



RETIREMENT BOARD OF TRUSTEES

MEETING MINUTES



Phone: (757) 664-4738 Email: retirement@norfolk.gov Website: www.norfolk.gov/retirement Form No: 7503

I. COMMENCEMENT

1. Chairperson call meeting to order.

Meeting Date 03/31/2021	Start Time 12:00 PM	End Time 12:37 PM	Meeting Type Unscheduled per request of City staff
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Meeting Location

WebEx Remote Meeting pursuant to City of Norfolk to assure the continuity of government during the disaster resulting from the COVID-19 Pandemic.

This electronic meeting will be open to the public. The public may listen and or participate in this public meeting via a WebEx remote meeting telephone call. Persons participating in the public meeting must identify themselves to the NERS Board of Trustees Secretary (Executive Director of NERS, Penny DeLosh).

WebEx Information (Investment Committee Meeting & Regular meeting):

Dial in Number: 1-415-655-0002

Access Code: 160 896 1496

2. Roll call.

	Present
Lawrence A. Bernert, III (Chair)	<input checked="" type="checkbox"/>
Yvonne T. Allmond (Vice-Chair)	<input checked="" type="checkbox"/>
Rev. Kenneth W. Crowder	<input type="checkbox"/>
Elizabeth (Liz) A. Delude	<input checked="" type="checkbox"/>
Arthur M. Eason, III	<input checked="" type="checkbox"/>
Daryl Howard	<input checked="" type="checkbox"/>
James Izard (Investment Committee Chair)	<input checked="" type="checkbox"/>
Christina (Tina) Tally	<input checked="" type="checkbox"/>
Christine Garczynski (Admin and Planning Committee Chair)	<input checked="" type="checkbox"/>
Catheryn Whitesell	<input checked="" type="checkbox"/>

Additional Attendees

Penny DeLosh Executive Director	Jackie Cowan Retirement Benefits Administrator	Andy Fox Deputy City Attorney I
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A. Other / Old Business

1. Virginia Retirement System (VRS) Feasibility Study in progress
 - a. The City Manager presented the Proposed FY 2022 Operating Budget on April 6, 2021. At that meeting, the City Manager proposed transitioning all new general and public safety employees to the Virginia Retirement System effective January 1, 2022. This, if approved, will close the Norfolk Employees' Retirement System (NERS) to new members.
 - b. Reasons for possible VRS migration:
 - i. Enhanced employee recruitment and retention
 - ii. Availability for sworn public safety officers to begin participating in Social Security
 - iii. Availability to Cost of Living Adjustment (COLA) benefit
 - iv. Projected long-term reduced employer membership costs
 - c. Irrevocable City decision to participate in VRS
 - d. Possible VRS migration options to be presented:
 - i. Current members and newly hired employees will stay in NERS (Status Quo)
 1. No changes will be made to the current NERS plan
 2. No impact to the NERS funded status
 3. No improvement or change to the current concerns regarding City employee recruitment and retention
 4. No COLA
 5. Projected City contributions are expected to continually increase over time if the City maintains the status quo in NERS as reflected in the following chart

Maintain the Status Quo in NERS

Projected City Contributions Impact

Fiscal Year End (FYE)	Projected City Contribution (2019 AVR)
2021	\$40,600,000
2022	\$41,800,000
2023	\$43,100,000
2024	\$44,300,000
2025	\$45,500,000
2026	\$46,800,000
2027	\$48,000,000
2028	\$49,300,000
2029	\$50,700,000
2030	\$52,000,000
2031	\$53,500,000
2032	\$54,900,000
2033	\$56,400,000
2034	\$57,900,000
2035	\$59,500,000

- ii. Maintain the status of the NERS plan and new hired Public Safety employees will begin to participate in the Social Security
 - 1. Reduction of the current sworn public safety officers 2.5% to 1.85% multiplier used to calculate NERS monthly benefit
 - 2. Sworn public safety officers will begin to contribute to Social Security
 - 3. As shown in the table below, the City's cost will grow as more public safety hires participate in Social Security, but the cost will be partially offset by the benefits of closing NERS and the resulting long-term future NERS costs reduction since relative to the lower multiplier offered by VRS

