Annual Comprehensive Financial Report 2021

For the Fiscal Year Ended June 30, 2021

Norfolk Employees' Retirement System of the City of Norfolk
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Introductory Section

(Unaudited)

THE CITY OF NORFOLK
FINANCE

December 15, 2021

Letter of Transmittal

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

It is with great pleasure that I present the Annual Comprehensive Financial Report (ACFR) for the Employees' Retirement System of the City of Norfolk (the System) for fiscal year ended June 30, 2021. The System is a Pension Trust Fund included in the financial statements of the City of Norfolk, Virginia.

The System administration is responsible for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included to present fairly the System net position and changes therein of the System in accordance with U.S. generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

The System is a single-employer contributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding Constitutional Officers and School Board employees who are covered by the Virginia Retirement System. Although the System presents separate financial statements, it is also included as a Pension Trust Fund, fiduciary fund type in the City of Norfolk's ACFR.

Management's Discussion and Analysis (MD&A), as required by GAAP, is included in the financial section of this report. The MD&A provides a narrative overview and analysis of the financial status of the System for the year ended June 30, 2021 (see page 16).

System History

The System operates a defined benefit pension plan that was established by Section 37 of the Code of the City of Norfolk, Virginia (Code), and began operations as of January 1, 1942. Section 37 of the Code, as amended from time to time, established the authority under which the City of Norfolk's obligation to contribute to the plan is set forth. A single fund is used for all participants, and there is no segregation of assets for individual classes of employees or for City and employee contributions.

Benefit Provisions

The System provides normal and early service retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service effective January 1, 1997. Ad hoc cost-of-living adjustments are provided at the discretion of the City Council. The benefit provisions of the plan are determined by Section 37 of the Code.

Effective January 8, 2015, all System members pay contributions on a salary reduction of 5 percent of earnable compensation, except for City Council members hired before October 5, 2010. Upon vesting, member contributions become an asset of the System to be used to pay benefits under the System. In the event of death or departure prior to retirement or vesting, member contributions, including accrued

Letter of Transmittal
(Continued)

interest, shall be refunded. Interest was accrued at the rate of 0.38 percent during the fiscal year ended June 30, 2021.

The Retirement Office staff provides counseling to all benefit applicants and to others requesting counseling. All forms and retirement planning information are available in the Employees' Retirement Office, 810 Union Street, Suite 309, Norfolk, Virginia 23510 in addition to email via retirement@norfolk.gov.

Accounting System and Internal Control

Financial statements included in this report are the responsibility of the System staff and have been prepared in accordance with the U.S. GAAP. The fiscal year 2021 financial statements have been audited by CliftonLarsonAllen LLP in conjunction with the City of Norfolk's annual audit.

The accrual basis of accounting is used to record assets, liabilities, additions and deductions of the System. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. In developing the accounting system, consideration was given to the adequacy of internal accounting controls. These were designed with the concept of reasonable rather than absolute assurance recognizing that the cost of a control should not exceed the benefits likely to be derived and that the calculation of costs and benefits requires estimates and judgments by management. A continuing effort is being made toward improving the controls to provide reasonable assurance of proper recording of financial transactions in all material respects.

Funded Status and Net Pension Liability

The System's funding objective is to meet long-term benefit payments through investment returns on trust fund assets and annual employer and employee contributions. The advantage of a well-funded plan is that participants are confident that sufficient assets are available for the payment of current and future member benefits. An annual actuarial valuation of the System provides information for both the actuarially determined contributions, as well as the actuarially determined total pension liability. The actuarial valuation used for this report period was completed with payroll data as of June 30, 2021. Information from this report is included in the Actuarial Section.

The City of Norfolk's commitment to provide a financially sound retirement plan for its employees is illustrated within this report. "The Schedule of Employer's Net Pension Liability and Related Ratios" found in the Required Supplementary Information of the Financial Section, reports plan fiduciary net position as a percentage of the total pension liability, which provides one indication of the System's funded status.

The "Schedule of Employer's Contributions" includes historical trend information about the actuarially determined contributions (ADC) of the employer and the contributions made by the employer in relation to the ADC. As of June 30, 2021, the System's funded ratio is 97.0 percent, an increase from 73.5 percent as of June 30, 2020. This funded ratio does not include any market movements since June 30, 2021. The City of Norfolk's next planned valuation will reflect market conditions through June 30, 2022.

Letter of Transmittal

(Continued)

Investment Program

The City of Norfolk Employees' Retirement System (NERS) maintains a statement of investment policy which reflects the policy, goals, objectives, and limitations of the System's investment portfolio. The System has an asset allocation target of 55 percent Global Equities; 30 percent Fixed Income; 7.5 percent Real Estate and 7.5 percent Master Limited Partnerships.

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. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting 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 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. Attainment of these goals weighs heavily in terms of whether a manager's contract is renewed. Typically, managers who fall below the Board's minimum objectives over the longer term are replaced.

The Board of Trustees recognizes that the objective of a sound and prudent investment policy is to generate total returns consistent with its risk tolerance and return requirements. The Board of Trustees has carefully exercised its responsibility by prudently diversifying the System's assets.

The System's investment portfolio consists primarily of passive investment strategies. Except for the fixed income assets managed by Pimco, real estate funds managed by J.P. Morgan and UBS Trumbull, and master limited partnerships managed by Harvest Fund Advisors and Tortoise Capital Advisors, all the System's investments were consolidated into a passive approach with State Street Global Advisors in 2008.

The investment results of each manager as well as the result for the total fund are monitored by an independent pension investment advisory firm who reports its findings to the Board monthly. The pension investment consultant interacts with the System staff; prepares recommendations on investment policies, investment management structure, and asset allocation. The consultant also monitors and evaluates the performance of the investment managers and effectiveness of the custodian.

Current Economic Condition

Fiscal year 2021 experienced significant positive performance across the global markets considering improving economic conditions. The U.S. economy continues to recover as widespread vaccine distribution has resulted in the reopening of many state and local economies. The recent rise in demand for goods and services has resulted in strong inflationary pressures.

The U.S. labor market continues to recover as evidenced by the decline in the unemployment rate. Recently, several states have moved to reduce or eliminate additional unemployment benefits to incentivize people to return to work. Overall, wage growth has shown signs of accelerating as employers struggle to fill job openings.

Letter of Transmittal

(Continued)

Despite leaving interest rates unchanged at their most recent meeting, the Fed did change the language of its statement suggesting that interest rates may rise sooner rather than later.

Equity Markets (Domestic and International)

U.S. equities rose to all-time highs during the second quarter, primarily due to the optimism related to increased control over the pandemic. Reversing performance from recent quarters, growth outpaced value and large companies resumed market leadership relative to smaller peers.

International equities performed well during the fiscal year, albeit at a less frenetic pace than their domestic counterparts. Also like the U.S., growth outperformed value and emerging countries underperformed developed ones.

Fixed Income Markets

Despite the continued global economic recovery and rising inflation concerns, U.S. interest rates remained low through the fiscal year as the U.S. 10-Year Treasury bond ended the year with a yield of 1.5 percent.

Over the trailing 1-year period, domestic bond performance was slightly negative while global bonds posted solid, positive results. The BB Global Aggregate ex U.S. Index return of 4.6 percent easily outpaced the domestic BB U.S. Aggregate Index's return of -0.3 percent. A steepening yield curve, combined with a falling U.S. dollar, were the primary contributors to the relative outperformance of global bonds for the year.

The dispersion of returns for the year within bond market segments was significant and was led by the U.S. High Yield Index's return of 15.4 percent. The combination of a lower average duration and a greater sensitivity to equity market movements were the primary performance catalysts. U.S. Treasury inflation-protected securities (TIPS) also performed well for the year with the index returning 6.5 percent. Persistent concerns about rising inflation acted like a tailwind for TIPS issues.

Market Themes

Global central monetary policy remains largely intact and accommodative. Both the Fed and the European Central Bank remain committed to their repurchase programs. Given these conditions, barring a socioeconomic or geopolitical shock, it is reasonable to expect risk assets to continue experiencing solid returns.

U.S. interest rates are likely to remain low for the remainder of 2021. As a result, credit should continue to outperform both higher quality Treasury and government bonds.

Finally, low interest rates have historically been a tailwind for growth equities. Given that the Fed has committed to keeping rates unchanged in the near-term, growth-oriented companies could continue to lead the market.

Closure of NERS

Following a comprehensive review of its current pension situation and available options, to ensure the long-term financial health and sustainability of both the City and NERS, on May 13, 2021, City Council

Letter of Transmittal

(Continued)

enacted an ordinance requiring that all new hires, both general and sworn public safety employees, participate in VRS, effective January 1, 2022. It is expected that required contributions to NERS will grow over the next ten years or less by between $5 and $10 million, as a result of the closure of NERS to new hires. Actual cost estimates will not be known until the next valuation report and will be subject to change based on actual Plan experience.

General Obligation Bonds for the Benefit of NERS

The City utilized the proceeds of taxable General Obligation Bonds (the Bonds) to increase funding for the already healthy System These Bonds, together with other available funds, were used to finance (i) the payment of a portion of the City's unfunded actuarial liability (UAL) to NERS, with respect to the City's defined benefit retirement plan for City employees, (ii) a deposit to an irrevocable trust (the "Trust") that will be used to provide the City long-term budgetary flexibility with respect to its current and future required contributions to NERS, and (iii) the payment of the costs of issuing the Bonds.

By executing the plan of finance, the City was able (i) to refinance its UAL at a lower interest rate without extending the amortization period, which is expected to reduce the City's annual and aggregate pension costs, and (ii) attain an immediate improvement in the City's pension funding ratio due to the increase in pension assets and (iii) to create a tool to enable the City to offset unanticipated contribution rate increases to the NERS through the establishment of the Trust.

Upon the issuance of the Bonds, the City deposited approximately $120,000,000 with NERS to pay a portion of the City's outstanding UAL. With this payment, the City was able to increase the System's funding ratio from approximately 74 percent to approximately 97 percent.

The City, per its City Council adopted policy, is expected to continue to make payments to amortize its remaining outstanding UAL. It is possible that NERS will determine at a future date that the funding ratio may decline, and additional UAL may result, if actual pension plan experience differs from the current actuarial estimates. The City will continue to make pay the remaining outstanding UAL and/or any additional UAL consistent with its current policies, or the City could choose to issue additional indebtedness at some time in the future and apply the proceeds to pay the remaining and any additional UAL.

Professional Services

The professional consultants who are contracted by the Board of Trustees to perform services that are essential to the effective and efficient operation of the System are listed on page 9. An independent audit was conducted by CliftonLarsonAllen LLP, and a copy of their Independent Auditors' report on the financial statements is found on pages 13-15.

A certification letter from the actuary, Cheiron, is also included as part of this ACFR on pages 49-51. State Street Bank and Trust is the System's custodian.

Letter of Transmittal

(Continued)

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 for the City of Norfolk for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the sixteenth year that the System has achieved this prestigious award. The award is valid for a period of one year only. To be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized ACFR. We believe that this report continues to meet the requirements and it will be submitted to the GFOA again this year.

Acknowledgements

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

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,

Penny L. DeLosh
Executive Director

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 of 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 and neither of whom shall be a member of the retirement system.

