THE CITY OF NORFOLK®

NORFOLK EMPLOYEES' RETIREMENT SYSTEM

A Pension Trust Fund of the City of Norfolk, VA

Annual Comprehensive Financial Report

2023

Fiscal Year Ended June 30, 2023

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Annual Comprehensive Financial Report

FISCAL YEAR ENDED JUNE 30, 2023

PREPARED BY:
NORFOLK EMPLOYEES' RETIREMENT SYSTEM
A PENSION TRUST FUND OF THE CITY OF NORFOLK

Penny DeLosh
Executive Director of Retirement

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Introductory Section

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December 8, 2023

Letter of Transmittal

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

Dear Members and Board of Trustees:

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 NERS, the System or the Plan) for Fiscal Year ended June 30, 2023. The System is a Pension Trust Fund included in the financial statements of the City of Norfolk, Virginia.

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.

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, and employees hired or rehired on or after January 1, 2022, who are covered by the Virginia Retirement System. The City of Norfolk, a political subdivision of the Commonwealth of Virginia, acting through the Council of the City of Norfolk elected to join the Virginia Retirement System (VRS) and provide VRS retirement benefits for its eligible employees effective January 1, 2022. The System was closed to new membership effective January 1, 2022. 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, 2023 (see page 23).

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 disability pensions and death benefits. Most benefits vest after five (5) years of creditable service effective January 1, 1997. Ad hoc cost-of-living adjustments or one-time supplements 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 are required to have mandatory employee contributions withheld from their pay as a deduction of 5 percent (5.0%) of their earnable compensation. 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 interest, shall be refunded. Interest was accrued at the rate of 0.39 percent during the Fiscal Year ended June 30, 2023.

The Retirement Office staff provides in-person and virtual counseling to all benefit applicants and to others upon request. Additionally, the Retirement Office staff provides estimated retirement benefit statements annually to actively employed NERS members, as well as facilitating an extensive educational outreach program. All forms and retirement planning information are available in the Retirement Office, 810 Union Street, Suite 309, Norfolk, Virginia 23510, in addition to email via retirement@norfolk.gov or via the City of Norfolk retirement website at www.norfolk.gov/retirement.

Accounting System and Internal Control

Financial statements included in this report are the responsibility of the System staff and have been prepared in accordance with the GAAP. The Fiscal Year 2023 financial statements have been audited by CliftonLarsonAllen LLP (CLA) in conjunction with the City'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 System. 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. Continuing efforts are made toward improving the internal controls to provide reasonable assurance that assets are safeguarded, financial records are fairly and accurately maintained, and that the governing statute and policies are correctly followed 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, 2023. Information from this report is included in the Actuarial Section. See page 80 for the Schedule of Funding Progress over the last ten (10) fiscal years.

This report illustrates the City's commitment to provide a financially sound retirement plan for its employees. "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, 2023, the System's actuarial funded ratio was 84.5 percent, an increase from 84.2 percent as of June 30, 2022. This funded ratio does not include any market movements since June 30, 2023. The System's next planned valuation will reflect market conditions through June 30, 2024. The financial markets performed better than expected during the fiscal year ended June 30, 2023. The actual return on a market value basis was approximately 8.64%. However, the System experienced a loss on the actuarial value of assets due to continued recognition of net investment losses from prior years. On an actuarial value basis, the assets returned 5.09 percent compared with an assumed rate of return of 6.75 percent. The liabilities of the System decreased by $14.1 million, primarily due to salaries increasing more than assumed.

General Obligation Bonds for the Benefit of NERS

The City utilized the proceeds of taxable General Obligation Bonds (the Bonds) and other funds to immediately increase the System's funding ratio through a direct contribution of $119.6 million and to create an irrevocable trust (the Section 115 Pension Trust Fund) providing the City long-term budgetary flexibility with respect to its current and future required contributions to the already healthy System.

The City of Norfolk began making separate contributions to the System from the Section 115 Pension Trust Fund that was previously established upon the bond issuance in June 2021. The first $8.7 million contribution was made from the Section 115 Pension Trust Fund effective Fiscal Year ended 2023 (July 2022), and is projected to continue at approximately $8.7 million annually until the Section 115 Pension Trust Fund assets are depleted. As of June 30, 2023, the Section 115 Pension Trust Fund held $73.97 million in assets. Had this entire amount been contributed on June 30, 2023, and recognized as part of the System's assets, the System's funded ratio would be 89.3 percent on an actuarial value basis compared to 84.5 percent.

Investment Program

The Board of Trustees (the Board or Trustees) for the Employees' Retirement System formally amended and adopted a written Statement of Investment Policy on November 2, 2022, that includes the guidelines and objectives for the investments of the System. The Investment Policy is reviewed annually, and changes are made as warranted. The System has an asset allocation target of 52 percent Global Equities; 5 percent Private Equity; 4 percent High Yield Bonds and Bank Loans; 8 percent Real Estate; 5 percent Natural Resources and Infrastructure; 3 percent Gold; 5 percent Short-Term TIPS; 14 percent Investment Grade Fixed Income and 4 percent Hedge Funds.

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.

The 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.