Move Public Safety New Hires to Social Security within NERS

Projected City Contributions Impact

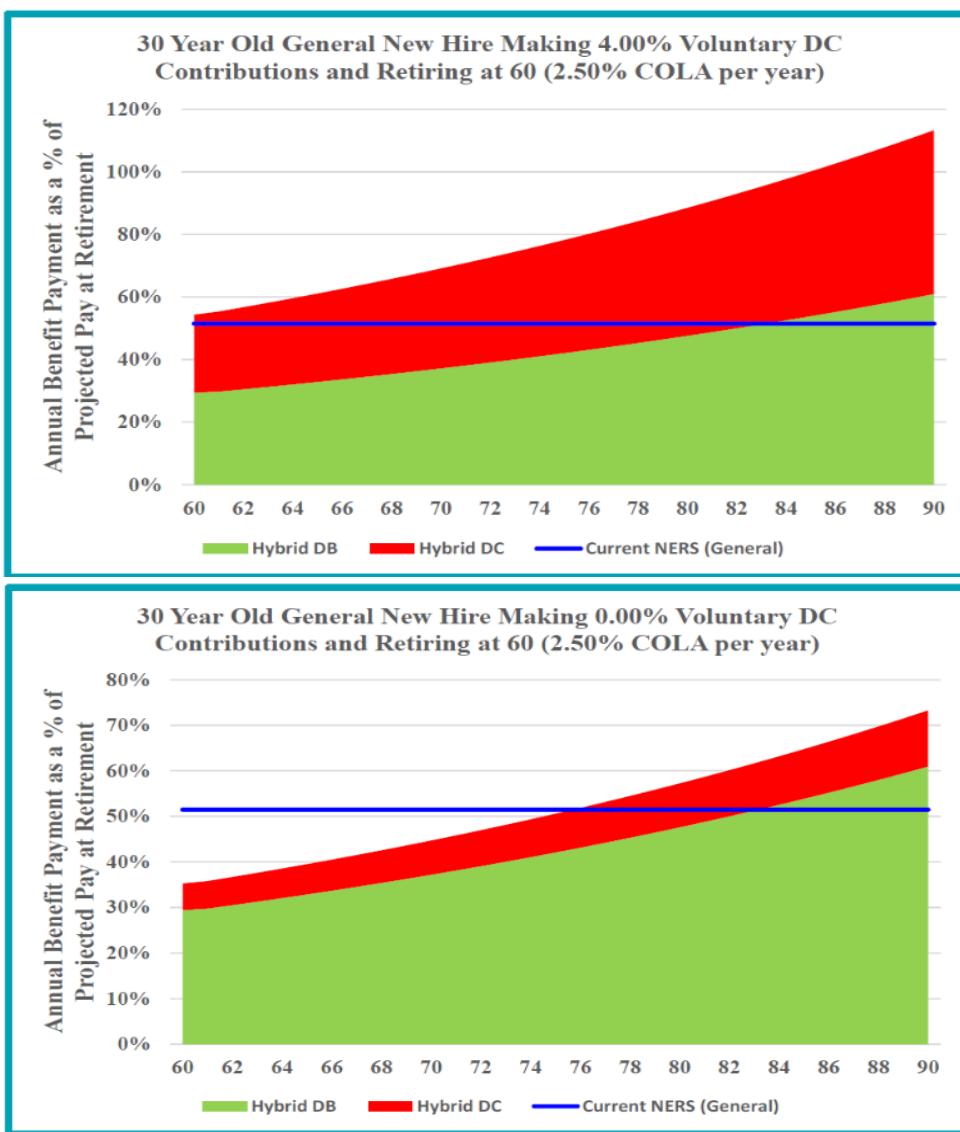
Fiscal Year End (FYE)	NERS status quo	Social Security for Public Safety	Total City Cost (Projected)
2021	\$40,600,000	\$204,023	\$40,804,023
2022	\$41,800,000	\$516,609	\$43,516,609
2023	\$43,100,000	\$888,910	\$45,288,910
2024	\$44,300,000	\$1,242,728	\$46,742,728
2025	\$45,500,000	\$1,588,992	\$48,288,992
2026	\$46,800,000	\$1,953,643	\$50,053,643
2027	\$48,000,000	\$2,356,468	\$51,556,468
2028	\$49,300,000	\$2,760,911	\$53,360,911
2029	\$50,700,000	\$3,216,285	\$55,316,285
2030	\$52,000,000	\$3,673,845	\$56,973,845
2031	\$53,500,000	\$4,177,161	\$59,177,161
2032	\$54,900,000	\$4,682,994	\$60,982,994
2033	\$56,400,000	\$5,239,409	\$63,139,409
2034	\$57,900,000	\$5,798,607	\$65,198,607
2035	\$59,500,000	\$6,385,765	\$67,485,765

iii. All new hires will be mandated to participate in VRS. State law mandates that current active NERS members be provided one (1) year to determine if they would like to elect to participate in VRS instead of NERS.