Consultants and Professional Services

Legal Advisor

Bernard Pishko, City Attorney
Andrew Fox, Deputy City Attorney

Medical Examiners

Dr. Anthony C. Cetrone
Dr. Keith H. Newby

Actuary

Cheiron
McLean, VA

Custodian

State Street Bank and Trust
Kansas City, MO

Consultants

AndCo Consulting
St. Louis, MO

Independent Auditor

CliftonLarsonAllen LLP
Arlington, VA

Investment Managers

See pages 44 and 47 of the Investment Section for Manager Assignments and a Schedule of Broker Commissions

Domestic Equity

State Street Global Advisors
Boston, MA

International

State Street Global Advisors
Boston, MA

Fixed Income

State Street Global Advisors
Boston, MA

Pacific Investment Management Company
Newport Beach, CA

Real Estate

J.P. Morgan Chase Bank
New York, NY

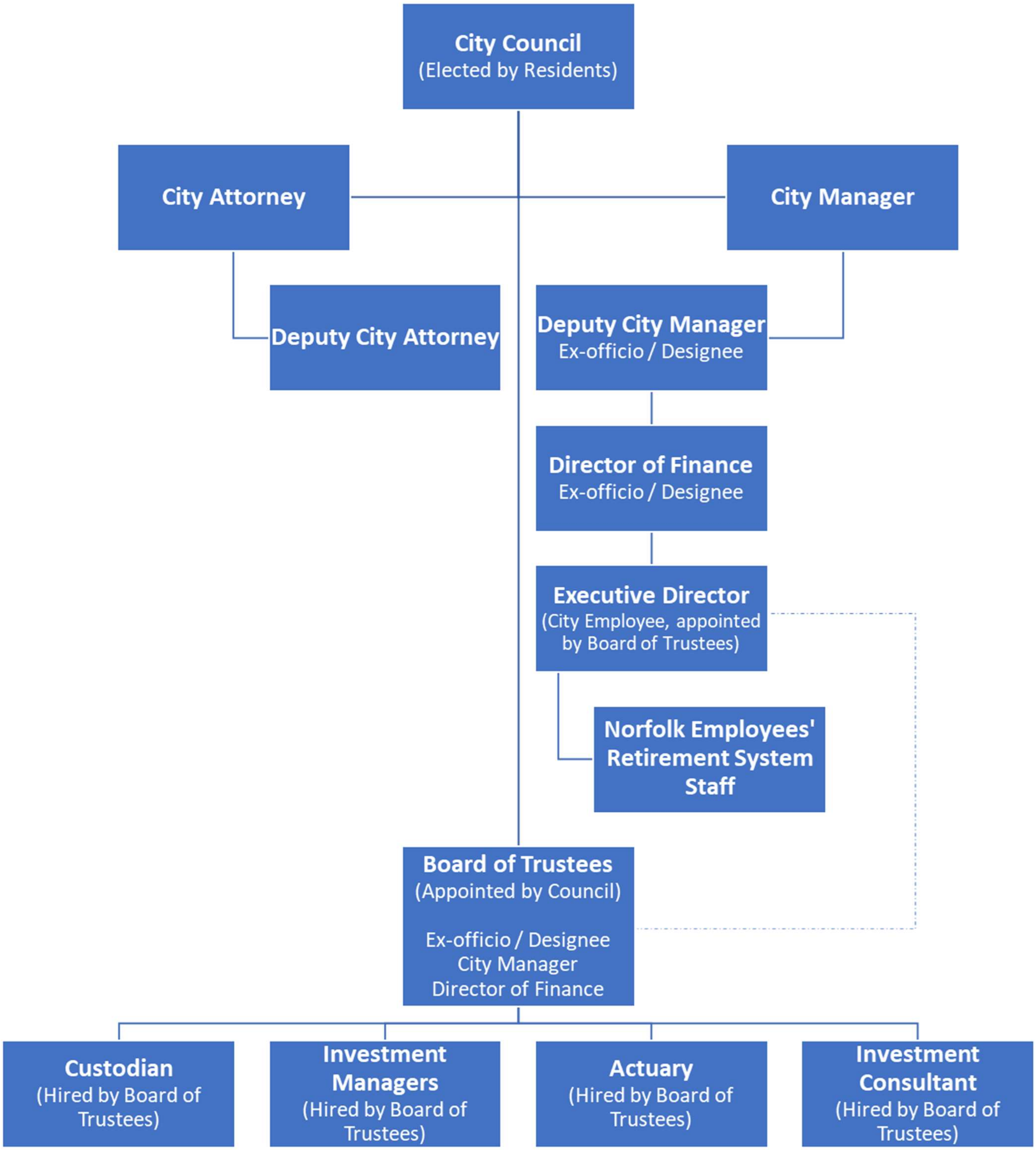
UBS Trumbull
Hartford, CT

Master Limited Partnerships

Harvest Fund Advisors LLC
New York, NY
Wayne, PA

Tortoise Capital Advisors
Hartford, CT
Leawood, KS

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 Comprehensive Annual Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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Financial Section

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Norfolk (the System), a fiduciary fund of the City of Norfolk, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-17, the schedule of changes in net pension liability and related ratios on page 29, the schedule of employer's net pension liability and related ratios and the schedule of employer's contributions on page 30, the schedule of the investment returns on page 31, and the notes to the required supplementary information on page 32 to be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The schedule of administrative expenses, schedule of investment expense, introductory section, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of administrative expenses and the schedule of investment expenses are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. 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.

The introductory section, investment section, actuarial section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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 December 13, 2021, 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

CliftonLarsonAllen LLP

Arlington, Virginia
December 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the financial performance of the Employees' Retirement System of the City of Norfolk (the System) provides an overview of financial activities for the fiscal years ended June 30, 2021 and 2020. 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

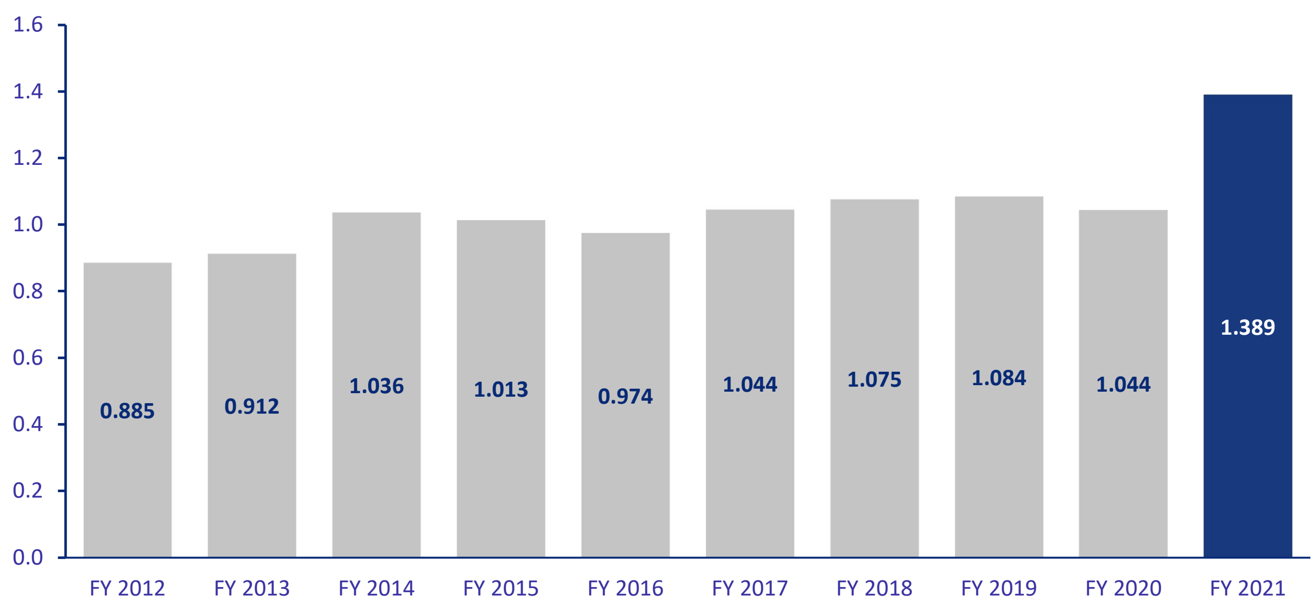
- System assets exceeded liabilities at the close of fiscal years 2021 and 2020 by $1.389 billion and $1.044 billion, respectively (reported as Plan Net Position Restricted For Pensions). Total Plan assets are held in trust to meet future benefit obligations.

- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The net position as a percentage of the total pension liability was 97.0 percent and 73.5 percent, for June 30, 2021 and June 30, 2020, respectively.

- Total additions increased over the prior year by $387 million or approximately 710 percent. The increase was intensified by the significant growth of investment income and an additional $120 million contributed by the City of Norfolk.

- Total deductions increased over the prior year by $1.6 million or approximately 1.7 percent. The increase primarily reflects a rise in benefit payments.

Plan Net Position Restricted For Pensions
As of June 30 (Expressed in Billions)



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 unaudited required supplementary information and the other supplementary information, to determine 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, 2021 and 2020

	2021 In '000 $	2020 In '000 $	2021-2020 Percentage Change
ASSETS			
Cash and cash equivalents	$ 37,958	$ 5,972	535.6%
Receivables	43,015	73,573	-41.5%
Investments	1,406,545	1,101,052	27.7%
Total Assets	**1,487,518**	**1,180,597**	**26.0%**
LIABILITIES			
Accounts payable and accrued expenses	2,112	2,284	-7.5%
Due to brokers for securities purchased	96,537	134,223	-28.1%
Total Liabilities	**98,649**	**136,507**	**-27.7%**
Plan Net Position Restricted for Pensions	**$ 1,388,869**	**$ 1,044,090**	**33.0%**

ANALYSIS OF FINANCIAL ACTIVITIES

Total assets as of June 30, 2021 and 2020, were $1.5 billion and $1.2 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. Total assets increased by $307 million or 26.0 percent for the Fiscal Year 2021, due to increases in cash equivalents and investments held. The increases were primarily attributable to the favorable investment return and the monies received by the System from the proceeds generated by the issuance of General Obligation Bonds for the Benefit of NERS.

Total liabilities as of June 30, 2021 and 2020, were $99 million and $137 million, respectively, and were comprised of payables to brokers for securities purchased, accounts payables and accrued expenses. Total liabilities decreased by $38 million or 27.7 percent for the Fiscal Year 2021, primarily due to a decrease in payables due to brokers for securities purchased.

System assets exceeded liabilities at the close of fiscal years 2021 and 2020 by $1.4 billion and $1.0 billion, respectively. In Fiscal Year 2021, plan net position restricted for pensions increased by $345 million or 33.0 percent from the previous fiscal year. The increase reflects sizable gains in market cash equivalents and decreases in payables due to brokers for securities purchased are the principal reasons.

Employees' Retirement System of the City of Norfolk
Summary of Changes in Plan Fiduciary Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	2021 In '000 $	2020 In '000 $	2021-2020 Percentage Change
ADDITIONS			
Investment Income, net	$ 270,352	$ 5,736	4,613.2%
Employer Contributions	160,252	38,494	316.3%
Employee Contributions	9,712	9,838	-1.3%
Other Income	655	372	76.1%
Total Additions	**440,971**	**54,440**	**710.0%**
DEDUCTIONS			
Benefit Payments	94,649	93,078	1.7%
Refunds of Contributions	923	920	0.3%
Administrative Expenses	620	600	3.3%
Total Deductions	**96,192**	**94,598**	**1.7%**
Net Increase (Decrease)	**$ 344,779**	**$ (40,158)**	**958.6%**
Plan Net Position Restricted for Pensions			
Beginning of the Year	**$ 1,044,090**	**$ 1,084,248**	
End of the Year	**$ 1,388,869**	**$ 1,044,090**	**33.0%**

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 2021 and 2020 totaled $441 million and $54 million, respectively.

