City of Norfolk City Council

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Classic Values, Innovative Advice

The Norfolk Employees' Retirement System

January 11, 2022

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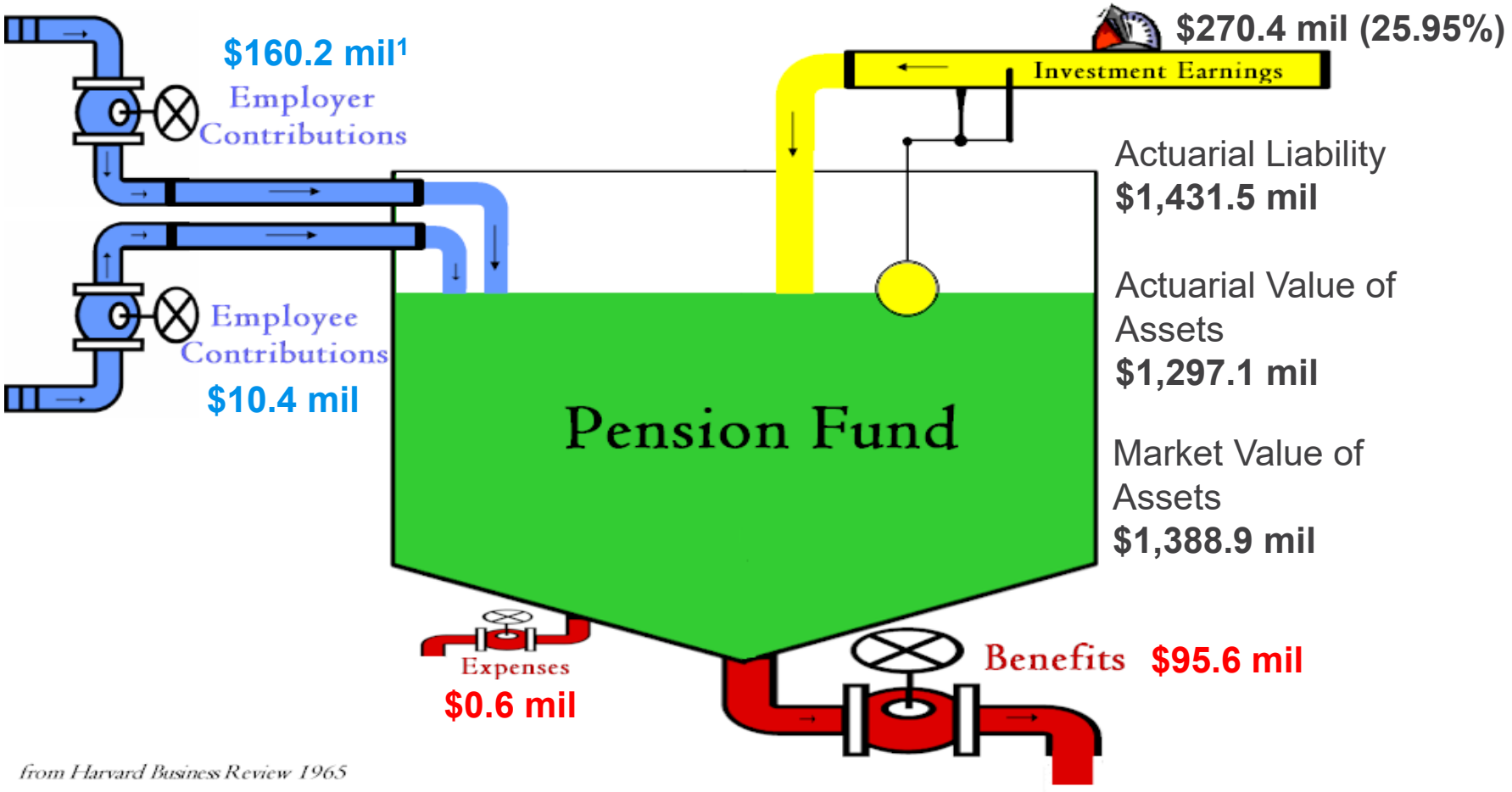
Today's Discussion