1. General Employees

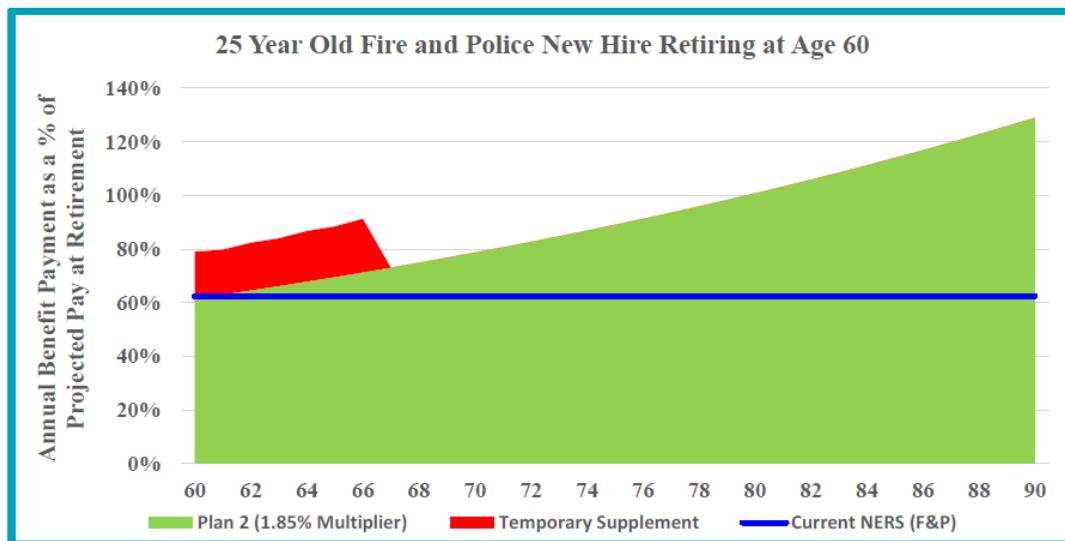
- a. Newly hired employees as of January 1, 2022, will participate in the VRS hybrid plan
- b. Current NERS members will have the option to elect participation in NERS or VRS (1 year election period)

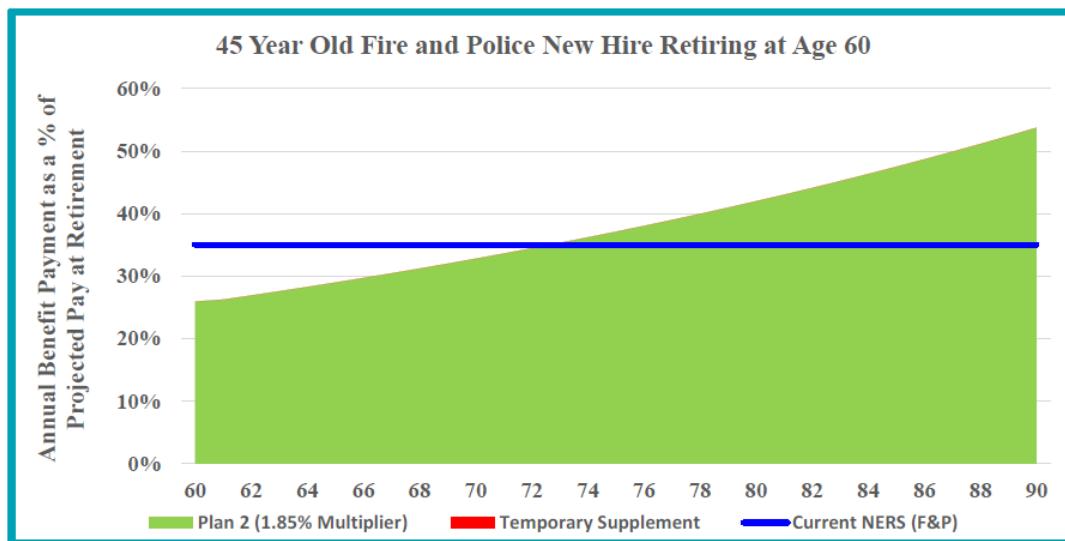
- c. The VRS hybrid plan includes a defined benefit (DB) portion and a defined contribution (DC) portion.
- d. Mandatory 5.0% employee contribution (4.0% DB and 1.0% DC)
- e. 1.0% retirement benefit multiplier for the DB portion
- f. No maximum cap on creditable service years
- g. Voluntary up to 4% employee contribution for the DC plan
- h. Possible employer match of the DC up to 2.5%
- i. Cost of Living Adjustment (COLA)



