ 38,000 | $ 43,432 | $ 59,773 | $ 49,232 | $ 67,760 |
| Number of Active Retirees | 3 | 33 | 22 | 24 | 19 | 9 | 33 |
| July 1, 2020 to June 30, 2021 | | | | | | | |
| Average Monthly Benefit | $ 201 | $ 489 | $ 747 | $ 1,103 | $ 1,668 | $ 1,928 | $ 2,904 |
| Average - Average Final Compensation | $ 33,515 | $ 45,208 | $ 40,667 | $ 43,527 | $ 53,455 | $ 50,728 | $ 57,320 |
| Number of Active Retirees | 2 | 25 | 22 | 22 | 14 | 5 | 39 |
| July 1, 2021 to June 30, 2022 | | | | | | | |
| Average Monthly Benefit | $ 27 | $ 450 | $ 972 | $ 1,245 | $ 1,645 | $ 2,012 | $ 2,792 |
| Average - Average Final Compensation | $ 9,579 | $ 42,320 | $ 51,534 | $ 49,009 | $ 50,742 | $ 52,365 | $ 54,985 |
| Number of Active Retirees | 1 | 31 | 17 | 16 | 17 | 13 | 24 |
| July 1, 2022 to June 30, 2023 | | | | | | | |
| Average Monthly Benefit | $ 55 | $ 479 | $ 720 | $ 1,426 | $ 1,699 | $ 2,506 | $ 3,068 |
| Average - Average Final Compensation | $ 12,289 | $ 46,236 | $ 40,193 | $ 55,731 | $ 51,599 | $ 64,885 | $ 62,481 |
| Number of Active Retirees | 1 | 35 | 34 | 23 | 13 | 13 | 28 |
| July 1, 2023 to June 30, 2024 | | | | | | | |
| Average Monthly Benefit | $ 112 | $ 461 | $ 800 | $ 1,327 | $ 1,733 | $ 3,222 | $ 3,221 |
| Average - Average Final Compensation | $ 36,527 | $ 42,027 | $ 46,289 | $ 53,957 | $ 56,321 | $ 80,298 | $ 66,248 |
| Number of Active Retirees | 3 | 53 | 29 | 19 | 11 | 8 | 9 |
| July 1, 2024 to June 30, 2025 | | | | | | | |
| Average Monthly Benefit | $ 0 | $ 575 | $ 738 | $ 1,788 | $ 1,924 | $ 2,399 | $ 3,497 |
| Average - Average Final Compensation | $ 0 | $ 53,784 | $ 41,609 | $ 68,797 | $ 59,072 | $ 62,578 | $ 72,405 |
| Number of Active Retirees | 0 | 24 | 34 | 20 | 14 | 11 | 5 |

Where applicable, Average Final Compensation reflects amounts as provided in the census data. For participants where Average Final Compensation was not provided, an estimated amount was determined using individual benefit amounts and final service.

## Public Safety

| Retirement Effective Dates | Years of Credited Service | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30+ |
| July 1, 2018 to June 30, 2019 | | | | | | | |
| Average Monthly Benefit | $ - | $ 534 | $ 870 | $ 1,921 | $ 2,895 | $ 3,907 | $ 4,729 |
| Average - Average Final Compensation | $ - | $ 39,414 | $ 39,061 | $ 53,009 | $ 62,796 | $ 72,279 | $ 85,492 |
| Number of Active Retirees | - | 2 | 5 | 5 | 9 | 16 | 6 |
| July 1, 2019 to June 30, 2020 | | | | | | | |
| Average Monthly Benefit | $ - | $ 426 | $ 1,271 | $ 1,932 | $ 3,373 | $ 4,081 | $ 6,558 |
| Average - Average Final Compensation | $ - | $ 39,280 | $ 43,066 | $ 56,148 | $ 69,410 | $ 75,795 | $ 116,880 |
| Number of Active Retirees | - | 3 | 5 | 3 | 15 | 8 | 5 |
| July 1, 2020 to June 30, 2021 | | | | | | | |
| Average Monthly Benefit | $ - | $ 501 | $ 994 | $ 2,608 | $ 3,149 | $ 3,845 | $ 4,372 |
| Average - Average Final Compensation | $ - | $ 36,247 | $ 41,261 | $ 72,906 | $ 71,277 | $ 72,165 | $ 80,649 |
| Number of Active Retirees | - | 5 | 4 | 3 | 16 | 15 | 6 |
| July 1, 2021 to June 30, 2022 | | | | | | | |
| Average Monthly Benefit | $ - | $ 1,025 | $ 1,271 | $ 1,842 | $ 3,226 | $ 3,868 | $ 10,155 |
| Average - Average Final Compensation | $ - | $ 35,759 | $ 50,238 | $ 59,471 | $ 72,074 | $ 72,543 | $ 182,768 |
| Number of Active Retirees | - | 4 | 9 | 3 | 8 | 32 | 1 |
| July 1, 2022 to June 30, 2023 | | | | | | | |
| Average Monthly Benefit | $ - | $ 1,040 | $ 1,512 | $ 2,321 | $ 3,144 | $ 3,983 | $ 4,038 |
| Average - Average Final Compensation | $ - | $ 40,713 | $ 43,883 | $ 62,398 | $ 72,807 | $ 74,135 | $ 73,249 |
| Number of Active Retirees | - | 6 | 9 | 10 | 10 | 12 | 3 |
| July 1, 2023 to June 30, 2024 | | | | | | | |
| Average Monthly Benefit | $ - | $ 791 | $ 1,943 | $ 2,064 | $ 2,709 | $ 4,659 | $ 5,350 |
| Average - Average Final Compensation | $ - | $ 37,323 | $ 70,576 | $ 50,164 | $ 68,845 | $ 85,292 | $ 104,588 |
| Number of Active Retirees | - | 11 | 6 | 1 | 7 | 8 | 6 |
| July 1, 2024 to June 30, 2025 | | | | | | | |
| Average Monthly Benefit | $ - | $ 372 | $ 2,729 | $ 3,036 | $ 2,511 | $ 4,712 | $ 4,413 |
| Average - Average Final Compensation | $ - | $ 30,242 | $ 61,987 | $ 72,650 | $ 67,014 | $ 89,051 | $ 80,849 |
| Number of Active Retirees | - | 6 | 2 | 6 | 2 | 10 | 1 |