- Overview of System
- Historical Review
- Projected Funding
- Experience Study

NERS Defined Benefit Plan

	General	Public Safety
Accrual Rate	1.75% of Average Final Compensation per year of service (max 35 years)	2.50% of Average Final Compensation per year of service (max 26 years)
Average Final Compensation	Hired before July 1, 2018: Highest 3 years Hired after July 1, 2018: Highest 5 years	Hired before July 1, 2018: Highest 3 years Hired after July 1, 2018: Highest 5 years
Unreduced Benefit Eligibility	Hired before July 1, 2018: Age 60 or 30 years of service Hired after July 1, 2018: SSNRA or Rule of 90	Hired before July 1, 2018: Age 55 or 25 years of service Hired after July 1, 2018: Age 60 or Age 50 with 25 years of service
Reduced Benefit Eligibility	Age 55 or 25 years of service	Age 50 or 20 years of service
COLAs	Ad hoc only	Ad hoc only
Member Contributions	5% of pay	5% of pay
Pay FICA Tax?	Yes	No

Pension Fund Dynamics

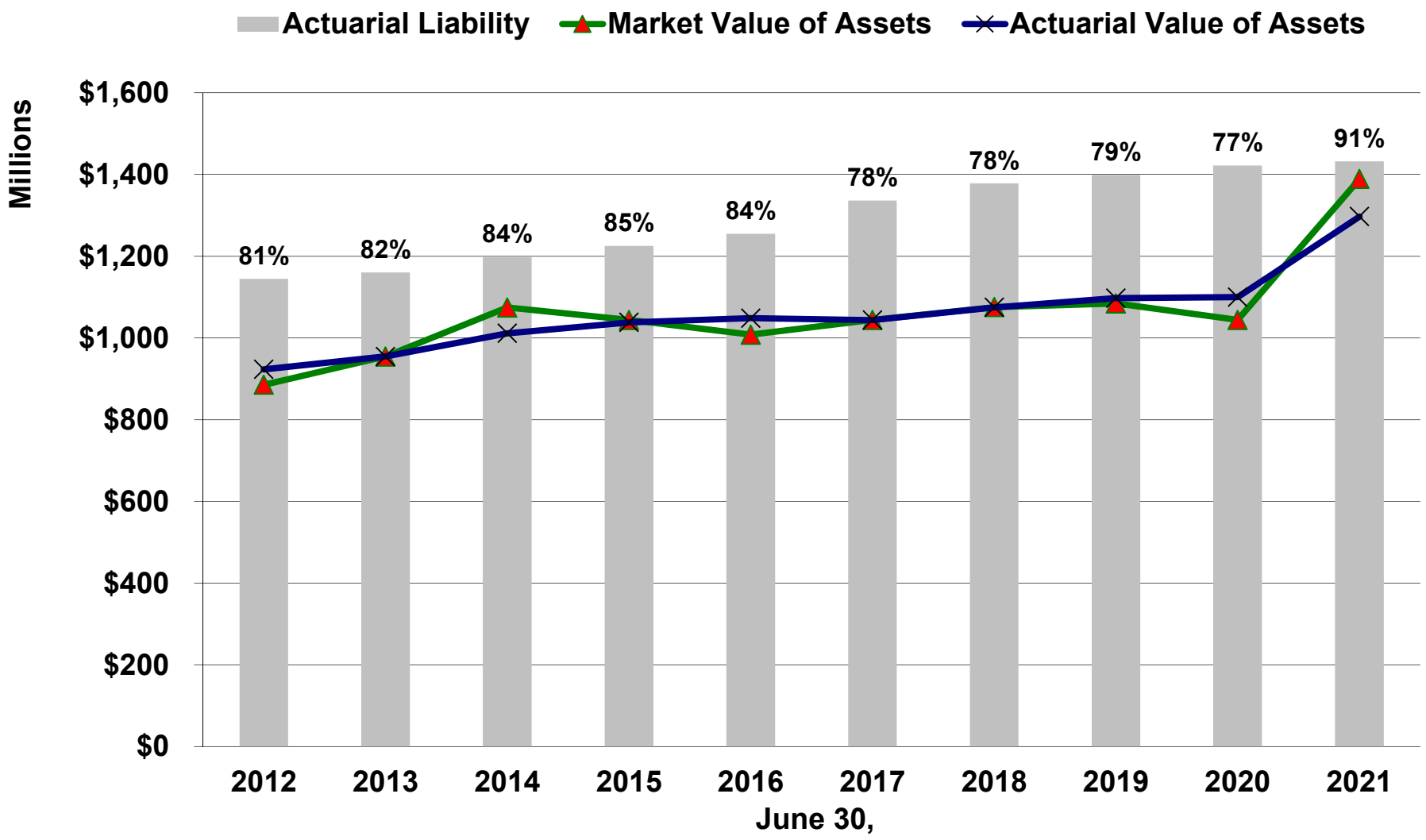


[1] Includes $119.6 million from Pension Obligation Bonds.