2. Sworn Public Safety Officers

- a. Newly hired employees as of January 1, 2022, will participate in VRS Hazardous Duty Plan 2
 - i. This plan includes a \$13,584 annual payment until the retiree hits social security age (red section in graph below)
- b. Mandated participation in Social Security
- c. Current NERS Sworn Public Safety Officers members will have the option to election participation in NERS or VRS (1 year election period)
- d. 1.85% retirement benefit multiplier of the DB portion
- e. No maximum cap on creditable service years
- f. Mandatory 5.0% employee contribution
- g. Employer may contribute to DC plan
- h. Cost of Living Adjustment (COLA)





New Hires to VRS

FYE	NERS Status Quo	NERS Contribution	VRS Contribution (New Hires)	Total City Contribution*	Change in Annual Contribution	City cost for Public Safety Social Security (New Hires)	Total City Cost	Total Change in Annual City Cost
2021	\$40,600,000	\$45,700,000	\$1,365,000	\$47,065,000	\$6,465,000	\$204,023	\$47,269,023	\$6,669,023
2022	\$41,800,000	\$45,300,000	\$2,482,500	\$47,782,500	\$5,982,500	\$516,609	\$48,299,109	\$6,499,109
2023	\$43,100,000	\$44,900,000	\$3,525,000	\$48,425,000	\$5,325,000	\$888,910	\$49,313,910	\$6,213,910
2024	\$44,300,000	\$44,500,000	\$4,575,000	\$49,075,000	\$4,775,000	\$1,242,728	\$50,317,728	\$6,017,728
2025	\$45,500,000	\$44,000,000	\$5,520,000	\$49,520,000	\$4,020,000	\$1,588,992	\$51,108,992	\$5,608,992
2026	\$46,800,000	\$43,700,000	\$6,457,500	\$50,157,500	\$3,357,500	\$1,953,643	\$52,111,143	\$5,311,143
2027	\$48,000,000	\$43,300,000	\$7,350,000	\$50,650,000	\$2,650,000	\$2,356,468	\$53,006,468	\$5,006,468
2028	\$49,300,000	\$43,000,000	\$8,265,000	\$51,265,000	\$1,965,000	\$2,760,911	\$54,025,911	\$4,725,911
2029	\$50,700,000	\$42,600,000	\$9,202,500	\$51,802,500	\$1,102,500	\$3,216,285	\$55,018,785	\$4,318,785
2030	\$52,000,000	\$42,200,000	\$10,125,000	\$52,325,000	\$325,000	\$3,673,845	\$55,998,845	\$3,998,845
2031	\$53,500,000	\$41,800,000	\$11,085,000	\$52,885,000	(\$615,000)	\$4,177,161	\$57,062,161	\$3,562,161
2032	\$54,900,000	\$41,300,000	\$12,112,500	\$53,412,500	(\$1,487,500)	\$4,682,994	\$58,095,494	\$3,195,494
2033	\$56,400,000	\$40,800,000	\$13,147,500	\$53,947,500	(\$2,452,500)	\$5,239,409	\$59,186,909	\$2,786,909
2034	\$57,900,000	\$40,200,000	\$14,257,500	\$54,457,500	(\$3,442,500)	\$5,798,607	\$60,256,107	\$2,356,107
2035	\$59,500,000	\$39,500,000	\$15,352,500	\$54,852,500	(\$4,647,500)	\$6,385,765	\$61,238,265	\$1,738,265

*Amount excludes impact of possible migration of current NERS members

e. Considerations

i. Recruitment and Retention

1. Participation in VRS may improve the recruitment and retention of employees over time due to portability of the retirement plan within Virginia