Where applicable, Average Final Compensation reflects amounts as provided in the census data. For participants where Average Final Compensation was not provided, an estimated amount was determined using individual benefit amounts and final years of creditable service.

## Total

| Retirement Effective Dates | Years of Credited Service | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30+ |
| July 1, 2018 to June 30, 2019 | | | | | | | |
| Average Monthly Benefit | $ 36 | $ 1,094 | $ 1,656 | $ 2,933 | $ 4,744 | $ 6,143 | $ 8,266 |
| Average - Average Final Compensation | $ 14,108 | $ 95,592 | $ 81,392 | $ 99,276 | $ 120,617 | $ 128,618 | $ 152,636 |
| Number of Active Retirees | 1 | 20 | 29 | 15 | 31 | 28 | 45 |
| July 1, 2019 to June 30, 2020 | | | | | | | |
| Average Monthly Benefit | $ 221 | $ 949 | $ 2,028 | $ 3,013 | $ 5,278 | $ 6,060 | $ 9,974 |
| Average - Average Final Compensation | $ 48,699 | $ 91,475 | $ 81,066 | $ 99,580 | $ 129,183 | $ 125,027 | $ 184,640 |
| Number of Active Retirees | 3 | 36 | 27 | 27 | 34 | 17 | 38 |
| July 1, 2020 to June 30, 2021 | | | | | | | |
| Average Monthly Benefit | $ 201 | $ 990 | $ 1,741 | $ 3,711 | $ 4,817 | $ 5,773 | $ 7,276 |
| Average - Average Final Compensation | $ 33,515 | $ 81,455 | $ 81,928 | $ 116,433 | $ 124,732 | $ 122,893 | $ 137,969 |
| Number of Active Retirees | 2 | 36 | 26 | 25 | 30 | 20 | 45 |
| July 1, 2021 to June 30, 2022 | | | | | | | |
| Average Monthly Benefit | $ 27 | $ 1,475 | $ 2,243 | $ 3,087 | $ 4,871 | $ 5,880 | $ 12,947 |
| Average - Average Final Compensation | $ 9,579 | $ 78,079 | $ 101,772 | $ 108,480 | $ 122,816 | $ 124,908 | $ 237,753 |
| Number of Active Retirees | 1 | 35 | 26 | 19 | 25 | 45 | 25 |
| July 1, 2022 to June 30, 2023 | | | | | | | |
| Average Monthly Benefit | $ 55 | $ 1,519 | $ 2,232 | $ 3,747 | $ 4,843 | $ 6,489 | $ 7,106 |
| Average - Average Final Compensation | $ 12,289 | $ 86,949 | $ 84,076 | $ 118,129 | $ 124,406 | $ 139,020 | $ 135,730 |
| Number of Active Retirees | 1 | 41 | 43 | 33 | 23 | 25 | 31 |
| July 1, 2023 to June 30, 2024 | | | | | | | |
| Average Monthly Benefit | $ 112 | $ 1,252 | $ 2,743 | $ 3,391 | $ 4,442 | $ 7,881 | $ 8,571 |
| Average - Average Final Compensation | $ 36,527 | $ 79,350 | $ 116,865 | $ 104,121 | $ 125,166 | $ 165,590 | $ 170,836 |
| Number of Active Retirees | 3 | 64 | 35 | 20 | 18 | 16 | 15 |
| July 1, 2024 to June 30, 2025 | | | | | | | |
| Average Monthly Benefit | $ - | $ 947 | $ 3,467 | $ 4,824 | $ 4,435 | $ 7,111 | $ 7,910 |
| Average - Average Final Compensation | $ - | $ 84,026 | $ 103,596 | $ 141,447 | $ 126,086 | $ 151,629 | $ 153,254 |
| Number of Active Retirees | 0 | 30 | 36 | 26 | 16 | 21 | 6 |

Where applicable, Average Final Compensation reflects amounts as provided in the census data. For participants where Average Final Compensation was not provided, an estimated amount was determined using individual benefit amounts and final service.