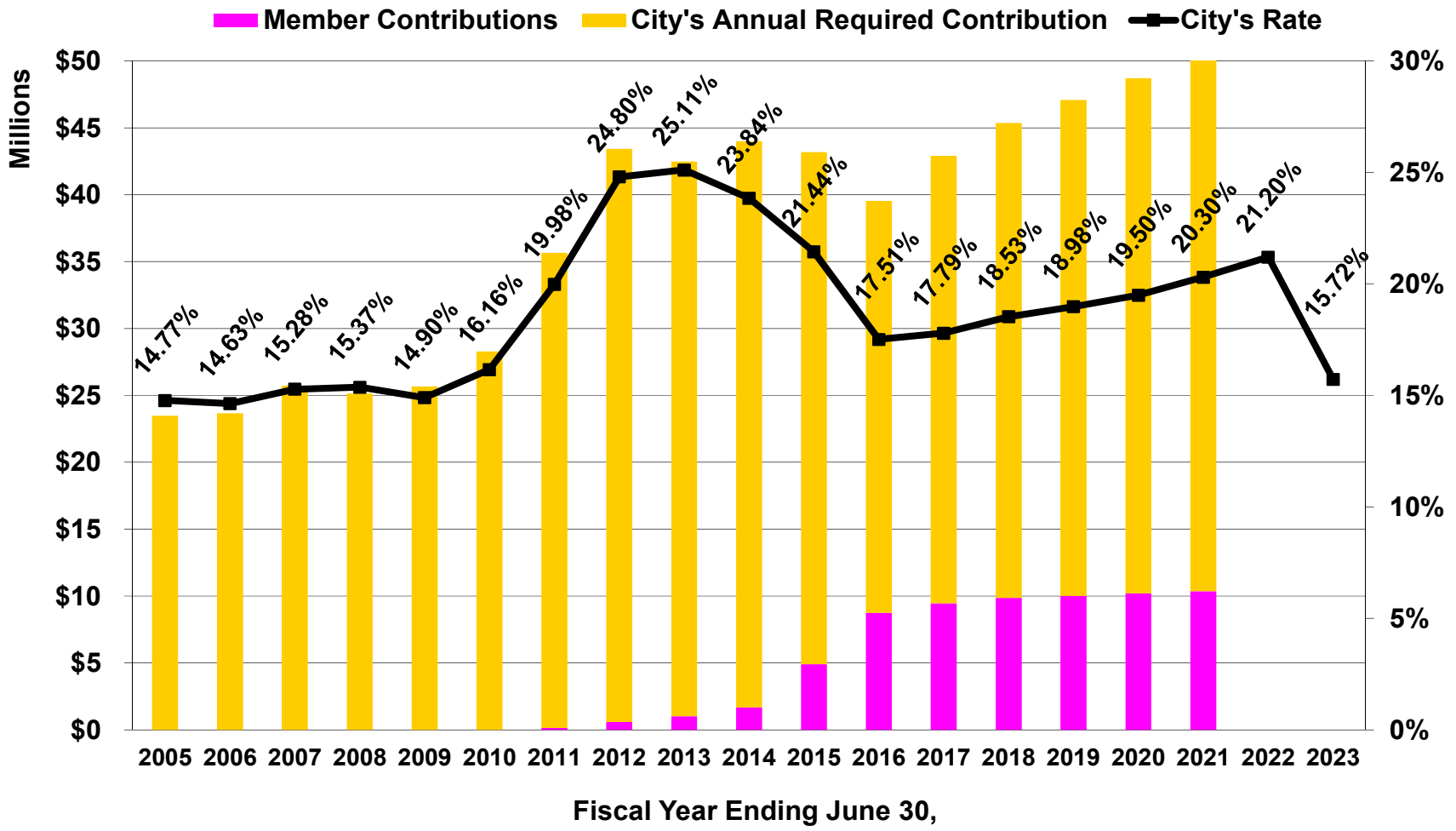
Highlights

- 25.95% return on Market Value of Assets
- $119.6 million in Pension Obligation Bonds contributed to Plan
- Funded ratio increased from 77% to 91%
  - Prior to reflecting actual investment return and POB, funded ratio was projected to remain at 77%
- City contribution rate decreased from 21.20% to 15.72% of payroll
- NERS closed to new hires effective January 1, 2022