2. Often, we are told that current VRS members are more hesitant to accept a NERS covered position due to the erosion of creditable service years when porting services from one retirement system to another
3. Porting of service between retirement systems generally results in the erosion of creditable service years due to the differences in each plan's benefits

ii. COLA

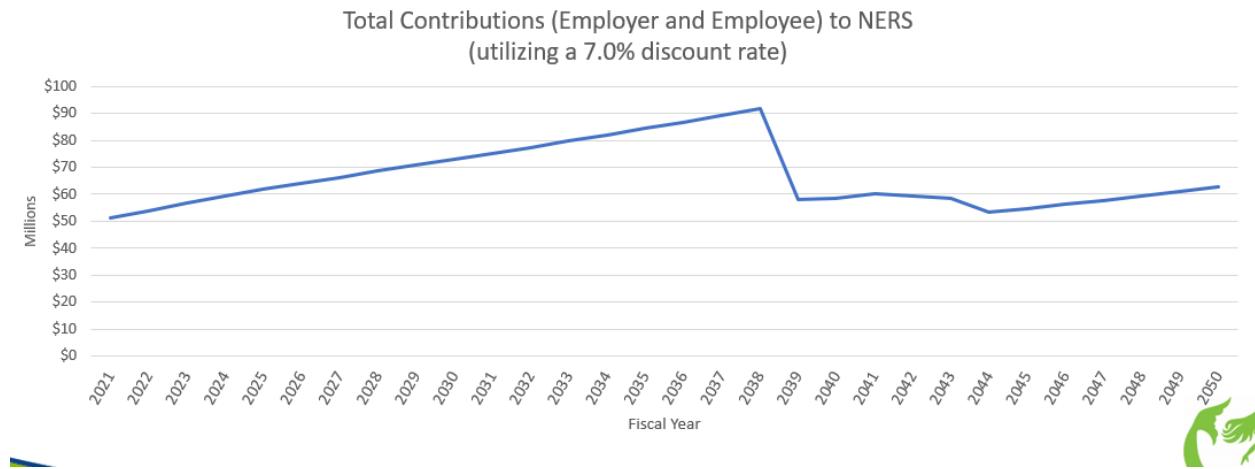
1. Creation of a COLA strategy within NERS, like VRS, is cost prohibited for current members
 - a. Newly hired employees and NERS members electing to migrate to VRS may be entitled to an automatic COLA
- f. City will be required to make annual employer contribution to both NERS and VRS and it's contribution to Social Security.
- g. VRS is committed to communication and conducting informational meetings with existing NERS members individually and in groups sessions to review personal employment, salary, and retirement planning strategies in efforts to provide members adequate information and tools required to elect the most appropriate retirement plan

2. Pension Obligation Bonds (POB)

- a. Pension Obligation Bonds (POB) are taxable general obligation bonds the City issues. The debt service on the bonds would be paid for by the City and it is not an obligation NERS would owe.
- b. If approved by Council, a portion of the proceeds from selling the POBs would be transferred directly to NERS as a payment against the City's current unfunded actuarial liability. Those proceeds would be available for investment by the Board of Trustees. This would decrease the unfunded actuarial liability as a result of the funding influx, which would increase the funded ratio from its current 77% to a targeted funded ratio of approximately 85%.
- c. The Unfunded Actuarial Liability as of June 30, 2020, is \$320 million. As proposed, it is anticipated that the POB issuance would allow for an immediate payment of approximately \$150 million to NERS.

Currently the City's annual contribution is approximately \$40 million, and the employee contribution is \$10 million, which is calculated using the established discount rate of 7%. The total required contributions are projected to nearly double between now and 2038

Required Contributions to NERS are Projected to Nearly Double Through FY 2038



- d. As approved by City Council, the City currently has no reason to believe that it will deviate from its plans to continue to meet its actuarially determined contribution as recommended by the actuaries. Then upon City Council approval; this total is expected to decrease over time
- e. The benefit of issuing POB is that it allows for an immediate payment not to NERS that will reduce future payments and potentially save a considerable amount of interest and creates an immediate improvement to the System's funded ratio
- f. The Government Finance Officers' Association (GFOA) advises against issuing POB due to the risks and complexities
 - i. If recommended, to help mitigate any POB risk, the City would structure its POBs conservatively, establish a pension trust, and establish a pension reserve
- g. Consideration has been given to the fact debt service payments are "hard costs", and the City is likely not to consider delaying payment to this type of debt as opposed to "soft costs" that may or may not be paid

h. The financial benefit of the proposed POB issuance exists with or without transitioning into VRS, so there should be treated as separate considerations

B. Adjournment

Next Meeting:	May 5, 2021
Anticipated Quorum:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Scheduled Guest Speaker(s):	