In fall 2022, the Trustees adopted a new diversified asset allocation policy with a more actively managed roster. The independent Outsourced Chief Investment Officer (OCIO) monitors, evaluates and reports the performance of the investment managers and the aggregated total plan investment portfolio to the Board on a monthly basis.

Professionals

The consultants and professionals who are contracted by the Board to perform services that are essential to the effective and efficient operation of the System are listed on page 11. An independent audit was conducted by CliftonLarsonAllen LLP, and a copy of their Independent Auditors' report on the financial statements is found on pages 19 through 22.

A certification letter from the actuary, Cheiron, is also included as part of this Annual Comprehensive Financial Report (ACFR) on pages 67 through 70. The System's policy is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. State Street Bank and Trust is the System's custodian.

Closure of NERS

The City of Norfolk, a political subdivision of the Commonwealth of Virginia, acting through the Council of the City of Norfolk elected to join the VRS and become a VRS covered employer for its eligible employees effective January 1, 2022. The NERS closed to new membership effective January 1, 2022.

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 ACFR for the Fiscal Year ended June 30, 2022. This was the eighteenth consecutive year that the System has achieved this prestigious award.

In addition to the ACFR, GFOA awarded the System the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the year ended June 30, 2022. This was the third consecutive year the System has achieved this award.

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

The GFOA requires an entity must publish an efficiently organized ACFR providing full disclosure and transparency. The System believes this report continues to meet the requirements and 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 Director of Finance, serving 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

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

Consultants and Professionals

Legal Advisor

Bernard A. Pishko, City Attorney
Andrew R. Fox, Deputy City Attorney

Medical Examiners

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

Actuary

Cheiron
McLean, VA

Custodian

State Street Bank and Trust
Kansas City, MO

OCIO

Meketa Investment Group, Inc.
Boston, MA

Independent Auditor

CLA (CliftonLarsonAllen LLP)
Arlington, VA

Investment Managers

See pages 58 and 64 of the Investment Section for Manager Assignments and a Schedule of Broker Fees and Commissions