Additions increased for Fiscal Year 2021 by $387 million from the prior year, due primarily to higher investment income and an additional $120 million contributed by the City of Norfolk. The total portfolio returned 25.9 percent for the Fiscal Year ended June 30, 2021, versus 0.5 percent for the prior fiscal year. The System's target return is 7.0 percent.

DEDUCTIONS FROM PLAN NET POSITION

The deductions from plan net position restricted for pensions include pension payments to retirees and beneficiaries, refunds of voluntary contributions to retired members, refunds of mandatory contributions to non-vested members and the cost of administering the System. Total deductions for fiscal year 2021 were $96 million, an increase of 1.7 percent over fiscal year 2020 deductions.

Pension benefit payments increased by $1.6 million in fiscal year 2021 or 1.7 percent, from the previous fiscal year. The increase in pension benefits payments is a result of more employees retiring due to the impact of the COVID-19 pandemic in the past year. See Page 59 for details on changes to the beneficiary population. Administrative expenses for the fiscal years ended June 30, 2021 and 2020 were $620,000 and $600,000, respectively.

RETIREMENT SYSTEM AS A WHOLE

Plan fiduciary net position restricted for pensions increased in fiscal year 2021 over fiscal year 2020. The System's plan net position restricted for pensions as a percentage of the total pension liability was 97.0 percent and 73.5 percent as of June 30, 2021 and 2020, respectively.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

The annual financial report 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 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, 2021

		In '000 $
Assets:		
Cash and Cash Equivalents	$	37,958
Receivables:		
Accrued Investment Income		1,093
Due from Brokers for Securities Sold		41,922
Total Receivables		**43,015**
Investments:		
Government Issues		71,863
Fixed Income Securities		118,431
Futures/Options/Swaps		(281)
Equity Securities		111,244
Commingled Funds:		
Equity		779,941
Fixed Income		243,752
Real Estate		81,595
Total Commingled Funds		1,105,288
Total Investments		**1,406,545**
Total Assets	**$**	**1,487,518**
Liabilities:		
Accounts Payable and Accrued Expenses	$	2,112
Due to Brokers for Securities Purchased		96,537
Total Liabilities	**$**	**98,649**
Plan Net Position Restricted for Pensions	**$**	**1,388,869**

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, 2021

		In '000 $
Additions:		
Investment Income		
Net Appreciation in Fair Value of Investments	$	260,275
Interest		5,264
Dividends		6,014
Other Income		939
		272,492
Less: Investment Expenses		(2,140)
Investment Income, Net		270,352
Employer Contributions		160,252
Employee Contributions		9,712
Purchase of Service		647
Other Income		8
Total Additions		**440,971**
Deductions:		
Benefits Paid Directly to Members		(89,027)
Beneficiary Payments		(5,622)
Refunds of Contributions		(923)
Administrative Expenses		(620)
Total Deductions		**(96,192)**
Net Increase (Decrease)	**$**	**344,779**

Plan Net Position Restricted for Pensions		
Beginning of the Year	$	1,044,090
End of the Year	**$**	**1,388,869**

See accompanying independent auditor's report.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Reporting entity: The Employees' Retirement System of the City of Norfolk (the System) is the administrator of a single-employer contributory defined benefit plan that covers substantially all employees of the City of Norfolk (the City), excluding School Board and Constitutional Officer employees covered by the Virginia Retirement System, as authorized by Section 143(a) of the City Charter. The System was established and placed under the management of the Board of Trustees for the System for the purpose of providing retirement allowances and death benefits as authorized by the provisions of Chapter 37 of the Norfolk 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 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 of Norfolk, including the City Manager and Director of Finance as ex-officio trustees. The System meets the definition of a Fiduciary Fund of the City of Norfolk 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 of Norfolk. These financial statements are those of the System and not of the City of Norfolk as a whole. The City of Norfolk makes contributions that in addition to employee contributions and investment earnings provide funding for pension benefits and administrative costs.

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. 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. Purchases and sales of securities traded, but not yet settled at year-end are recorded as due to brokers for securities purchased and due from brokers for securities sold, respectively.

Estimates: The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, deferred inflows, and liabilities and 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 substantially all employees of the City of Norfolk, Virginia, excluding the School Board and the Constitutional Officer employees 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 pension trust fund. The types of employees covered and current membership as of June 30, 2021, consists of the following:

Active, Retired and Vested Former Members and Beneficiaries
For the Fiscal Years Ended June 30

	General	Public Safety	2021 Total	2020 Total
Retirees and Beneficiaries Receiving	2,912	1,360	4,272	4,212
Vested Former Members Entitled to but not Receiving Benefits	1,092	348	1,440	1,364
Active Plan Members	2,604	1,137	3,741	4,171
Total*	**6,608**	**2,845**	**9,453**	**9,747**

*Includes one hundred twenty-one (121) members due a refund of mandatory member contributions. See Note 4 for more details. Also includes forty-six (46) members currently in the Deferred Retirement Option Program (DROP) and eighteen (18) members currently on leave of absence, thirteen (13) of which are vested.

The System provides retirement benefits, as well as death and disability benefits. All benefits vest after five (5) years of creditable service. 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 credited service for general employees, and the earlier of age 55 or after the completion of 25 years of credited 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 credited service for general employees, and age 55 or after the completion of 25 years of credited 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 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.46 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 years 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 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 policemen and firemen 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 70 percent while continuing employment with the City without loss of any other employee benefits.

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

As of June 30, 2021, the DROP liability is $2.8 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 Deferred Retirement Option Program (DROP).

Ad hoc Cost of Living One-time Supplements are provided at the discretion of the City Council. Participants should refer to the Plan document for a complete description of these provisions. There was no ad hoc Cost of Living One-time Supplement provided in the fiscal year ended June 30, 2021.

The Employees’ Retirement System is established by Chapter 37 of the Code of the City of Norfolk, Virginia, 1979, as amended 1997. The benefit provisions of the System are also determined by this Code section.

Effective January 1, 2022, the System will be closed to new membership. Future City of Norfolk employees hired or re-hired 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, 2021, were as follows:

	In '000 $
Total Pension Liability	1,431,515
Plan Fiduciary Net Position	(1,388,869)
Net Pension Liability	**$42,646**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	**97.0%**

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. Periodic contributions for normal cost are based on the level percentage-of-payroll method. The funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

Section 37 of the Code of the City of Norfolk, Virginia 1979, as amended 1997, establishes the authority under which the employer's obligation to contribute to the Plan is established or may be amended. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City of Norfolk in the ensuing year. The employer contribution was made by the City totaling $40.7 million in July 2020, in accordance with the actuarially determined contribution requirements stated above. The City also contributed $119.6 million from proceeds generated by General Obligation Bonds for the Benefit of NERS in June 2021.

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 of Trustees at the beginning of each Fiscal Year until the member is fully vested in benefits under the Plan. Upon vesting, members' mandatory contributions become an asset of the System to be used to pay benefits under the System. Such contributions are refundable to members who terminate before becoming vested for retirement benefits. Mandatory employee contributions totaled $9.7 million for the Fiscal Year ended June 30, 2021. The System paid approximately $923,000 in refundable contributions in the year ended June 30, 2021 and is retaining approximately $410,000 in refundable contributions payable as of June 30, 2021, to members that have left City employment and have not elected their 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.

Member and Employer Contributions
For the Fiscal Years Ended June 30 (Expressed in ‘000s)

	2021	2020	2019
Member Contributions	9,712	9,838	9,673
Employer Contributions	160,252	38,494	37,079
Total	**$171,985**	**$48,332**	**$46,752**

The actuarial assumptions for the June 30, 2021, actuarial valuation, were as follows:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent Closed, 20-Year Layers
Amortization Growth Rate	3%
Asset Valuation Method	3-Year Smoothed Value
Inflation	3%
Salary Increases - General Employees	Average of 5.12% 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 6.19% over a 30-year-career; based on rates that vary by year of service and are compounded annually
Investment Rate of Return	7%
Mortality	100% of RP-2014 Disability Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter for disabled lives

Rate of return: The annual money-weighted rate of return, net of investment expenses, as of June 30, 2021, was 25.85 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 Plan’s target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	30-Year 2021 Long-Term Expected Real Rate of Return
Private Core Real Estate	4.75%
Master Limited Partnerships	6.50%
Core Fixed Income	1.00%
Core Plus Income	1.50%
Equity (ACWI IMI)	5.15%

Discount rate: The discount rate, as of June 30, 2021, used to measure the total pension liability was 7.00 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 Board. 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 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 7.00 percent (net of investment expenses). The single equivalent rate used, for purposes of GASB 67, to determine the Total Pension Liability as of June 30, 2021, was 7.00 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 7.00 percent, compared to the System's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Net Pension Liability (in 000s)		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$196,879	$42,646	$(87,920)

The actuarial assumptions above are based on the results of an Experience Study performed in 2017, which covered the period from July 1, 2011 to June 30, 2016, and the presumption that the System will continue indefinitely. 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 2022.

Note 5. Deposits and Investments

Deposits: The carrying amount of the System's deposits with financial institutions was $753,000 as of June 30, 2021. 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. Cash equivalents amounting to $97.6 million consists of short-term investment funds and certificates of deposit.

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, 2021:

Asset Class	Target Allocation
Equities	55.0%
Fixed Income	30.0%
Real Estate	7.5%
Master Limited Partnerships	7.5%

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. The Policy states that the duration of the fixed income portfolio shall be within +/- two years relative to the Barclays Capital Aggregate Bond Index.

Segmented Time Distribution

For the Fiscal Year Ended June 30, 2021 (Expressed in '000s)

		Investment Maturities (in years)					
Investment Type	**Fair Value**	**Under 1**	**1 – 3**	**3 – 6**	**6 – 10**	**10+**	**N/A**
Asset Backed Securities	**$ 2,363**	$	$ 184	$ 334	$ 203	$ 1,642	$
Bank Loans	**190**		190				
Corporate Bonds	**47,281**	3,452	10,422	16,844	8,978	7,585	
Mortgage Backed Securities	**66,589**	1,148	37	438	81	64,885	
Municipals	**2,008**					2,008	
Futures/Options/Swaps	**(281)**	(1,463)	6	723	68	385	
Government Issues	**71,863**	1,106	9,630	24,126	8,903	28,098	
Common Stock	**38,685**						38,685
Equity Funds	**779,941**						779,941
Master Limited Partnerships	**97,474**						97,474
Fixed Income Funds	**251,452**						251,452
Real Estate Funds	**48,980**						48,980
Totals	**$1,406,545**	**$ 4,243**	**$ 20,469**	**$ 42,465**	**$ 18,233**	**$ 104,603**	**$1,216,532**

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. The System does not have a formal policy; however, the System manages its exposure to fair value loss by requiring its international securities investment managers to maintain diversified portfolios by issuer to limit foreign currency and security risk. The System's exposure to foreign currency risk is presented on the following table.

Currency	Fair Value
Australian Dollar	$ 13
Canadian Dollar	31
Danish Krone	0
Euro Currency	5,566
Japanese Yen	1
Mexican Peso	457
New Zealand Dollar	21
Pound Sterling	864
South African Rand	0
Total	**$ 6,953**

(Expressed in '000s)

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. (Moody's), Standard and Poor's Global Ratings (S&P), and Fitch Ratings (Fitch) are not permitted without the written permission of the Board. PIMCO has been given the authority by the Board to invest 20 percent of its portfolio, including cash equivalents, in below investment grade securities.

The System invests in certain derivatives including real estate mortgage investment conduits, collateralized mortgage obligations, futures, and swaps. Those securities are included in reported investments. The System's rated debt investments as of June 30, 2021 were rated by S&P's and/or an equivalent national rating organization and the ratings are presented below using the S&P's credit quality rating scale.

