# Good Governance is Fundamental

Audience: NERS members

Description: Identification of sound governance practices to ensure NERS is operating efficiently and adhering to standards that protect the System's stakeholders.

DISCLAIMER: This pamphlet summarizes parts of Chapter 37 of the Code of the City of Norfolk. The summaries are intended to provide simplified and meaningful information that is relevant to the average member. Any information that is inconsistent with, or contradicts, Chapter 37 must be disregarded.
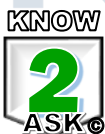
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Statement of Governance?

The Board of Trustees for the Norfolk Employees' Retirement System (the Board) recognizes that sound governance practices are essential to fulfilling its fiduciary duties and responsibilities. The Board is dedicated to ethically serving the members and stakeholders of the System and ensuring that the Norfolk Employees' Retirement System (NERS or the System) and the Fund are effectively managed. In doing so, the Board is committed to maintaining a governance structure in accordance with the highest standards of professional responsibility and accountability.

What is Good Governance?

Good governance is critically important to assuring that a retirement system is operating smoothly and adhering to standards that protect the best interests of its members, retirees and beneficiaries, as well as employers and taxpayers.

There is a defined link between the NERS performance and good governance policies.

Best Practices of Good Governance

❖ **Governance Manual** - The adoption of a governance manual provides the framework for oversight and governance functions of the System.

❖ **Board Practices** - Board practices have proven positive impacts on the oversight of performance and managing risk. The Board engages in the following best practices to ensure strong oversight and plan performance:

  ➢ Conducting annual actuarial valuations and periodic experience studies to inform the City of Norfolk and the Board of the System's future financial needs

> ➢ Engaging an investment consultant to assist with the review of asset allocation studies to evaluate, establish and rebalance asset mixes to meet future financial needs

❖ **Board Policies** - Several policies designed to achieve the goals of the System have been adopted by the Board.

> ➢ Board of Trustees Code of Ethics and Conduct
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> ➢ Statement of Investment Policy
>
> ➢ Board of Trustees Governance Manual

❖ **Risk Oversight** - NERS' risk management includes policies and assessments that assure accountability and identification of potential reporting concerns

> ➢ Independent external financial audits
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> ➢ Independent internal financial audits
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> ➢ Actuarial review and oversight

❖ **Reporting: Key Performance and Risk Measures** - The NERS has reporting metrics that are reviewed monthly and quarterly and reported to the Board on a bi-monthly basis:

> ➢ The funded ratio of the System, as measured by the comparison of the fund assets to the fund liabilities.
>
> ➢ Net annualized return on investments compared to the assumed rate of return, asset allocation benchmarks, and the System's performance compared to similar pension systems.

> ➢ Net assets available for monthly benefits and expenditures, in addition to asset changes as reported in the annual audit.

❖ **Stakeholder Communications** - The NERS regularly communicates with members, retirees, beneficiaries and other stakeholders through the City of Norfolk's website, NERS' website, emails, newsletters, educational outreach sessions and materials, mail campaigns and other sources.

Why is good governance important?

The following fundamental reasons identify why good governance practices are important:

❖ **Preserve and strengthen stakeholder confidence** - A supportive stakeholder base can generate benefits for the organization through social and emotional support, intangible but very valuable attributes that all organizations should strive to achieve and sustain.

❖ **To provide the foundation for a high-performing organization** - The achievement of goals and sustainable success requires input and support from all levels of an organization. The Board, through good governance practices, provides the framework for planning, implementation, and monitoring of the System's performance. Achievement of the best performance and results possible, within existing capacity and capability, should be an organization's on-going goal. Good governance should support management and staff to be "the best they can be".

❖ **To ensure the organization is well placed to respond to a changing external environment** - business today operates in an environment of constant change.

Technology has created an information age that has transformed our world, and for business to efficiently perform, to fulfil its mission and achieve its vision, a system must be in place to assist an organization to identify changes in both the external environment and emerging trends. This process of understanding our changing world does not happen by chance, it requires leadership, commitment, and resources from the governing body to establish and maintain such a system within the organization.

The Board are the leaders of NERS and have made it their focus and prime responsibility to ensure the System is efficient, effective, financially sound and transparent by creating a foundation of good governance through policy, processes and planning.

Key Takeaways

In summary, governance encompasses the processes by which organizations are directed, controlled and held to account. It includes the authority, accountability, leadership, direction and control exercised in an organization.

The NERS Board, staff and the City of Norfolk demonstrate the importance of good governance by adopting and implementing policies and procedures that identify controls and goals that ensure the System is focused on achieving sound financial stability, process efficiency, compliance and transparency in all aspects of the Systems. NERS regulations, policies and financial reporting are available and communicated to all stakeholders via publicly held meetings, the City of Norfolk website and the NERS website.

<u>**Links to Resources**</u>

The Norfolk Employees' Retirement System (NERS) resources are available on our website:

www.norfolk.gov/retirement

- ❖ Board of Trustees Code of Ethics and Conduct
- ❖ Statement of Investment Policy
- ❖ Board of Trustees Governance Manual
- ❖ Annual Comprehensive Financial Report (ACFR)
- ❖ Popular Annual Financial Report (PAFR)

Retirement Office

NERS

📞 **Phone:** **757-664-4738**

📧 **Email:** **retirement@norfolk.gov**

✉ **Mailing** **Norfolk Employees' Retirement System**
Address: **810 Union Street, Suite 309**
Norfolk, VA 23510