Global Equity

State Street Global Advisors
Boston, MA

First Eagle Investment Management
New York, NY

Kopernik Global Investors
Tampa, FL

ABS Global Investments
Greenwich, CT

Artisan Partners
New York, NY

Real Estate

J.P. Morgan Chase Bank
New York, NY

UBS Trumbull
Hartford, CT

Investment Grade Fixed Income

State Street Global Advisors
Boston, MA

Pacific Investment Management Company
Newport Beach, CA

Wellington Management
Boston, MA

Brandywine Global Investment Management
Philadelphia, PA

Brigade Capital Management
New York, NY

The Vanguard Group
Malvern, PA

Natural Resources & Infrastructure and Gold

State Street Global Advisors
Boston, MA

First Eagle Investment Management
New York, NY

Hedge Funds

36 South Capital Advisors
London, UK

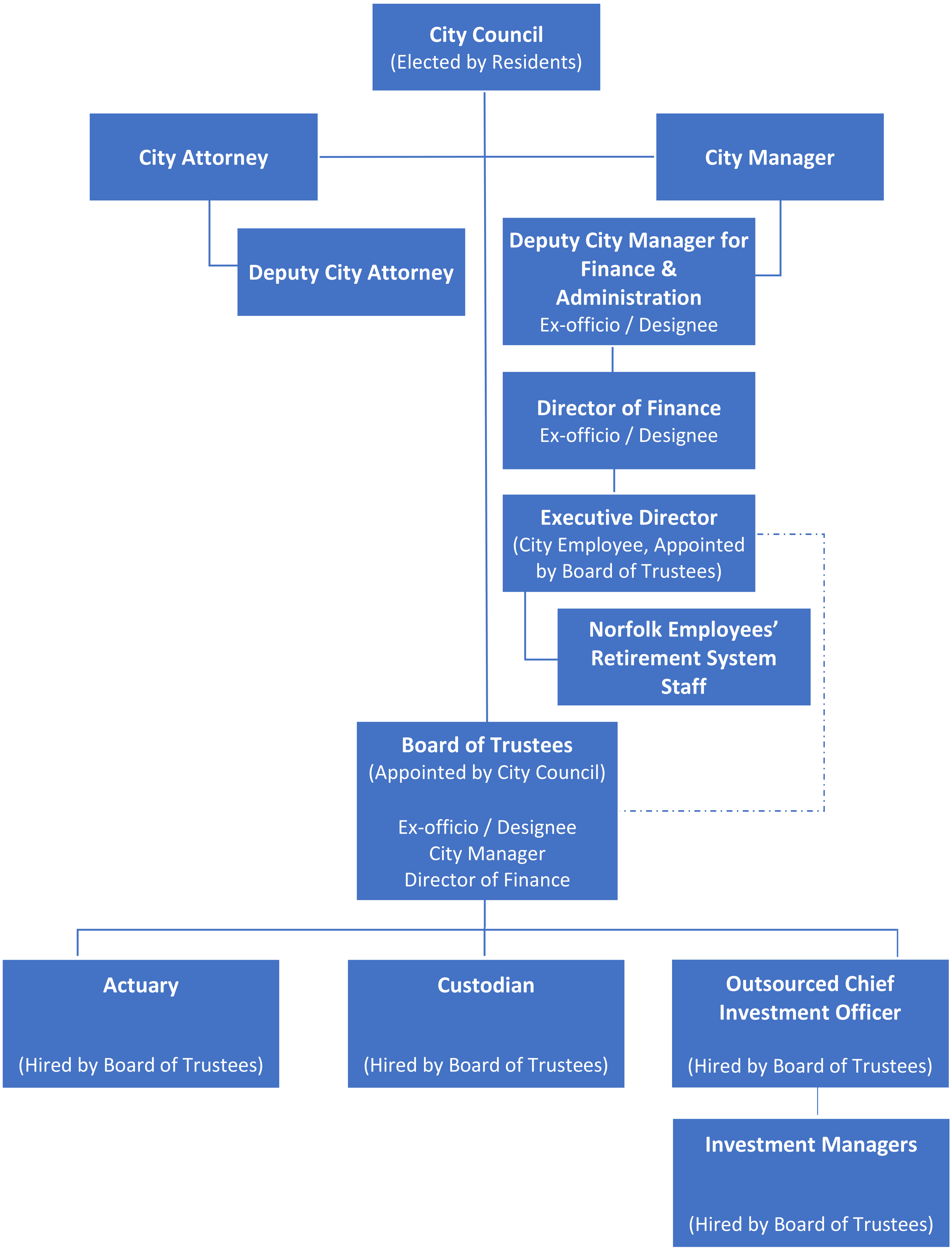
BH-DG Systematic Trading
London, UK

Sculptor Capital Management
New York, NY

Alpstone Capital (Suisse) SA
Geneva, Switzerland

Lombard Odier Asset Management
New York, NY

Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System of the City of Norfolk Virginia

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Employees' Retirement System of the City of Norfolk Virginia

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Executive Director/CEO

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Financial Section

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer's net pension liability and related ratios, employer's contributions, and investment returns and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, 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
November 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the financial performance of the System provides an overview and comparison of financial activities for the Fiscal Years ended June 30, 2023, and 2022. 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 2023 and 2022 by $1.245 billion and $1.203 billion, respectively (reported as Plan Net Position Restricted for Pensions). Total Plan assets are held in trust to meet future benefit obligations.

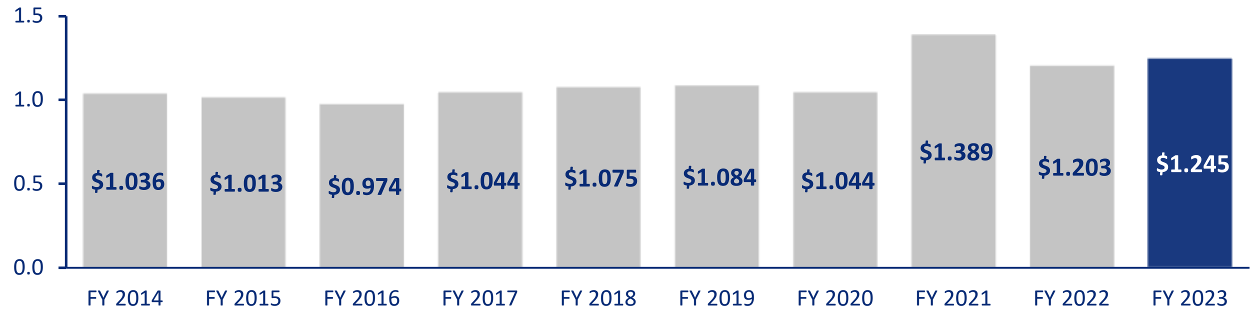
- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The actuarial value net position as a percentage of the total pension liability was 84.5 percent and 84.2 percent, for June 30, 2023, and June 30, 2022, respectively. The fair value net position as a percentage of the total pension liability was 81.3 percent and 78.4 percent, for Fiscal Year 2023, and Fiscal Year 2022, respectively.

- The City of Norfolk began making separate contributions to the System from the Section 115 Pension Trust Fund established in June 2021. The first $8.7 million contribution was made from the Section 115 Pension Trust Fund effective Fiscal Year ended 2023 (July 2022) and is projected to continue at approximately $8.7 million annually until the Section 115 Pension Trust Fund assets are depleted. As of June 30, 2023, the Section 115 Pension Trust Fund held $73.97 million in assets. Had this entire amount been contributed on June 30, 2023, and recognized as part of the System's assets, the System's funded ratio (actuarial value of assets over actuarial value of liabilities) would be 89.3 percent on an actuarial value basis compared to 84.5 percent determined herein.

- Total additions increased over the prior year by $234.55 million to $151.21 million, or approximately 281.5 percent. The increase was primarily due to the investment income increase over the prior year by $237.71 million to $102.98 million, or approximately 176.4 percent.

- Total deductions increased over the prior year by $6.09 million to $108.97 million or approximately 5.9 percent. The increase primarily reflects a rise over the prior year in the refunds of contributions by $1.49 million to $4.41 million or approximately 50.8 percent due to non-vested NERS members who made a one-time election to leave the System and transition to the VRS.