S&P Credit Quality Rating Scale

For Fiscal Year Ended June 30, 2021 (Expressed in '000s)

	Fair Quality Ratings							
	AAA	AA+/AA /AA-	A+/A /A-	BBB+/BBB /BBB-	BB+/BB /BB-	B+ and below	Unrated	Totals
Corporate Bonds	$	$ 2,830	$ 12,407	$ 25,685	$ 4,564	$	$ 1,795	**$ 47,281**
Mortgage Backed Securities	66,101		4	284	154	46		**66,589**
Equity Funds							779,941	**779,941**
Asset Backed Securities	1,706		4	623		30		**2,363**
Bank Loans	190							**190**
Govt. Issues	63,368	1,077	1,840				5,578	**71,863**
Municipals		1,213	795					**2,008**
Common Stock							38,685	**38,685**
Master Limited Partnerships							97,474	**97,474**
Futures/Options/ Swaps							(281)	**(281)**
Fixed Income/Equity Real Estate Funds		31,654	7,701				261,077	**300,432**
Totals	**$ 131,365**	**$ 36,774**	**$ 22,751**	**$ 26,592**	**$ 4,718**	**$ 76**	**$1,184,269**	**$1,406,545**

(Cash and Cash Equivalents are not included.)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a System's investment in a single issuer. The System's formal policy governing concentration of credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's, S&P and Fitch, are not permitted. No more than 20 percent of each account's fixed income portfolio, including cash equivalents, shall be invested in investment grade securities rated below Baa (1, 2 and 3) or BBB (+ or -). Upon written request from the manager, the Board of Trustees will consider allowing more than 20percent in these ratings and the purchase of securities rated below Baa3 or BBB-.

The following table presents the fair value of investments that represent 5% or more of the System's net position on June 30, 2021:

Investment	In '000 Dollars Amount
SSGA MSCI ACWI IMI Index Fund	$779,941
PIMCO Total Return Fund	$215,990
SSGA Bond Market Index Fund	$212,097

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 ended June 30, 2021, were $474,000.

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, 2021, 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, 2021:

		Fair Value Measurements (Expressed in '000s)		
	June 30, 2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	N/A
Cash Equivalents:				
Government Issues	$15,098		$15,098	
Short Term	21,000		$21,000	
Short Term Fund	61,464		61,464	
Total Cash Equivalents	**$97,562**		**97,562**	
Fixed Income Securities				
Government Issues	71,863		71,863	
Corporate Bonds	47,281		47,281	
Futures/Options/Swaps	(281)	204	(485)	
Municipals	2,008		2,008	
Asset-Backed securities	2,363		2,363	
Bank Loans	190		190	
Mortgage-Backed securities	66,589		66,589	
Total Fixed Income Securities	**$190,013**	**204**	**189,809**	
Equity Securities				
Common stock	38,685	37,664	1,021	
Master Limited Partnerships	97,474	64,859		32,615
Total Equity Securities	**$136,159**	**102,523**	**1,021**	**32,614**
Comingled Securities				
Fixed Income Fund	39,355		39,355	
Total Comingled Securities	**$39,355**		**39,355**	

Investments measured at the Net Asset Value (NAV)	
Equity Funds	779,941
Fixed Income Funds	212,097
Real Estate Funds	48,980
Total Investments measured at the NAV	**$1,041,018**
Total Investments (excludes cash)	**$1,504,107**

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 prioritized 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.

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. The United States Treasury and fixed income securities are priced using pricing models based on a compilation of primarily observable market information or a broker quote in a non-active market for an identical or similar security. The certificate of deposit is valued based on discounted cash flows using current interest rates at the stated maturity. The short-term investment fund trades daily without restriction at $100 per unit. The fixed income fund can be redeemed within 3-7 days with 1-day notice.

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, 2021.

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 remaining 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.

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 over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice.
2. Fixed Income Funds. This type includes an investment in a fund with an investment objective to track the performance of the Barclay's 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.
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 NCREIF Fund Index - Open-End Diversifies Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with 45-60 days' notice.

Required Supplemental 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)

	2021	2020	2019	2018
Total Pension Liability				
Service Cost	$27,208	$26,978	$26,372	$25,146
Interest	98,032	96,458	94,853	92,517
Change In Benefits	0	0	0	11,698
Change In Assumptions	(19,181)	0	(7,031)	16,606
Differences Between Expected and Actual Experience	0	(6,398)	(8,189)	(1,598)
Benefit Payments	(94,649)	(93,078)	(91,999)	(84,704)
Refunds of Contributions	(923)	(920)	(867)	(1,229)
Net Change in total Pension Liability	**$10,487**	**$23,040**	**$13,139**	**$58,436**
Total Pension Liability - Beginning	**$1,421,028**	**$1,397,988**	**$1,384,849**	**$1,326,413**
Total Pension Liability - Ending (a)	**$1,431,515**	**$1,421,028**	**$1,397,988**	**$1,384,849**
Plan Fiduciary Net Position				
Contributions - Employer	160,252	$38,494	$37,079	$35,494
Contributions - Employee	10,367	10,210	10,009	9,858
Net Investment Income	270,352	5,736	55,313	72,663
Benefit Payments	(94,649)	(93,078)	(91,999)	(84,704)
Refunds of Contributions	(923)	(920)	(867)	(1,229)
Administrative Expenses	(620)	(600)	(617)	(764)
Net Change in Plan Fiduciary Net Position	**$344,779**	**$(40,158)**	**$8,918**	**$31,318**
Plan Fiduciary Net Position - Beginning	**$1,044,090**	**$1,084,248**	**$1,075,330**	**$1,044,012**
Plan Fiduciary Net Position - Ending (b)	**$1,388,869**	**$1,044,090**	**$1,084,248**	**$1,075,330**
Plan Net Pension Liability - Ending (a-b)	**$42,646**	**$376,938**	**$313,740**	**$309,519**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	97.0%	73.5%	77.6%	77.6%
Covered Payroll (c)	$200,484	$197,405	$195,358	$191,549
Net Pension Liability as a Percentage of Covered Employee Payroll ((a-b)/c)	21.3%	190.9%	160.6%	161.6%

*The schedule is intended to show information for 10 years. Since 2014 was the first fiscal year for presentation, no other data are available. However, additional years will be included as they become available.

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

For the Fiscal Years Ended June 30 (Expressed in '000)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$26,310	25,919	$25,467	$24,579
Interest	86,974	84,711	82,839	80,203
Change In Benefits	590	568	353	20,689
Change In Assumptions	53,197	(6,509)		
Differences Between Expected and Actual Experience	(2,543)	(2,666)	(2,471)	(10,654)
Benefit Payments	(83,977)	(80,784)	(79,031)	(77,065)
Refunds of Contributions				
Net Change in total Pension Liability	**$80,551**	**$21,239**	**$27,157**	**$37,752**
Total Pension Liability - Beginning	**$1,245,862**	**$1,224,623**	**$1,197,466**	**$1,159,714**
Total Pension Liability - Ending (a)	**$1,326,413**	**$1,245,862**	**$1,224,623**	**$1,197,466**
Plan Fiduciary Net Position				
Contributions - Employer	$33,457	$30,761	$34,932	$42,330
Contributions - Employee	9,450	8,735	4,915	1,672
Net Investment Income	111,228	3,278	16,597	157,292
Benefit Payments	(83,977)	(80,784)	(79,032)	(77,065)
Refunds of Contributions				
Administrative Expenses	(668)	(672)	(387)	(413)
Net Change in Plan Fiduciary Net Position	**$69,490**	**$(38,682)**	**$(22,975)**	**$123,816**
Plan Fiduciary Net Position - Beginning	**$974,522**	**$1,013,204**	**$1,036,179**	**$912,363**
Plan Fiduciary Net Position - Ending (b)	**$1,044,012**	**$974,522**	**$1,013,204**	**$1,036,179**
Plan Net Pension Liability - Ending (a-b)	**$282,401**	**$271,340**	**$211,419**	**$161,287**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	78.7%	78.2%	82.7%	86.5%
Covered Payroll (c)	$188,066	$175,679	$178,468	$177,561
Net Pension Liability as a Percentage of Covered Employee Payroll ((a-b)/c)	150.2%	154.5%	118.5%	90.8%

*The schedule is intended to show information for 10 years. Since 2014 was the first fiscal year for presentation, no other data are available. However, additional years will be included as they become available.

See accompanying independent auditor's report.

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
2021	$1,431,515	$1,388,869	$42,646	97.0%	$200,484	21.3%
2020	1,421,028	1,044,090	376,938	73.5%	197,405	190.9%
2019	1,397,988	1,084,248	313,740	77.6%	195,358	160.6%
2018	1,384,849	1,075,330	309,519	77.6%	191,549	161.6%
2017	1,326,413	1,044,012	282,401	78.7%	188,066	150.2%
2016	1,245,862	974,522	271,340	78.2%	175,679	154.5%
2015	1,224,623	1,013,204	211,419	82.7%	178,468	118.5%
2014	1,197,466	1,036,179	161,287	86.5%	177,561	90.8%
2013	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information for fiscal years prior to the adoption of GASB 67 is not available in this format.

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
2021	$40,698	$160,252	$(119,554)	$200,484	0.2%
2020	38,494	38,494	-	197,405	19.5%
2019	37,079	37,079	-	195,358	19.0%
2018	35,494	35,494	-	191,549	18.5%
2017	33,457	33,457	-	188,066	17.8%
2016	30,761	30,761	-	175,679	17.5%
2015	38,264	34,932	3,331	178,468	19.6%
2014	42,330	42,330	-	177,561	23.8%
2013	41,466	41,466	-	184,062	22.5%
2012	42,828	42,828	-	167,593	25.6%

**The actuarially determined contribution and the employer contributions were adjusted for years prior to 2014 to retrospectively apply the timing of recognition under GASB 34.*

***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.*

Schedule of Investment Returns

Fiscal Year	Money-Weighted Rate of Return
2021	25.85%
2020	0.58%
2019	8.91%
2018	7.16%
2017	11.64%
2016	0.39%
2015	1.97%
2014	17.36%
2013	N/A
2012	N/A

N/A - Information for fiscal years prior to the adoption of GASB 67 is not available in this format.

See accompanying independent auditor's report.

Notes to Required Supplementary Information

Changes in Benefits

Effective January 2015, additional liabilities derived as a result of a 5 percent pay increase to members for purposes of paying 5 percent member contributions and the Deferred Retirement Option Program for public safety members.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates are calculated as of June 30, one year 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.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent Closed, 20-Years Layers
Asset Valuation Method	3-Year smoothed Value
Investment Rate of Return	7.0%
Amortization growth Rate	3.0%
Inflation	3.0%
Salary Increases - General Employees	Average of 5.12% 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 6.19% over a 30-year-career; based on rates that vary by year of service and are compounded annually
Mortality	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter for healthy lives; and 100% of RP-2014 Disability Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter for disabled lives

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, 2021

		In '000 Dollars
Personnel Services:		
Staff Salaries	$	326
Benefits		134
Total Personnel Services		**460**
Professional Services:		
Actuarial Fees		90
Medical Examinations		3
Audit Fees		31
Total Professional Services		**124**
Communication Services:		
Travel and Training		0
Postage and Shipping		3
Total Communication Services		**3**
Miscellaneous Expenses:		
Supplies and Equipment		12
Other		21
Total Miscellaneous Expenses		**33**
Total Administrative Expenses	**$**	**620**

See accompanying independent auditor's report.