Historical Funding



Historical Funding



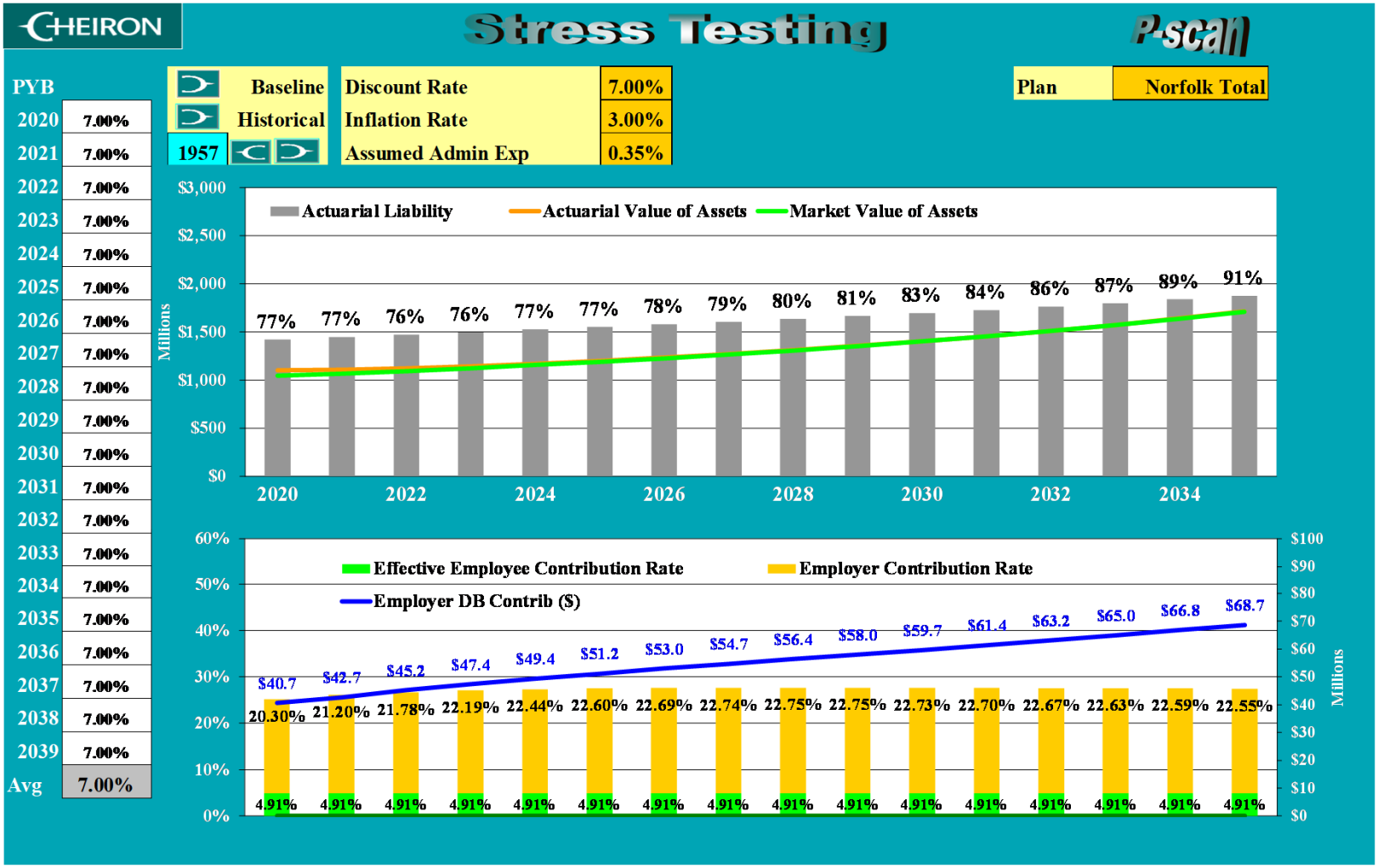
Valuation Results

Valuation Result ($ in millions)	June 30, 2020	June 30, 2021
Actuarial Liability	$1,421.0	$1,431.5
Actuarial Value of Assets (AVA)	$1,100.0	$1,297.1
Unfunded Actuarial Liability	$ 321.0	$ 134.4
AVA Funded Ratio	77.4%	90.6%
Market Value of Assets (MVA)	$1,044.1	$1,388.9
MVA Funded Ratio	73.5%	97.0%