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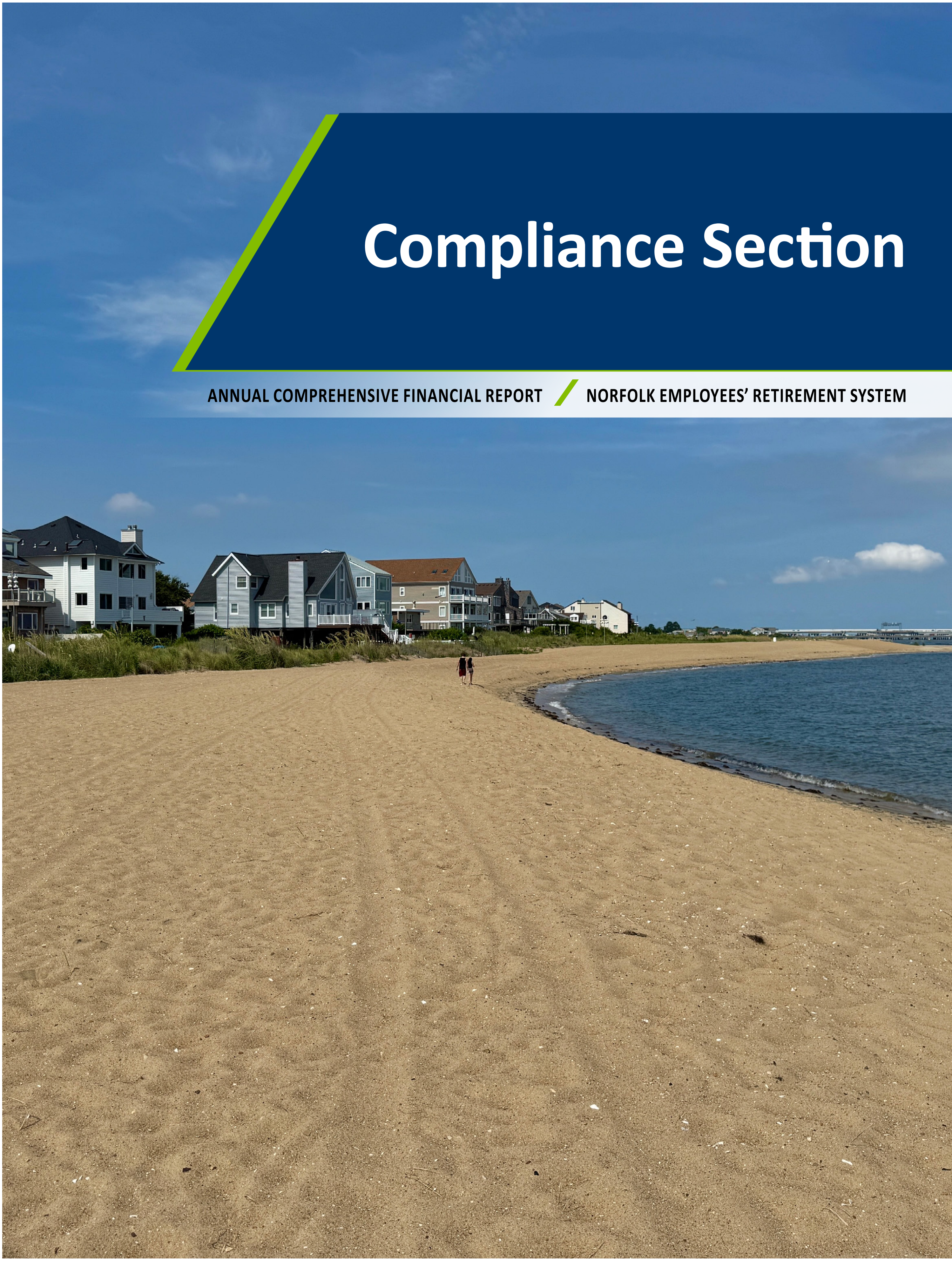
# Compliance Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



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# INDEPENDENT AUDITORS' 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*

Board of Trustees
Employees' Retirement System of the City of Norfolk
Norfolk, Virginia

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 Employees' Retirement System of the City of Norfolk (the System), a component unit of the City of Norfolk, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 26, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 were not identified.

Board of Trustees
Employees' Retirement System of the City of Norfolk

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System'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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Arlington, Virginia
November 26, 2025

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THE CITY OF NORFOLK

NORFOLK EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the City of Norfolk, VA