Employees' Retirement System of the City of Norfolk
(A Pension Trust Fund)
Schedule of Investment Expenses
For the Fiscal Year Ended June 30, 2021

		In '000 Dollars
Investment Manager Fees:		
Manager Fees	$	1,854
Custody and Investment Consultant Fees:		
Investment Consultant Fees		210
Custody Fees		76
Total Custody and Investment Consultant Fees		**286**
Total Investment Expenses	**$**	**2,140**

See accompanying independent auditor's report.

3

Investment Section

(Unaudited)

Investment Performance, Policy, Statistics and Activity

This section was prepared by AndCo Consulting 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 employees of the City of Norfolk, Virginia. 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 rate of inflation, as measured by the Consumer Price Index, plus 2.5 percent per year.
    2. The return of a target policy index ("Target Policy") comprised of 62.5 percent MSCI AC World IMI (Net), and 37.5 percent Barclays Capital Aggregate Bond Index.
    3. The return of a Strategy Index; 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.
    4. The actuarially assumed investment rate of return.
    5. For the aggregate Global Equity, Fixed Income, Real Estate, and Master Limited Partnerships components of the Fund: the return of the MSCI AC World IMI (Net), Barclays Capital Aggregate Bond, NCREIF – ODCE, and Alerian MLP Total Return indices, respectively.

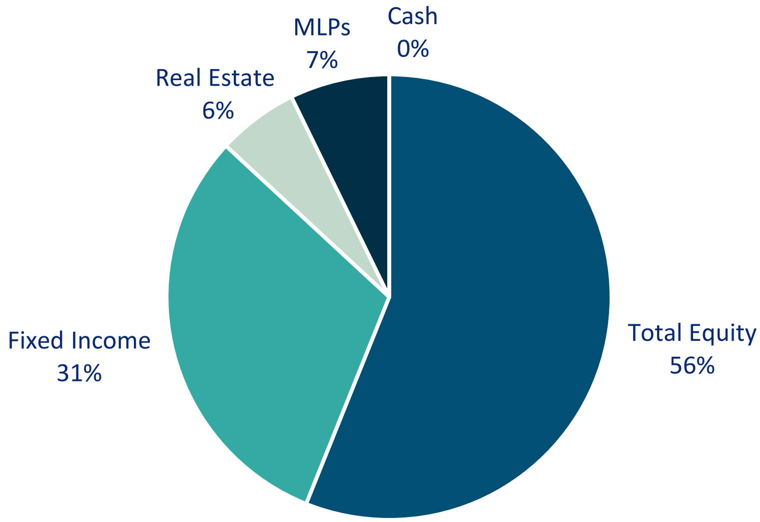
Asset Allocation

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



Total Equity	$	779,941
Fixed Income		428,087
Real Estate		81,595
MLPs		100,706
Cash and Equivalents (excludes cash held by managers)		7
Total	**$**	**1,390,336**

(Expressed in '000s)

Asset Allocation

Total Net Position Fair Value	**$1,390,336**
Adjustments to Reconcile Statement of Plan Asset Investments Total:	
Total Cash and Cash Equivalents held by Managers	(37,205)
Accrued Investment Income	(1,093)
Due from Brokers for Securities Sold	(41,922)
Interest Payable	52
Due to Brokers for Securities Purchased	96,537
Unrealized Appreciation (Depreciation) on Payables	(160)
Total Investments Reconciled to the Statement of Plan Fiduciary Net Position	**$1,406,545**

(Expressed in '000s)

Investment Managers and Investment Assignments

	Fair Value	% of Portfolio
SSGA MSCI ACWI IMI Index Fund	$779,941	56.10%
PIMCO Total Return	215,990	15.53%
SSGA Bond Market Index	212,097	15.25%
J.P. Morgan Asset Management Strategic Property Fund	45,356	3.26%
UBS Trumbull Property Fund	36,239	2.61%
Tortoise Capital Advisors	48,899	3.52%
Harvest MLP	51,807	3.73%
Cash Holding Account	7	0.00%
Total	**$1,390,336**	**100.00%**

(Expressed in '000s)

***See reconciliation of Statement of Plan Assets above.**

Asset Allocation Comparison

	Equity Commitment	Fixed Income Commitment	Total Other *
Total Fund	56.1%	30.8%	13.10%
Median All Public Plans	51.6%	24.2%	13.10%

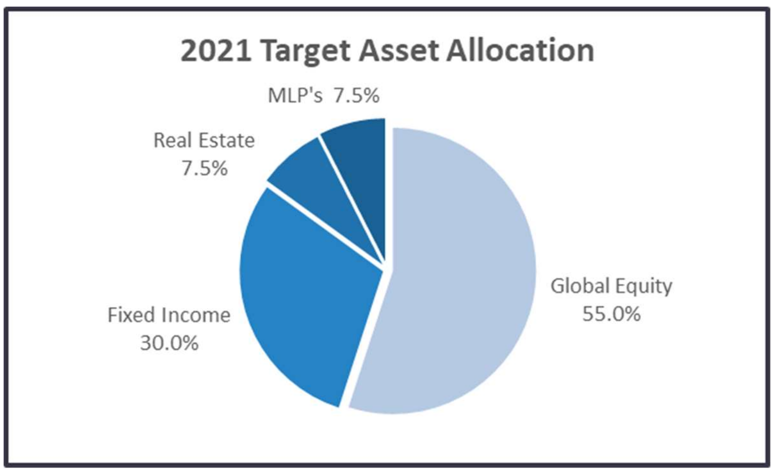
*Includes cash and alternative asset classes such as real estate, private equity, and hedge funds. Medians do not sum to 100 percent as not all plan sponsors are exposed to each asset class.

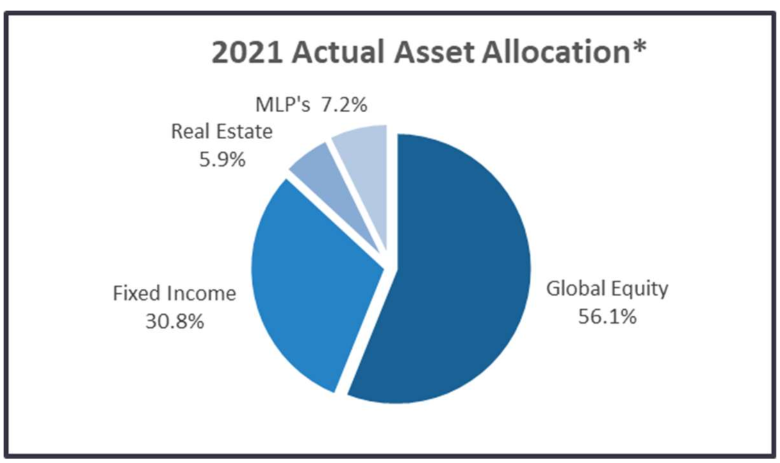
Target Asset Allocation

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
Equities	**45%**	**65%**	**55%**
Fixed Income	**25%**	**40%**	**30%**
Real Estate	**5%**	**10%**	**7.5%**
MLPs	**5%**	**10%**	**7.5%**

Formal asset allocation studies will be conducted at least every five 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.





***Fixed income includes 0.1 basis points of cash and cash equivalents.**

Investment Performance Summary

For the Fiscal Year Ending June 30,2021

Account	1 Year	2 Years	3 Years	5 Years
Total Equity	**41.90**	**20.08**	**14.81**	**15.07**
*Total Equity Policy Index**	40.94	19.41	14.24	14.55
Fixed Income				
PIMCO Total Return	0.65	4.46	5.44	3.72
Bloomberg Barclays U.S. Aggregate	-0.34	4.10	5.34	3.03
SSGA Bond Market Index	-0.26	4.15	5.38	3.05
Bloomberg Barclays U.S. Aggregate	-0.34	4.10	5.34	3.03
Total Fixed Income	**0.24**	**4.33**	**5.40**	**3.40**
Bloomberg Barclays U.S. Aggregate	-0.34	4.10	5.34	3.03
Real Estate				
J.P. Morgan Strategic Property Fund	6.05	3.62	3.94	5.10
NCREIF Fund Index - ODCE [M]	7.09	4.17	4.60	5.62
UBS Trumbull Property Fund	1.13	-0.40	-0.53	1.90
NCREIF Fund Index - ODCE [M]	7.09	4.17	4.60	5.62
Total Real Estate	**3.74**	**1.71**	**1.78**	**3.58**
NCREIF Fund Index – ODCE [M]	7.09	4.17	4.60	5.62
MLPs				
Harvest MLP	55.23	-0.62	-0.01	0.47
Alerian MLP	63.98	-2.00	-0.33	-1.05
Tortoise Capital Advisors	50.24	-4.37	-2.52	-1.04
Alerian MLP	63.98	-2.00	-0.33	-1.05
Total MLP	**52.25**	**-2.67**	**-1.38**	**-0.35**
Alerian MLP	63.98	-2.00	-0.33	-1.05
Total Fund Composite	**25.93**	**12.55**	**10.09**	**9.80**
*Total Fund Policy Index***	24.13	13.93	11.28	10.39
*Total Fund Strategy Index****	26.49	13.20	10.71	9.79

*Total Equity Policy Index = 100% MSCI AC World IMI (Net).
**Total Fund Policy Index = 62.5% MSCI AC World IMI (Net) and 37.5% Barclays Aggregate.
***Total Fund Strategy Index = 55% MSCI AC World IMI (Net), 30% Barclays Aggregate, 7.5% NCREIF ODCE (VW) (Net), and 7.5% Alerian MLP.

Investment returns are time-weighted returns based on fair value and gross of investment management fees. The investment returns shown elsewhere in this report are net of all expenses paid by the System (investment management fees, custody and consultant fees, and administrative expenses).

Schedule of Broker Commissions

Broker selection is the responsibility of individual investment managers. Transactions and commission costs are monitored by State Street Bank (the custodian), the investment consultant, and System staff. Commissions paid in Fiscal Year 2021:

	Shares Traded	Base Commission	Commission Cost/Share
Broker Commissions	5,336,598,250.831	$56,760.29	$0.00001

List of Largest Assets

Ten Largest Stock Holdings within the Domestic Equity (Commingled) Funds (by fair value)

Stock	Shares	Fair Value
Apple Inc	184,669	$25,292.27
Microsoft Corp	78,816	$21,351.30
Alphabet Inc	3,243	$16,205.22
Amazon.com Inc	4,708	$16,197.41
Facebook Inc	26,460	$9,200.38
Taiwan Semiconductor Manufacturing Co Ltd	270,972	$5,776.24
Tesla Inc	8,447	$5,741.23
NVIDIA Corporation	6,809	$5,447.88
J.P. Morgan Chase & Co	33,567	$5,220.94
Johnson & Johnson	28,915	$4,763.54

Ten Largest Bond Holdings (by fair value)

Bonds	Interest Rate	Maturity Date	Par Value	Fair Value
PIMCO Short-Term*	NA	NA	$3,375	$31,654.51
FNMA Pool	3.5000	8/12/2051	$16,400	$17,272.81
FNMA Pool	2.5000	7/14/2051	$16,100	$16,652.23
FNMA Pool	4.0000	8/12/2051	$15,000	$15,985.50
U.S. Treasury	4.3750	11/15/2039	$7,500	$10,433.48
U.S. Treasury	4.2500	5/15/2039	$6,000	$8,210.88
PIMCO Investment Grade*	NA	1/0/1900	$773	$7,700.51
U.S. Treasury	1.7500	7/31/2024	$6,000	$6,235.08
U.S. Treasury	4.5000	8/15/2039	$4,200	$5,921.66
FNMA Pool	2.5000	9/14/2051	$5,000	$5,150.60

*These holdings represent investments in PIMCO's sector funds. Holdings for the sector funds and a complete list of portfolio holdings are available upon request from AndCo.
(Expressed in '000s)

4

Actuarial Section

(Unaudited)

CHEIRON Classic Values, Innovative Advice

Actuary's Certification Letter

October 14, 2021

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

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Annual Comprehensive Financial Report 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, 2021, 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 based on 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 7 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, 2021, 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

Actuary's Certification Letter

The Board of Trustees
October 14, 2021
Page 2

b) amortize the June 30, 2017, unfunded actuarial liability over a closed 20-year period and to create additional, closed 20-year periods for annual UAL changes that arise. Effective with the June 30, 2021, valuation, these payments are assumed to remain level throughout the remaining amortization period. City contributions are assumed to occur on the July 1 following the valuation date to be made based on the rates developed in the valuation applied to actual covered payroll (including DROP payroll) of the City during the previous October.