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



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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Employees' Retirement System of the City of Norfolk
Summary of Plan Fiduciary Net Position
For the Fiscal Years Ended June 30, 2023, and 2022

	FY 2023 In '000s	FY 2022 In '000s	Percentage Change
ASSETS			
Cash and cash equivalents	$ 4,369	$ 38,824	-88.7%
Receivables	587	61,123	-99.0%
Investments	1,245,205	1,213,924	2.6%
Total Assets	**1,250,161**	**1,313,871**	**-4.8%**
LIABILITIES			
Accounts payable and accrued expenses	5,251	3,927	33.7%
Due to brokers for securities purchased	-	107,281	-100.0%
Total Liabilities	**5,251**	**111,208**	**-95.3%**
Plan Net Position Restricted for Pensions	**$ 1,244,910**	**$ 1,202,663**	**3.5%**

ANALYSIS OF FINANCIAL ACTIVITIES

Total assets as of June 30, 2023, and 2022, were $1.25 billion and $1.31 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. Total assets decreased by $63.71 million or 4.8 percent for Fiscal Year 2023, as a result of decrease in the cash and receivables.

Total liabilities as of June 30, 2023, and 2022, were $5.25 million and $111.21 million, respectively, and were comprised of accounts payable and accrued expenses, and payables to brokers for securities purchased. Total liabilities decreased by $105.96 million or 95.3 percent for Fiscal Year 2023, primarily due to no direct costs due to brokers as all investments are in commingled or mutual funds.

System assets exceeded liabilities at the close of Fiscal Years 2023 and 2022 by $1.24 billion and $1.20 billion, respectively. In Fiscal Year 2023, plan net position restricted for pensions increased by $42.25 million or 3.5 percent from the previous year. The increase is due to a significant increase in investment income that more than offsets the increase in deductions and slight decrease in contributions.

Employees' Retirement System of the City of Norfolk
Summary of Changes in Plan Fiduciary Net Position
For the Fiscal Years Ended June 30, 2023, and 2022

	FY 2023 In '000s	FY 2022 In '000s	Percentage Change
ADDITIONS			
Investment Income (Loss), net	$ 102,983	$ (134,727)	176.4%
Employer Contributions*	40,134	41,457	-3.2%
Employee Contributions	7,601	9,364	-18.8%
Other Income	495	572	-13.5%
Total Additions	**151,213**	**(83,334)**	**281.5%**
DEDUCTIONS			
Benefit Payments	103,551	99,100	4.5%
Refunds of Contributions	4,410	2,924	50.8%
Administrative Expenses	1,005	848	18.5%
Total Deductions	**108,966**	**102,872**	**5.9%**
Net Increase/(Decrease)	**42,247**	**(186,206)**	**122.7%**
Plan Net Position Restricted for Pensions			
Beginning of the Year	**1,202,663**	**1,388,869**	
End of the Year	**$ 1,244,910**	**$ 1,202,663**	**3.5%**

**Includes $8.7 million contributions for FY 2023 from the Section 115 Pension Trust Fund.*

ADDITIONS TO PLAN NET POSITION

The funds needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income for Fiscal Years 2023 and 2022 totaled $151.21 million and $(83.33) million, respectively.

Additions increased for Fiscal Year 2023 by $234.55 million from the prior year, due primarily to an increase in investment income. The actual return on a fair value basis was approximately 8.64 percent. On an actuarial value basis, the assets returned 5.09 percent compared with an assumed rate of 6.75 percent.

DEDUCTIONS FROM PLAN NET POSITION

The deductions from plan net position restricted for pensions include pension benefit payments to retirees and beneficiaries, refunds of mandatory contributions to non-vested members that left city employment or NERS membership and non-vested NERS members that voluntarily elected to terminate their NERS membership and become participating members of VRS, in addition to the cost of administering the System. Total deductions for Fiscal Year 2023 were $108.97 million, an increase of 5.9 percent over Fiscal Year 2022 deductions.

Pension benefit payments increased by $4.45 million in Fiscal Year 2023 or 4.5 percent, from the previous fiscal year. The increase in pension benefits payments is attributed to the increase in the number of new retirements resulting from the expansion of the Deferred Retirement Option Program (DROP) to all NERS members. The DROP expansion entitles all eligible NERS members, including public safety and general employees, the ability to retire and continue working as an active employee with a reduced deferred retirement benefit up to sixty consecutive months, without exceeding the mandatory retirement age. See page 78 for details on changes to the beneficiary population. Refunds of Contributions increased by $1.49 million in Fiscal Year 2023 or 50.8 percent, from the previous fiscal year. Administrative expenses for the Fiscal Years ended June 30, 2023, and 2022 were $1.01 million and $848,000, respectively.

RETIREMENT SYSTEM AS A WHOLE

The System's plan net position restricted for pensions as a percentage of the total pension liability, referred to the funded ratio, increased in Fiscal Year 2023 compared to Fiscal Year 2022. The System's funded ratio on an actuarial value of assets over liabilities was 84.5 percent and 84.2 percent as of June 30, 2023 and 2022, respectively.

Effective Fiscal Year beginning 2023, the City of Norfolk began making separate contributions to the System from the Section 115 Pension Trust Fund that was previously established in June 2021. The first $8.7 million contribution was made from the Trust in July 2022 and is projected to continue at $8.7 million annually until the Trust assets are depleted. As of June 30, 2023, the Trust held $73.97 million in assets. Had this entire amount been contributed on June 30, 2023, and recognized as part of System's assets, the System's funded ratios would be 89.3 percent on an actuarial value basis compared to the 84.5 percent that does not include the Section 115 Pension Trust Fund assets.