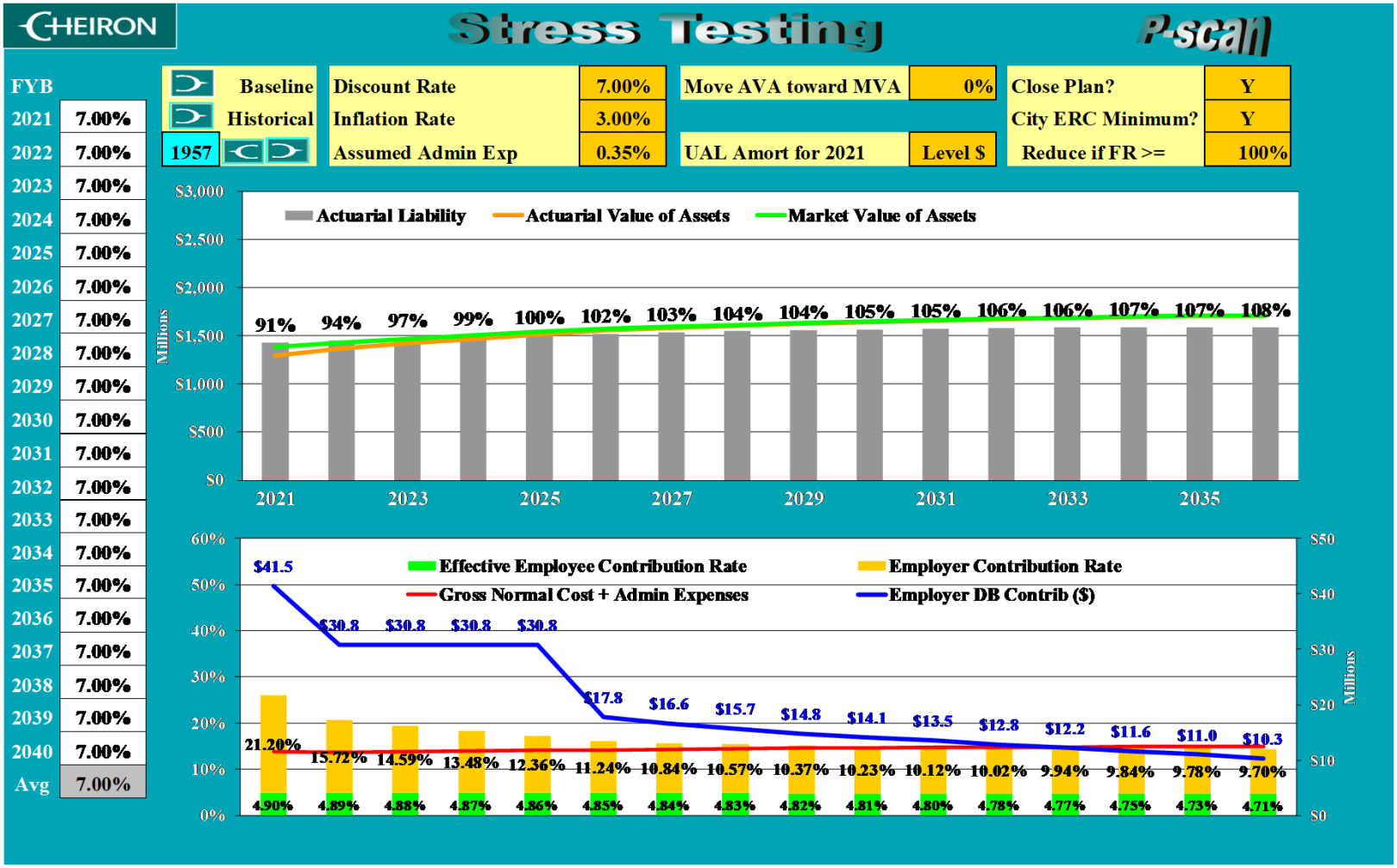
City Contribution Rate

Normal Cost Rate	8.60%	8.44%
UAL Amortization Rate	12.25%	6.93%
Administrative Expense Rate	0.35%	0.35%
Total Contribution Rate	21.20%	15.72%