In accordance with the above, the City's contribution appropriated for the fiscal year ended June 30, 2022 (and to be paid July 1, 2021) was determined based on the results of the June 30, 2020, valuation. In accordance with this policy, the City contributed $41.5 million on July 1, 2021. On June 29, 2021, the City of Norfolk made a one-time contribution of $119.6 million from proceeds generated by the issuance of Pension Obligation Bonds (POB).

The results of the June 30, 2021 valuation determine the contribution appropriation for the fiscal year ending June 30, 2023 (to be paid July 1, 2022), which will be presented in our valuation report subject to your approval.

As of June 30, 2021, the System's actuarial liability was 90.6 percent funded based on the Actuarial Value of Assets and 97.0 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, 2021, 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, 2021 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

CHEIRON

Actuary's Certification Letter

The Board of Trustees
October 14, 2021
Page 3

Reliance on the Information Provided by the City and Compliance with ASOPs 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 #23.

The current actuarial assumptions used for valuation purposes were adopted by the Board of Trustees and were first effective for the June 30, 2017, 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 2011 to June 2016. 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. 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	Justin Runkel, ASA, EA, MAAA
Principal Consulting Actuary	Associate Actuary

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Interest Rate

7 percent per annum, compounded annually (originally adopted as of June 30, 2012).

Mortality

Pre-Retirement: 108 percent of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75 percent per year (ages < 86) thereafter*

Healthy Annuitants: 108 percent of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75 percent per year (ages < 86) thereafter

Disableds: 100 percent of RP-2014 Disability Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75 percent per year (ages < 86) thereafter

* *5 percent of deaths are assumed to be accidental for general employees;*
60 percent of deaths are assumed to be accidental for firefighters and police.

Salary Increase

Annual rates of salary increases are as follows:

Service	General	Firefighters and Police
0	6.60%	9.69%
1	6.45	6.60
2	6.30	6.60
3	6.14	6.60
4	5.99	6.60
5	5.83	6.60
10	5.34	6.60
15	5.18	6.60
20	4.74	5.68
25	4.23	5.06
30	3.71	5.06

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

Withdrawal

Service	General	Firefighters and Police
0	19.00%	10.00%
1	17.00	9.00
2	15.00	8.00
3	13.00	7.00
4	11.00	6.00
5	9.50	5.00
10	4.70	2.80
15	3.00	1.00
20	2.50	1.00
25	1.00	1.00
30	1.00	1.00

Disability

	General*		Firefighters and Police**
Age	Male	Female	Unisex
20	0.06%	0.05%	0.04%
25	0.07	0.05	0.06
30	0.08	0.06	0.08
35	0.13	0.10	0.11
40	0.20	0.15	0.22
45	0.31	0.23	0.40
50	0.46	0.35	0.67
54	0.59	0.45	0.90
55	0.63	0.48	0.96
59	0.92	0.70	1.26

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

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

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	7.50 %	7.50 %	7.50 %	7.50 %
51	7.50	7.50	7.50	7.50
52	7.50	7.50	7.50	7.50
53	7.50	7.50	7.50	7.50
54	7.50	7.50	7.50	7.50
55	7.50	7.50	7.50	7.50
56	7.50	7.50	7.50	7.50
57	7.50	7.50	7.50	7.50
58	7.50	7.50	7.50	7.50
59	7.50	7.50	7.50	7.50
60	15.00	7.50	7.50	7.50
61	15.00	7.50	7.50	7.50
62	15.00	7.50	7.50	7.50
63	15.00	7.50	7.50	7.50
64	15.00	7.50	7.50	7.50
65	25.00	25.00	7.50	7.50
66	15.00	15.00	25.00	7.50
67	15.00	15.00	15.00	25.00
68	15.00	15.00	15.00	15.00
69	15.00	15.00	15.00	15.00
70	100.00	100.00	100.00	100.00

For those hired on or after July 1, 2018, the retirement rate at first year of eligibility (earlier of Social Security Normal Retirement Age as shown above or “Rule of 90”) is 25 percent. In subsequent years, the rate of retirement is 15 percent per year until age 70 (100 percent retirement rate).

Firefighters and Police Officers:

For those eligible for the Deferred Retirement Option Program (DROP):

Service	Rate of Retirement*
20	2.50%
21	3.00
22	3.50
23	4.00
24	15.00
25	30.00
26	30.00
27 and up	30.00

For those not eligible for the Deferred Retirement Option Program (DROP):

Service	Rate of Retirement*
20	2.50%
21	3.00
22	3.50
23	4.00
24	15.00
25	20.00
26	20.00
27 and up	20.00

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

NOTE: Rates apply to each member based on eligibility requirements as defined in the Summary of Benefit and Contribution Provisions.

Future Expenses

Administrative expenses are assumed to be 0.35 percent of payroll. The assumed interest rate is net of the anticipated investment expenses of the Employees' Retirement System.

Loading or Contingency Reserves

A load of 1.00% for General employees and 1.15 percent for Firefighters and Police 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% of the General Employees and 75 percent of the Firefighters and Police 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.

DROP Election

All Firefighters and Police who are eligible to elect DROP are assumed to do so in lieu of retirement.

Rationale for Economic and Demographic Assumptions

Assumptions were set by the Board of Trustees based on recommendations made by Cheiron as a result of an experience study covering the period from July 1, 2011 through June 30, 2016.

Changes in Assumptions

None

Methods

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 resulting projected UAL is then amortized over a 20-year period and turned into a rate using the projected payroll three months after the valuation date when the City's contribution amount is budgeted. All rates are developed using a level-dollar amortization.

City contributions are assumed to occur on the July 1 following the valuation date to be made based on the rates developed in this valuation applied to actual covered payroll (including DROP payroll) of the City during the previous October.

In accordance with the pension funding policy, City contributions in the first year after the issuance of bonds to benefit NERS will be based on the actuarial determined contribution rate. With the most recent General Obligation Bonds for the Benefit of NERS issuance on June 29, 2021, the July 1, 2022, contribution amount will be 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. 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 total contribution 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) 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 project 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

Due to the System being closed to employees hired after January 1, 2022, the unfunded actuarial liability amortization method was changed from a level-percent of pay to a level-dollar methodology.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Census and Assets

The valuation was based on members of the System as of June 30, 2021, and does not consider future members. All census data were supplied by the Executive Secretary of the System and were subject to reasonable consistency checks. Asset data was supplied by the Executive Secretary and the accountants of the System.

General Employees

Valuation as of June 30	Number of Active Members	Valuation Payroll ($ in Thousands)	Average Salary	Percent Increase (Decrease) in Average
2021	2,492[1]	$ 126,671	$ 50,831	1.3%
2020	2,591	130,005	50,176	2.2
2019	2,599	127,569	49,084	1.6
2018	2,689	129,910	48,312	2.4
2017	2,727	128,708	47,198	1.9
2016	2,741	126,900	46,297	1.5
2015	2,704	123,366	45,624	3.8
2014	2,709	119,079	43,957	1.8
2013	2,787	120,324	43,173	2.1
2012	2,517	106,448	42,292	0.7

[1] Excludes 9 members on leave of absence and 107 participants due a refund on June 30, 2021.

Firefighters and Police Officers

Valuation as of June 30	Number of Active Members	Valuation Payroll ($ in Thousands)	Average Salary	Percent Increase (Decrease) in Average
2021	1,123[1]	$ 67,982	$ 60,536	(0.1)%
2020	1,171	71,415	60,986	2.0
2019	1,187	70,942	59,766	1.8
2018	1,216	71,415	58,729	4.8
2017	1,219	68,343	56,065	4.9
2016	1,238	66,136	53,422	2.8
2015	1,207	64,346	53,310	2.5
2014	1,216	63,219	51,989	3.4
2013	1,268	63,737	50,266	(0.2)
2012	1,214	61,145	50,367	0.8

[1] Excludes 9 members on leave of absence and 14 participants due a refund on June 30, 2021. Includes 46 members currently in the Deferred Retirement Option Program (DROP).

Total

Valuation as of June 30	Number of Active Members	Valuation Payroll ($ in Thousands)	Average Salary	Percent Increase (Decrease) in Average
2021	3,615[1]	$ 194,653	$ 53,846	0.6%
2020	3,762	201,420	53,541	2.1
2019	3,786	198,511	52,433	1.7
2018	3,905	201,325	51,556	3.2
2017	3,946	197,051	49,937	2.9
2016	3,979	193,036	48,514	1.1
2015	3,911	187,712	47,996	3.3
2014	3,925	182,298	46,445	2.3
2013	4,055	184,061	45,391	1.1
2012	3,731	167,593	44,919	0.8

[1] Excludes 18 members on leave of absence and 121 participants due a refund on June 30, 2021. Includes 46 members currently in the Deferred Retirement Option Program (DROP).

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 ($ Thous.)	No.	Annual Allowance ($ Thous.)	No.	Annual Allowance ($ Thous.)	Average Allowance	% Increase Average Allowance
2021	194	$4,509	134	$2,240	4,272	$95,669	$22,394	1.0%
2020	208	4,946	115	1,606	4,212	93,400	22,175	1.4%
2019	216	4,972	91	1,295	4,119	90,060	21,865	1.1%
2018	201	4,876	120	1,543	3,994	86,383	21,628	1.9%
2017	176	3,449	100	1,272	3,913	83,051	21,224	0.7%
2016	159	3,369	82	1,047	3,837	80,874	21,077	0.9%
2015	158	2,605	116	1,374	3,760	78,552	20,891	0.5%
2014	221	4,477	108	1,154	3,718	77,321	20,796	1.3%
2013	164	3,077	106	1,317	3,605	73,998	20,526	0.8%
2012	322	8,429	100	1,537	3,547	72,238	20,366	3.6%

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. Effective with the June 30, 2021 valuation, the System's contributions are calculated using a level-dollar amortization methodology. This change is concurrent with the System closing to new hires effective January 1, 2022.

The relationship between accrued liabilities and net position of the System for fiscal years ended June 30, 2014 through June 30, 2021 are presented as follows:

$ in Thousands

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)
2021	$45,445	$1,024,402	$361,668	$1,297,114	100.0%	100.0%	62.8%
2020	40,701	1,001,938	378,389	1,100,046	100.0%	100.0%	15.2%
2019	34,844	979,721	383,423	1,097,451	100.0%	100.0%	21.6%
2018[B]	29,427	950,489	397,973	1,074,892	100.0%	100.0%	23.9%
2017[C]	21,937	921,087	392,802	1,043,620	100.0%	100.0%	25.6%
2016	15,493	877,143	361,774	1,048,346	100.0%	100.0%	43.0%
2015	8,425	850,742	365,456	1,038,059	100.0%	100.0%	49.0%
2014[D]	3,451	816,288	377,728	1,011,523	100.0%	100.0%	50.8%
2013	1,780	782,860	375,074	954,499	100.0%	100.0%	45.3%
2012[E]	770	768,508	375,129	923,199	100.0%	100.0%	41.0%

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

(B) 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.