CURRENT ECONOMIC CONDITION

Fiscal Year 2023 began with positive performance across global markets, especially in the United States (U.S.). Investors' optimism at the time was driven by a decline in inflation measures, as the CPI ticked down from 9.1 percent to 8.5 percent and came in below expectations.[1] This led to longer-dated yields falling as investors reconsidered economic growth prospects and the possibility that yields had reached their peak for this economic cycle. Shorter dated yields rose on near-term monetary policy actions and messaging that policy officials intended to remain aggressive in fighting inflation pressures into calendar year 2023. It was also at the start of July 2022, when an inversion in the U.S. yield curve was seen. The yield spread between two-year and ten-year Treasuries, finished July at -0.23 percent.[1] Inversions in the yield curve have historically signaled building recessionary pressures.

The Federal Reserve raised interest rates by an additional 75 basis points[1] in July 2022, and again by the same amount in September. The European Central Bank also notably started increasing rates, moving off zero percent. They increased rates by 50 basis points in July 2022, followed by a surprise 75 basis point increase in September. Federal Reserve messaging about policy going forward, combined with outsized interest rate hikes due to the slow rate of decline in inflation and a strong labor market resulted in significant equity market declines in both August and September 2022. The September CPI release showed prices that increased 8.2 percent over the trailing twelve months, which was lower than the peak of 9.1 percent[2] but still above the pace of market expectations at the time. The U.S. bond market (Bloomberg Aggregate) declined in the first fiscal quarter (-4.5 percent[1]) as did the U.S. Equity Market (Russell 3000), which returned -3.2 percent at the beginning of the fiscal year through September 2023.

The second quarter of Fiscal Year 2023 started very strong for developed market equities, on returned signs that inflation may be peaking, monetary policy tightening remained relatedly slow, and hopes for a soft-landing of major economies. However, as the quarter progressed, results were mixed by month and region as the world received differing signals on inflation. Overall, U.S. equities finished the second fiscal quarter of 2023 up (Russell 3000: +7.2 percent[1]). Equities outside the U.S. (MSCI ACWI ex. USA Index: +14.3 percent) increased even more versus domestic stocks due in part to the weakening U.S. dollar. The U.S. bond market also finished the calendar quarter two, June 2023, in positive territory (Bloomberg Aggregate: +1.9 percent).[1]

Deferred[2] Inflation, as measured by CPI, declined to 6.5 percent by December 2022. While progress had been made since the 2022 peak of 9.1 percent, there was still much work to be done to bring the pace of price increases down to the Federal Reserve's preferred range. Except for Japan, inflation impacted the rest of the developed world as well. Inflation in the Eurozone came in at 9.2 percent in December 2022, down from a peak of 10.6 percent.[1] Similarly, inflation in the United Kingdom (U.K.) was at 9.2 percent in December 2022, down from a peak of 9.6 percent.[2]

The U.S. labor market remained extraordinarily strong throughout the first two quarters of Fiscal Year 2023, with the unemployment rate declining to 3.5 percent by December 2022 from a starting point of 3.6 percent.[1] The labor force participation rate remained slightly above 62 percent as of December 2022. This was an increase from the lows of the pandemic but still below the 63.4 percent[4] level from before the pandemic. Average hourly earnings declined in December, finishing the 2022 calendar year at 4.8 percent. The strength of the labor market in the U.S. contributed to the Federal Reserve's continued hawkish stance. In Europe and Japan, increases in unemployment were less during the pandemic compared to the U.S. but also improved.

Economic growth in the U.S. rebounded in the first half of Fiscal Year 2023. The GDP release for the first fiscal quarter of 2022 came in at an annualized rate of 3.2 percent[2], and the second quarter growth rate was 2.6 percent.[2] Outside the U.S., Eurozone growth was positive but below levels in the U.S., coming in at 2.5 percent and 1.6 percent[3], respectively, over the same two quarters. U.K. growth was nearly flat at -0.2 percent and 0.0 percent[4], and Japan grew by -0.3 percent and 0.2 percent, respectively, over those same two quarters.

Financial markets were volatile in the third quarter of the fiscal year, driven by investors continuing to adjust their interest rate and inflation expectations and the failure of Silicon Valley Bank and a few other regional banks. Ultimately, however, the swift emergency actions taken by the Federal Reserve, the Treasury, and other government agencies helped alleviate some of the concerns connected to the banking sector. This, and a focus on slowing inflation and potentially peaking rates, led to most asset classes experiencing positive results for the quarter with riskier assets leading the way.

In the third fiscal quarter, the U.S. equity market (Russell 3000) returned 7.2 percent[1], and international developed market equities (MSCI EAFE) returned 8.5 percent. Emerging market equities (MSCI Emerging Markets) were also positive for the quarter, returning 4.0 percent. Chinese equities (MSCI China) rose 4.7 percent, but generally lagged developed markets as reopening optimism was balanced by increased tensions with the U.S.