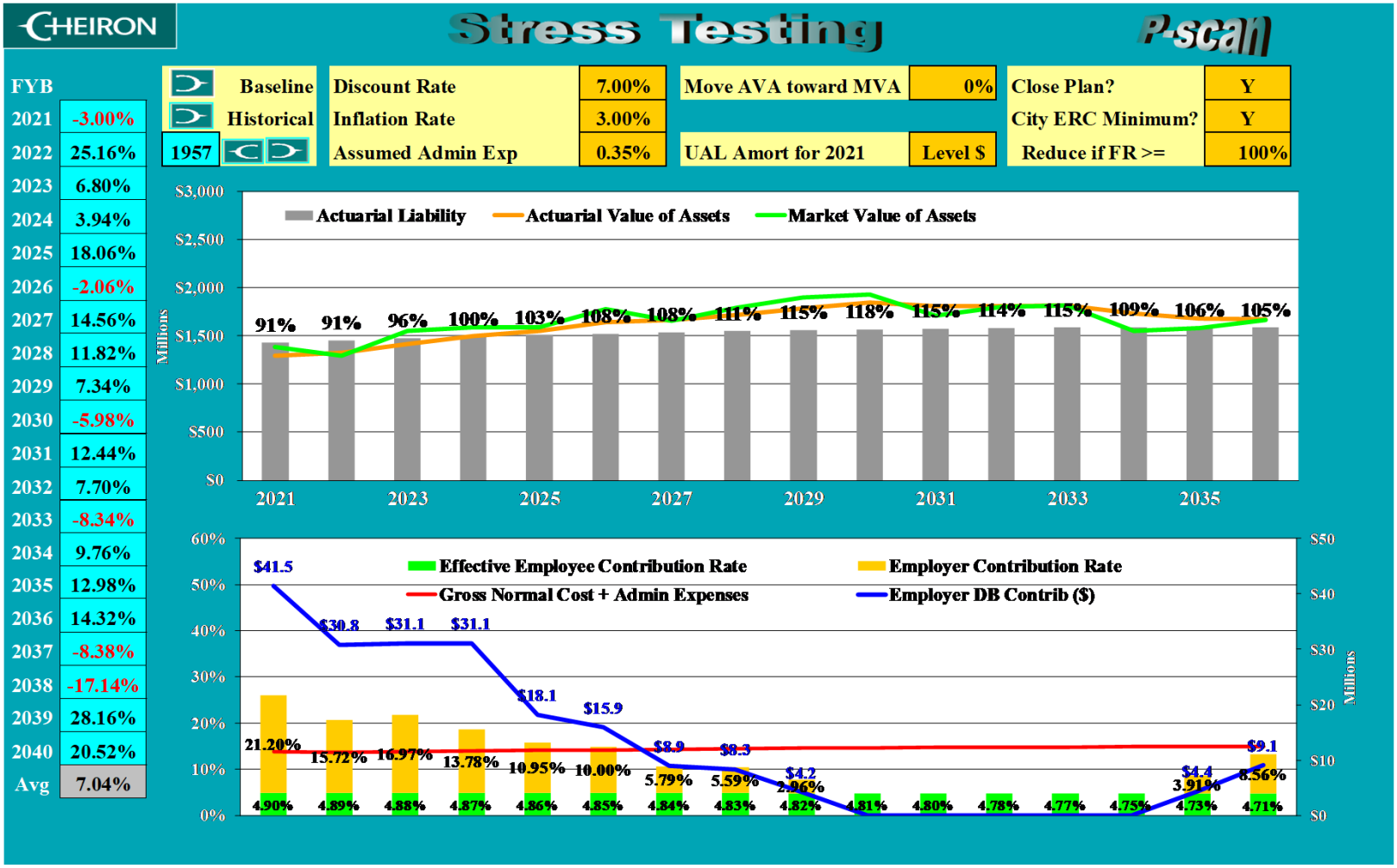
Before Reflecting June 30, 2021 Experience



After Reflecting June 30, 2021 Experience



Projected Funding: Volatile Returns



Assumptions & Methods/Reliance

The purpose of this presentation is to present the June 30, 2021 actuarial valuation results to the City of Norfolk Employees Retirement System Board of Trustees. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any such other users.

The assumptions reflect our understanding of the likely future experience of the Plan and the assumptions taken individually represent our best estimate for the future experience of the Plan. The results of this presentation are dependent upon future experience conforming to these assumptions. Future valuation reports may differ significantly from the current results presented in this report 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. For complete details on the assumptions and methods, refer to the final June 30, 2021 actuarial valuation report.

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

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We set parameters in the software to read the census data, to calculate benefits according to the Plan's provisions, and to apply actuarial assumptions. We review test cases to ensure these parameters are applied correctly, but otherwise, we rely the software to provide accurate results for the Plan. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have an 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 valuation.

This presentation 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. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in herein. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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