(C) Reported assets for 2017 do not include the receivable employer contribution. Reported assets prior to 2017 included these amounts.

(D) 81 members retired under the Voluntary Retirement Incentive Program (VRIP) between July 1, 2013 and June 30, 2014.

(E) Retirees and beneficiaries as of June 30, 2011 were granted a permanent 2.0 percent supplemental benefit increase effective July 2012. 150 members retired under the Voluntary Retirement Incentive Program (VRIP) between July 1, 2011 and June 30, 2012.

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
2021	$1,431,515	$1,297,114	$134,401	90.6%	$200,484	67.0%
2020	1,421,028	1,100,046	320,982	77.4%	197,405	162.6%
2019	1,397,988	1,097,451	300,537	78.5%	195,358	153.8%
2018	1,377,889	1,074,892	302,997	78.0%	191,549	158.2%
2017	1,335,826	1,043,620	292,206	78.1%	188,066	155.4%
2016	1,254,410	1,048,346	206,064	83.6%	175,679	117.3%
2015	1,224,623	1,038,059	186,564	84.8%	178,468	104.5%
2014	1,197,466	1,011,523	185,943	84.5%	177,561	104.7%
2013	1,159,714	954,499	205,215	82.3%	184,062	111.5%
2012	1,144,407	923,199	221,208	80.7%	167,593	132.0%

ANALYSIS OF FINANCIAL EXPERIENCE

Gain or (Loss) for Year Ending June 30 ($ in thousands)				
Type of Activity	**2018**	**2019**	**2020**	**2021**
Investment income	$ 219	$ (6,601)	$ (27,978)	$ 45,878
Combined liability experience	1,594	9,342	6,398	19,181
Gain (loss) during year from financial experience	1,813	2,741	(21,580)	65,059
Non-recurring items	(11,758)	0	0	0
Composite gain (loss) during year	$ (9,945)	$ 2,741	$ (21,580)	$ 65,059

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 of Norfolk prior to January 1, 2022, is required to become a member of the Retirement 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 firefighters and police effective June 9, 1992. Per City Code Sec. 37-61(n) any member serving on the council of the City of Norfolk on or after July 1, 2001, shall have a normal service retirement allowance of 2.5 percent of his average final compensation multiplied by the number of his years of creditable service up to a number of years of creditable service which would allow his normal retirement allowance to equal up to sixty-five (65) percent of his 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 this retirement plan on such date. Prior service for these employees was credited towards benefit eligibility only. Lastly, these employees were exempt from the member's mandatory contributions applicable to anyone hired on or after October 5, 2010 until January 8, 2015.

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% 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 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% 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 the five 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% of unused sick leave accumulated on and after July 1, 1985, is included.

Early Service Retirement Allowance

Eligibility

Within five years of eligibility for normal service retirement.

Amount

Accrued service retirement allowance 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 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 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 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.

<u>Amount</u>

The amount payable is 66⅔ percent of average final compensation.

Ordinary Death Benefit

<u>Eligibility</u>

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.

<u>Amount</u>

All contributions, if any, made by the member with not less than one-half of the interest credited are paid. In addition, if the member had one year of creditable service if he became a member prior to July 1, 1979, and five years of creditable service if he became a member on or after July 1, 1979, an additional lump-sum benefit equal to 50 percent of their earnable compensation during the year immediately preceding their death is payable. If a member dies in service after the earlier of completion of 10 years of service or early service retirement eligibility and if the designated beneficiary for the lump-sum death benefit is the spouse, the spouse may elect to receive, in lieu of the lump sum death benefit, a monthly pension payable until death or remarriage. If the member was eligible for early or normal service retirement, the spouse's benefit is 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 member was not eligible for early or normal service retirement, the spouse's benefit is equal to one-half of the normal service retirement allowance, which would have been payable to the member if he or she had been vested, such benefit to commence at the same time as the vested benefit would have been paid to the member. If the spouse dies or remarries before the youngest unmarried child attains age 18, the pension shall continue 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

<u>Eligibility</u>

Death in active service resulting from an accident in the performance of duty within six 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.

<u>Amount</u>

Fifty percent of average final compensation is payable to spouse until death or remarriage. If there is no spouse or if spouse dies or remarries, benefit is payable to children under age 18 or dependent parents. In addition, all contributions, if any, made by the member with interest credited are paid to their designated recipient or estate, if the member was not vested. If there is no spouse, a lump-sum benefit equal to 50 percent of their earnable compensation during the year immediately preceding their death is payable.

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 retired member receiving retirement allowance payments and who completed five years of creditable service, if they became a member after July 1, 1979, or of a spouse receiving an accidental death benefit.

Amount

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.

In the case of a retired member who dies and leaves a surviving spouse, the spouse may elect to receive, in lieu of the lump-sum death benefit, a monthly benefit payable until death or remarriage, which is equal to one-half of the retirement allowance, which the deceased member was receiving at the time of their death, provided the member had not made an optional election. If the spouse dies or remarries before the youngest unmarried child attains age 18, the pension will continue to the date that all the children have died, married, or attained age 18, whichever occurs first. If the spouse was receiving payments on or before June 30, 1978, payments shall continue after remarriage with no further payments after death.

Return of Contributions

Eligibility

Termination of membership prior to death.

Amount

If not eligible for a retirement allowance, all contributions with interest credited. If eligible for normal or early service, ordinary disability, accidental disability, or vested retirement allowance, their contributions, if any, is not less than the interest credited. The member may elect, prior to the commencement of their retirement allowance, to receive an annuity which is the actuarial equivalent of their accumulated contributions.

Normal and Optional Forms of Benefits

Normal Life	Life Annuity
Option A	A reduced pension with the provision that at death the reduced pension will be continued throughout the life of the designated beneficiary.
Option B	A reduced pension with the provision that at death, one-half of the reduced pension will be continued throughout the life of the designated beneficiary.
Option C	A reduced pension with the provision that at death some other benefit approved by the Board of Trustees will be payable.

Contributions

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

Only City contributions will continue to be made throughout the DROP period for any eligible participant who has elected to participate in DROP.

Deferred Retirement Option Program (DROP)

Eligibility

Any police officer or fireman member in service who attains his or her Normal Retirement Age may elect to participate.

Amount

The DROP period may be elected by the police officer or fireman member but shall not exceed four years. During the DROP period, 70 percent 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 of the DROP account and shall begin receiving his or her full monthly benefit payment as a retired member.

Only City contributions will continue to be made throughout the DROP period.

Changes in Plan Provisions

The City closed the plan to new hires effective January 1, 2022. These new employees will participate in VRS. This change had no impact on the liabilities as of June 30, 2021 but was reflected in the projections shown within this report.

5

Statistical Section

(Unaudited)

About the Statistical Section

This section provides the reader with detailed information about the economic and demographic trends experienced over the past eight 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, 2021.**

Schedule of Additions by Source and Deductions by Type
(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
2021	$ 10,367	$ 40,698	20.30 %	$ 119,554	$ 270,352	$ 440,971
2020	10,209	38,494	19.50	0	5,737	54,440
2019	10,009	37,079	18.98	0	55,313	102,401
2018	9,858	35,494	18.53	0	72,663	118,015
2017	9,450	33,457	17.79	0	111,228	154,135
2016	9,038	30,761	17.51	0	3,278	43,078
2015	4,915	34,932	21.44	0	16,596	56,443
2014	1,672	42,330	23.84	0	157,292	201,294

Schedule of Deductions by Type

Fiscal Year Ended June 30	Benefit Payments	Refund of Contributions	Lump-Sum Death Benefits	Administrative Expenses	Total Deductions
2021	$ 94,472	$ 923	$ 177	$ 620	$ 96,192
2020	92,858	920	220	600	94,598
2019	91,829	867	170	617	93,483
2018	84,453	1,229	251	764	86,697
2017	83,049	762	166	668	84,645
2016	80,553	305	231	672	81,761
2015	78,914	3	115	386	79,418
2014	76,785	4	276	413	77,478

Total Change in Net position

Fiscal Year Ended June 30	Total Change in Net Position
2021	$ 344,779
2020	(40,158)
2019	8,918
2018	31,318
2017	69,490
2016	(38,683)
2015	(22,975)
2014	123,816

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

Schedule of Benefit Payments by Type
Annual Allowances Scheduled to be Paid in Ensuing Fiscal Year
($ in Thousands)

General

As of June 30	Service Retired Members	Contingent Annuitants	Disabled Annuitants	Total
2021	$ 46,093	$ 3,540	$ 2,636	$ 52,269
2020	45,553	3,244	2,699	51,496
2019	44,336	3,048	2,514	49,898
2018	42,210	3,006	2,632	47,848
2017	40,489	2,834	2,612	45,935
2016	38,726	2,746	2,711	44,183
2015	37,388	2,716	2,737	42,841
2014	36,643	2,651	2,788	42,082

Firefighters and Police

As of June 30	Service Retired Members	Contingent Annuitants	Disabled Annuitants	Total
2021	$ 36,753	$ 3,355	$ 3,292	$ 43,400
2020	35,488	2,840	3,577	41,905
2019	34,315	2,660	3,187	40,162
2018	32,359	2,636	3,540	38,535
2017	31,743	2,206	3,167	37,116
2016	31,308	2,127	3,256	36,691
2015	30,606	2,106	2,999	35,711
2014	30,346	1,944	2,949	35,239

Total

As of June 30	Service Retired Members	Contingent Annuitants	Disabled Annuitants	Total*
2021	$ 82,846	$ 6,895	$ 5,928	$ 95,669
2020	81,041	6,084	6,276	93,401
2019	78,651	5,708	5,701	90,060
2018	74,569	5,642	6,172	86,383
2017	72,232	5,040	5,779	83,051
2016	70,034	4,873	5,967	80,874
2015	67,994	4,822	5,736	78,552
2014	66,989	4,595	5,737	77,321

*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, 2021

General

Amount of Monthly Benefit	Number of Retirees	Type of Retirement[1]									Option Selected[2]			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred[3]	1,092													
$1-$300	279	127	4	0	53	5	1	69	18	2	99	2	119	0
$301-$600	488	207	4	0	96	32	0	103	43	3	183	2	199	1
$601-$900	364	100	3	1	73	27	2	104	52	2	121	1	163	0
$901-$1,200	321	49	2	1	58	23	7	117	62	2	108	6	143	1
$1,201-$1,500	277	33	3	0	31	8	16	118	67	1	99	1	142	0
$1,501-$1,800	221	10	1	1	8	12	13	105	70	1	102	2	106	0
$1,801-$2,100	212	6	0	0	8	7	7	141	43	0	87	0	117	0
$2,101-$2,400	154	4	1	0	6	2	2	108	31	0	63	1	83	0
$2,401-$2,700	157	2	0	0	3	3	1	129	19	0	60	1	93	0
$2,701-$3,000	116	1	0	0	1	2	2	100	10	0	52	0	63	0
Over $3,000	323	3	0	0	2	2	3	298	15	0	111	0	210	0
Totals	4,004	542	18	3	339	123	54	1,392	430	11	1,085	16	1,438	2