Fixed income markets also posted gains for the third quarter, but it was a volatile period for interest rates, particularly for shorter maturities. Overall, the change in monetary policy expectations and anecdotal reports of flight-to-quality flows during the height of the concerns surrounding the banking sector drove most interest rates lower. The broad U.S. investment grade bond market (Bloomberg U.S. Aggregate) and high yield bonds (Bloomberg High Yield) respectively rose 3.0 percent and 3.6 percent for the quarter. High yield bonds particularly benefited from the positive risk sentiment.

Financial markets were mixed in the final quarter of Fiscal Year 2023 as investors continued to contend with the track of inflation, the path of monetary policy, lingering fears from the regional banking crisis, and an uncertain economic outlook. Most equity markets posted positive returns for the quarter, while fixed income markets fell slightly, as rates rose, reflecting expectations for the Federal Reserve to continue its policy of tightening rates.

Of the major asset classes, the U.S. equity market (Russell 3000) led the way, returning 8.4 percent[1] for the fourth quarter with most of the gains (6.8 percent) coming just in the month of June 2023. Notably, relatively few stocks (mainly large technology companies) accounted for most of the gains in the third and fourth quarter of Fiscal Year 2023 driven by optimism over artificial intelligence ("AI") technology. Looking at the S&P 500, the index was up 16.9 percent in the final two quarters of Fiscal Year 2023. Without the top performing 44 stocks, the index would have been negative over the same period.[5]

Developed international equities (MSCI EAFE) returned 3.0 percent for the final quarter of Fiscal Year 2023, while emerging market equities (MSCI Emerging Markets) lagged, returning just 0.9 percent. Continued signaling from the central banks in Europe and the U.K. along with an overall stronger U.S. dollar weighed on relative results in developed markets. Chinese equities weighed on overall results in emerging markets with the MSCI China index falling 9.7 percent for the fourth quarter. Chinese equities suffered due to a lackluster economic reopening, weak economic data, and heightened tensions with the U.S. The broad U.S. investment grade bond market (Bloomberg U.S. Aggregate) fell 0.8 percent[2] as the Federal Reserve indicated additional rate hikes were needed to combat persistent inflation. High yield bonds (Bloomberg High Yield) benefited from the "risk-on" sentiment, returning 1.7 percent[2] in the quarter ending June 30th[2]. Commodities (Bloomberg Commodity Index) continued to soften on weakening global growth expectations and developments with China, declining 2.6 percent for the quarter.[2]

Over the full fiscal year developed market equities posted strong returns with U.S. stocks slightly outperforming developed markets outside the U.S. Emerging market equities significantly trailed developed market equities over the period. The Russell 3000 (U.S. equities) returned 19.0 percent[1] for the fiscal year, compared to the MSCI EAFE at 18.8 percent[1] (developed market equities), and a return of 1.8 percent[1] for the MSCI Emerging Markets index. The MSCI Emerging Markets index was greatly influenced by returns from China, as the MSCI China index declined by 16.8 percent over the twelve months ending on June 30th. Within fixed income, declining inflation, and a slightly longer relative duration for the index hurt TIPS' full year relative results. The Bloomberg TIPS index decreased 1.4 percent[1] over the full year, while the Bloomberg Aggregate index declined by 0.9 percent.[1] Riskier bonds held up well in the fiscal year, as the Bloomberg High Yield index increased 9.1 percent over the period.

Remarkably, despite a fiscal year where a recession was forecasted by many economists, GDP growth and unemployment remained unexpectedly robust, and inflation, although above the target, continued to decline. GDP growth in the U.S. was 3.2 percent, 2.6 percent, 2.0 percent and 2.4 percent[1] for the first, second, third, and fourth quarter, respectively, for Fiscal Year 2023. Unemployment ticked up to 3.7 percent during the fiscal year but ultimately settled where it started at 3.6 percent.[2] All of this occurred while the headline inflation number decreased from 9.1 percent in June 2022 to 3.0 percent[2] in June 2023. Finally, the yield curve remained inverted for almost the entire fiscal year, eventually deepening the inversion as the year went on. The yield spread between two-year and ten-year Treasuries finished June 2023 at -1.06 percent.[1]

Outside the U.S., unemployment and inflation painted a more mixed picture. The Eurozone ended Fiscal Year 2023 with unemployment numbers at 6.5 percent, down from 6.6 percent at the beginning of the fiscal year.[3] Japan ended with an unemployment figure where it started at 2.6 percent. Inflation in the Eurozone ended the Fiscal Year at 6.1 percent, down from 8.6 percent[2] a year earlier. Inflation increased in Japan for the first time in many years, ending at 3.2 percent versus 2.5 percent[2] at the beginning of the Fiscal Year. China notably had inflation levels at the end of the Fiscal Year close to zero percent given the weak economic reopening.