Firefighters and Police

Amount of Monthly Benefit	Number of Retirees	Type of Retirement[1]									Option Selected[2]			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred[3]	394													
$1-$300	14	5	0	0	6	0	0	2	1	0	3	0	5	0
$301-$600	98	44	1	2	35	4	2	3	2	5	26	0	29	0
$601-$900	79	21	0	0	29	4	2	4	7	12	9	0	29	0
$901-$1,200	68	12	2	2	27	6	4	4	7	4	9	1	23	0
$1,201-$1,500	77	5	1	6	26	9	5	11	9	5	8	0	31	0
$1,501-$1,800	64	5	2	5	19	3	9	11	7	3	11	0	24	0
$1,801-$2,100	73	1	2	0	12	4	6	29	18	1	16	0	42	0
$2,101-$2,400	82	4	0	0	6	2	16	40	14	0	18	1	57	0
$2,401-$2,700	92	0	0	1	2	2	10	61	16	0	23	1	65	0
$2,701-$3,000	112	1	0	0	2	0	16	79	14	0	33	1	76	0
Over $3,000	601	1	0	0	5	1	22	546	26	0	153	1	442	0
Totals	1,754	99	8	16	169	35	92	790	121	30	309	5	823	0

Total

Amount of Monthly Benefit	Number of Retirees	Type of Retirement[1]									Option Selected[2]			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred[3]	1,486													
$1-$300	293	132	4	0	59	5	1	71	19	2	102	2	124	0
$301-$600	586	251	5	2	131	36	2	106	45	8	209	2	228	1
$601-$900	443	121	3	1	102	31	4	108	59	14	130	1	192	0
$901-$1,200	389	61	4	3	85	29	11	121	69	6	117	7	166	1
$1,201-$1,500	354	38	4	6	57	17	21	129	76	6	107	1	173	0
$1,501-$1,800	285	15	3	6	27	15	22	116	77	4	113	2	130	0
$1,801-$2,100	285	7	2	0	20	11	13	170	61	1	103	0	159	0
$2,101-$2,400	236	8	1	0	12	4	18	148	45	0	81	2	140	0
$2,401-$2,700	249	2	0	1	5	5	11	190	35	0	83	2	158	0
$2,701-$3,000	228	2	0	0	3	2	18	179	24	0	85	1	139	0
Over $3,000	924	4	0	0	7	3	25	844	41	0	264	1	652	0
Totals	5,758	641	26	19	508	158	146	2,182	551	41	1,394	21	2,261	2

[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 46 participants currently in DROP and 13 vested participants on Leave of Absence.

Schedule of Retired Members by Type of Benefit as of June 30, 2021

General

Amount of Monthly Benefit	Number of Retirees	Type of Retirement: Service Retired Members	Type of Retirement: Contingent Annuitants	Type of Retirement: Disabled Annuitants	Option Selected*: 1	Option Selected*: 2	Option Selected*: 3	Option Selected*: 4
Deferred**	1,092							
$1-$300	279	215	59	5	99	2	119	0
$301-$600	488	353	103	32	183	2	199	1
$601-$900	364	256	79	29	121	1	163	0
$901-$1,200	321	228	63	30	108	6	143	1
$1,201-$1,500	277	218	35	24	99	1	142	0
$1,501-$1,800	221	185	11	25	102	2	106	0
$1,801-$2,100	212	190	8	14	87	0	117	0
$2,101-$2,400	154	143	7	4	63	1	83	0
$2,401-$2,700	157	150	3	4	60	1	93	0
$2,701-$3,000	116	111	1	4	52	0	63	0
Over $3,000	323	316	2	5	111	0	210	0
Totals	4,004	2,365	371	176	1,085	16	1,438	2

Firefighters and Police

Amount of Monthly Benefit	Number of Retirees	Type of Retirement: Service Retired Members	Type of Retirement: Contingent Annuitants	Type of Retirement: Disabled Annuitants	Option Selected*: 1	Option Selected*: 2	Option Selected*: 3	Option Selected*: 4
Deferred**	394							
$1-$300	14	8	6	0	3	0	5	0
$301-$600	98	49	43	6	26	0	29	0
$601-$900	79	32	41	6	9	0	29	0
$901-$1,200	68	23	35	10	9	1	23	0
$1,201-$1,500	77	25	38	14	8	0	31	0
$1,501-$1,800	64	23	29	12	11	0	24	0
$1,801-$2,100	73	48	15	10	16	0	42	0
$2,101-$2,400	82	58	6	18	18	1	57	0
$2,401-$2,700	92	77	3	12	23	1	65	0
$2,701-$3,000	112	94	2	16	33	1	76	0
Over $3,000	601	573	5	23	153	1	442	0
Totals	1,754	1,010	223	127	309	5	823	0

Total

Amount of Monthly Benefit	Number of Retirees	Type of Retirement: Service Retired Members	Type of Retirement: Contingent Annuitants	Type of Retirement: Disabled Annuitants	Option Selected*: 1	Option Selected*: 2	Option Selected*: 3	Option Selected*: 4
Deferred**	1,486							
$1-$300	293	223	65	5	102	2	124	0
$301-$600	586	402	146	38	209	2	228	1
$601-$900	443	288	120	35	130	1	192	0
$901-$1,200	389	251	98	40	117	7	166	1
$1,201-$1,500	354	243	73	38	107	1	173	0
$1,501-$1,800	285	208	40	37	113	2	130	0
$1,801-$2,100	285	238	23	24	103	0	159	0
$2,101-$2,400	236	201	13	22	81	2	140	0
$2,401-$2,700	249	227	6	16	83	2	158	0
$2,701-$3,000	228	205	3	20	85	1	139	0
Over $3,000	924	889	7	28	264	1	652	0
Totals	5,758	3,375	594	303	1,394	21	2,261	2

[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 46 participants currently in DROP and 13 vested participants on Leave of Absence.

Schedule of Average Benefit Payments
(Excludes Beneficiaries)

General

Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+
	Years of Credited Service						
July 1, 2014 to June 30, 2015							
Average Monthly Benefit	$139	$391	$562	$1,225	$1,969	$2,107	$2,818
Average - Average Final Compensation	$61,708	$30,156	$31,837	$46,143	$58,217	$53,216	$52,277
Number of Active Retirees	5	15	21	18	9	11	14
July 1, 2015 to June 30, 2016							
Average Monthly Benefit	$935	$447	$751	$1,085	$2,195	$2,281	$2,868
Average - Average Final Compensation	$38,208	$32,470	$34,768	$38,054	$63,423	$59,285	$54,086
Number of Active Retirees	5	17	22	20	13	10	24
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$270	$656	$591	$1,062	$1,463	$2,088	$3,070
Average - Average Final Compensation	$43,399	$58,727	$33,760	$38,242	$46,424	$53,418	$58,359
Number of Active Retirees	3	13	25	17	9	11	38
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$559	$396	$831	$1,133	$1,597	$2,234	$2,787
Average - Average Final Compensation	$17,651	$30,471	$39,223	$31,718	$52,172	$56,091	$48,896
Number of Active Retirees	3	17	18	16	6	9	33
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$36	$558	$787	$929	$1,849	$2,236	$3,509
Average - Average Final Compensation	$14,108	$60,182	$42,143	$36,998	$57,821	$56,339	$66,854
Number of Active Retirees	1	20	25	14	22	12	40
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$221	$520	$723	$1,063	$1,815	$1,979	$3,370
Average - Average Final Compensation	$48,699	$50,763	$36,909	$42,728	$56,313	$49,232	$67,004
Number of Active Retirees	3	35	23	26	25	9	34
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$259	$705	$791	$1,063	$1,643	$1,951	$2,904
Average - Average Final Compensation	$0	$14,459	$10,789	$3,313	$17,465	$14,073	$11,768
Number of Active Retirees	3	26	23	22	15	6	39

Schedule of Average Benefit Payments
(Excludes Beneficiaries)

Firefighters and Police

Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 2014 to June 30, 2015							
Average Monthly Benefit	$0	$388	$919	$2,299	$2,424	$3,293	$3,731
Average - Average Final Compensation	$0	$33,444	$40,606	$55,161	$56,468	$61,753	$70,425
Number of Active Retirees	0	1	5	2	9	33	32
July 1, 2015 to June 30, 2016							
Average Monthly Benefit	$0	$1,452	$1,386	$1,585	$2,380	$3,538	$3,861
Average - Average Final Compensation	$0	$24,525	$42,807	$50,251	$58,583	$65,253	$76,147
Number of Active Retirees	0	5	5	4	8	20	9
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$0	$449	$933	$833	$2,247	$4,034	$3,843
Average - Average Final Compensation	$0	$34,298	$39,850	$25,000	$61,041	$73,441	$72,975
Number of Active Retirees	0	2	4	1	5	8	12
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$0	$504	$1,522	$1,503	$2,935	$4,440	$3,984
Average - Average Final Compensation	$0	$40,922	$43,357	$45,437	$40,554	$81,317	$70,961
Number of Active Retirees	0	1	6	3	6	2	2
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$0	$534	$870	$1,921	$2,928	$3,858	$5,279
Average - Average Final Compensation	$0	$39,414	$39,061	$53,009	$62,537	$70,861	$96,593
Number of Active Retirees	0	2	5	5	9	8	1
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$0	$426	$1,271	$1,932	$3,410	$3,817	$0
Average - Average Final Compensation	$0	$39,280	$43,066	$56,148	$69,926	$72,764	$0
Number of Active Retirees	0	3	5	3	13	8	0
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$0	$501	$10,002	$2,721	$3,296	$3,872	$4,529
Average - Average Final Compensation	$0	$29,819	$22,807	$0	$13,822	$17,903	$14,227
Number of Active Retirees	0	5	4	2	14	11	4

Schedule of Average Benefit Payments
(Excludes Beneficiaries)

Total

Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 2014 to June 30, 2015							
Average Monthly Benefit	$139	$391	$631	$1,332	$2,196	$2,996	$3,453
Average - Average Final Compensation	$61,708	$30,362	$33,524	$47,045	$57,342	$59,619	$64,902
Number of Active Retirees	5	16	26	20	18	44	46
July 1, 2015 to June 30, 2016							
Average Monthly Benefit	$935	$676	$868	$1,168	$2,266	$3,119	$3,139
Average - Average Final Compensation	$38,208	$30,664	$36,257	$40,087	$61,579	$63,264	$60,103
Number of Active Retirees	5	22	27	24	21	30	33
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$270	$628	$639	$1,049	$1,743	$2,908	$3,256
Average - Average Final Compensation	$43,399	$55,470	$34,600	$37,507	$51,645	$61,849	$61,867
Number of Active Retirees	3	15	29	18	14	19	50
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$559	$402	$1,004	$1,192	$2,266	$2,636	$2,856
Average - Average Final Compensation	$17,651	$31,052	$40,257	$33,884	$46,363	$60,677	$50,157
Number of Active Retirees	3	18	24	19	12	11	35
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$36	$556	$801	$1,190	$2,162	$2,885	$3,552
Average - Average Final Compensation	$14,108	$58,294	$41,629	$41,212	$59,190	$62,148	$67,579
Number of Active Retirees	1	22	30	19	31	20	41
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$221	$512	$821	$1,153	$2,360	$2,844	$3,370
Average - Average Final Compensation	$48,699	$49,856	$38,009	$44,116	$60,970	$60,306	$67,004
Number of Active Retirees	3	38	28	29	38	17	34
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$259	$672	$2,156	$1,201	$2,441	$3,194	$3,055
Average - Average Final Compensation	$0	$16,936	$12,569	$3,037	$15,706	$16,551	$11,997
Number of Active Retirees	3	31	27	24	29	17	43

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Compliance Section

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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), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 13, 2021.

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 may exist that have not been identified.

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

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
December 13, 2021