[1]OECD, [2]Bloomberg, [3]Eurostat, [4] Bureau of Economic Analysis and [5]S&P Down Jones Indices.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

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

Employees’ Retirement System of the City of Norfolk
(A Pension Trust Fund)
Statement of Plan Fiduciary Net Position
June 30, 2023

		In ‘000s
Assets:		
Cash and Cash Equivalents	$	4,369
Receivables:		
Accrued Investment Income		584
Accounts Receivable - Other		3
Total Receivables		**587**
Investments:		
Commingled Funds:		
Equity		739,240
Fixed Income		350,878
Real Estate		90,644
Hedge Funds		64,443
Total Commingled Funds		1,245,205
Total Investments		**1,245,205**
Total Assets		**1,250,161**
Liabilities:		
Accounts Payable and Accrued Expenses		5,251
Total Liabilities		**5,251**
Plan Net Position Restricted for Pensions	**$**	**1,244,910**

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, 2023

		In '000s
Additions:		
Investment Income:		
Net Appreciation in Fair Value of Investments	$	108,129
Interest		4,142
Dividends		6,917
Other Income		1,235
Investment Income, Gross		120,423
Less: Investment Expenses		(3,121)
Less: Other Expenses (Transfers In/Out)		(14,319)
Investment Income, Net		**102,983**
Employer Contributions*		40,134
Employee Contributions		7,601
Purchase of Service		403
Other Income/Interest		92
Total Additions		**151,213**
Deductions:		
Benefits Paid Directly to Members		96,992
Beneficiary Payments		6,559
Refunds of Contributions		4,410
Administrative Expenses		1,005
Total Deductions		**108,966**
Net Increase (Decrease)		**42,247**
Plan Net Position Restricted for Pensions		
Beginning of the Year		**1,202,663**
End of the Year	**$**	**1,244,910**

**Includes $8.7 million contribution from the Section 115 Pension Trust Fund.*

See accompanying independent auditor's report.

Employees' Retirement System of the City of Norfolk
(A Pension Trust Fund)
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Organization and Summary of Significant Accounting Policies

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

The System has a ten-member Board of Trustees appointed by the City Council of the City, including the City Manager and Director of Finance as ex-officio trustees. The System meets the definition of a Fiduciary Fund of the City under applicable accounting standards and as a result, the System's financial statements are incorporated into the Annual Comprehensive Financial Report (ACFR) of the City. These financial statements are those of the System and not of the City as a whole. The City 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 or when a legal obligation has been established. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

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

Investment valuation method: Investments are reported at fair value in accordance with GASB 72, Fair Value Measurement and Application. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Net appreciation or depreciation in fair value of investments is reflected in the Statement of Changes in Plan Fiduciary Net Position and includes realized gains and losses on investments purchased and sold and the change in appreciation or depreciation from one period to the next. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Acquisition costs are included in the cost of investments purchased, and sales are recorded net of selling expenses.

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

Note 2. Description of the Plan

The System is the administrator of a single-employer, contributory, defined benefit plan that covers eligible employees of the City of Norfolk, Virginia, excluding the School Board and the Constitutional Officer employees and City employees hired on or after January 1, 2022, who are covered by the Virginia Retirement System. Although the System presents separate financial statements, it is also included in the City of Norfolk's ACFR as a Pension Trust Fund. The types of employees covered and current membership as of June 30, 2023, consists of the following:

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

	General	Public Safety	FY 2023 Total	FY 2022 Total
Retirees and Beneficiaries Receiving Benefits	3,044	1,480	4,524	4,351
Vested Former Members Entitled to but not Receiving Benefits	1,178	418	1,596	1,533
Active Plan Members	1,417	704	2,121	2,966
Total*	**5,639**	**2,602**	**8,241**	**8,850**

*Excludes three hundred eighty-six (386) members due a refund of mandatory member contributions. See Note 4 for more details. Also includes one-hundred and eight (108) members currently in the Deferred Retirement Option Program (DROP) and thirteen (13) members on Leave of Absence that are currently vested.

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

> Retirement (for employees who became members prior to July 1, 1980): Normal service retirement age is the earlier of age 60 or after completion of 30 years of creditable service for general employees, and the earlier of age 55 or after the completion of 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for

general employees is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

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

Retirement (for employees who became members on or after July 1, 2018): Normal service retirement age is the earlier of the retirement age as defined under the Social Security Act (42 U.S.C.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 (average of five consecutive highest years of earnable compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

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

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

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

As of June 30, 2023, the DROP liability is $48.36 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 COLAs, one-time supplemental payments, are provided at the discretion of the City Council. Participants should refer to the Plan document for a complete description of these provisions. The City Council approved a one-time supplemental payment to NERS retirees with a minimum of twenty (20) years of creditable service and were receiving a retirement benefit on or before June 30, 2022. The $660 supplemental payment was made in July 2023.

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

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

Note 3. Net Pension Liability

The components of the net pension liability of the System on June 30, 2023, were as follows:

	In '000s
Total Pension Liability (Actuarial Value)	$ 1,530,754
Plan Fiduciary Net Position (Market Value)	1,244,910
Net Pension Liability	**$ 285,844**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	**81.3%**

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.

Chapter 37 of the Code of the City of Norfolk, Virginia, as amended from time to time, establishes the City's obligation to contribute to the Plan. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The employer contribution was made by the City totaling $31.41 million in July 2022, in accordance with the actuarially determined contribution requirement, and additionally $8.72 million was received from the Section 115 Pension Trust Fund, for a total employer contribution of $40.13 million.

Effective January 8, 2015, all System members (with the exception of City Council members hired before October 5, 2010) are required to make mandatory contributions on a salary reduction basis in the amount of five (5) percent of earnable compensation. These contributions accumulate thereafter with interest equivalent to the 12-month certificate of deposit (CD) instrument as established by the Board at the beginning of each fiscal year until the member is fully vested in benefits under the Plan. Such contributions are refundable to members who terminate before becoming vested for retirement benefits. Upon vesting, members' mandatory contributions become an asset of the System to be used to pay benefits under the System. Mandatory employee contributions totaled $7.60 million for the Fiscal Year ended June 30, 2023. The System paid approximately $4.41 million in refundable contributions in the year ended June 30, 2023, and is retaining approximately $3.07 million in refundable contributions payable as of June 30, 2023, for three hundred and eighty-six (386) members that have left or may leave NERS membership prior to vesting and may be due a refund of mandatory contributions.

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

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

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

	FY 2023	FY 2022
Employee Contributions	$ 7,601	$ 9,364
Employer Contributions*	40,134	41,457
Total	**$ 47,735**	**$ 50,821**

*Includes $8.7 million contribution from FY 2023 from the Section 115 Pension Trust Fund

The key methods and assumptions used to determine the actuarially determined contribution for Fiscal Year 2023 were as follows:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar Closed, 20-Year Layers
Asset Valuation Method	3-Year Smoothed Value
Discount Rate	6.75%
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:	
Pre-Retirement	
General:	Pub-2010(B) General Employee Below-Median Table with fully generational improvements using Scale MP-2021, with 5 percent of deaths assumed accidental
Public Safety:	Pub-2010 Safety Employee Table with fully generational improvements using Scale MP-2021, with 60 percent of deaths assumed accidental
Healthy Annuitant	
General:	Pub-2010(B) General Healthy Annuitant Below-Median Table with fully generational improvements using Scale MP-2021
Public Safety:	Pub-2010 Safety Healthy Annuitant Table with fully generational improvements using Scale MP-2021,
Disabled	
General:	Pub-2010 General Disabled Annuitant Table with fully generational improvements using Scale MP-2021
Public Safety:	Pub-2010 Safety Disabled Annuitant Table with fully generational improvements using Scale MP-2021,

Rate of return: The annual money-weighted rate of return, net of investment expenses, as of June 30, 2023, was 8.39 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	20-Year 2023 Long-Term Expected Real Rate of Return
Global Equity	6.6%
Private Equity	9.4%
High Yield Bonds	4.7%
Bank Loans	4.4%
Short-Term TIPS	1.0%
Natural Resources	6.1%
Real Estate	5.2%
Gold	3.3%
Investment Grade Bonds	2.1%
Hedge Funds	1.9%
Inflation Assumption	2.6%

Discount rate: The discount rate, as of June 30, 2023, used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contributions rate and that City contributions will be made in accordance with the funding policy assumption adopted by the Board of Trustees. 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 6.75 percent (net of investment expenses). The single equivalent rate used, for purposes of GASB 67/68, to determine the Total Pension Liability as of June 30, 2023, was 6.75 percent.

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

Net Pension Liability (In '000s)		
1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$455,494	$285,844	$143,259

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

Note 5. Deposits and Investments

Deposits: The carrying amount of the System's deposits with financial institutions was $834 thousand as of June 30, 2023. 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 $3.54 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, 2023:

Asset Class	Target Allocation
Growth Assets	**57.0%**
Global Equity	52.0%
Private Equity	5.0%
Credit	**4.0%**
High Yield & Bank Loans	4.0%
Inflation Hedges	**21.0%**
Real Estate	8.0%
Natural Resources & Infrastructure	5.0%
Gold	3.0%
Short-Term TIPS	5.0%
Master Limited Partnerships	0.0%
Risk Mitigation	**18.0%**
Investment Grade Fixed Income	14.0%
Hedge Funds	4.0%

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

Interest rate risk: The System has outlined a policy on duration to help manage its interest rate risk. The Investment Policy Statement outlines "duration" as the weighted average effective duration of each Account's fixed income portfolio, including cash equivalents. As of June 30, 2023, the System only had Commingled Funds which are based on their average maturity.

Segmented Time Distribution

For the Fiscal Year Ended June 30, 2023 (Expressed in '000s)

		Investment Maturities (in years)					
Investment Type	**Fair Value**	**Under 1**	**1 – 3**	**3 – 6**	**6 – 10**	**10+**	**Not Available**
Equity Funds[1]	**739,240**	-	-	-	-	-	739,240
Fixed Income Funds[2]	**350,878**	-	75,478	38,137	67,078	144,821	25,364
Hedge Funds	**64,443**	-	-	-	-	-	64,443
Private Real Estate Funds	**90,644**	-	-	-	-	-	90,644
Totals	**$1,245,205**	**$ -**	**$ 75,478**	**$ 38,137**	**$ 67,078**	**$ 144,821**	**$919,691**

[1] Includes Natural Resources and Gold

[2] Commingled Fixed Income funds are included at their NAV based on the weighted average maturity of the fund.

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. As of June 30, 2023, the System's equity commingled investments include securities denominated in foreign currencies and thus would have exposure to foreign currency risk. The System is not required to disclose the individual securities held in those funds.

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

S&P Credit Quality Rating Scale

For Fiscal Year Ended June 30, 2023 (Expressed in '000s)

	Fair Quality Ratings							
	AAA	AA+/AA /AA-	A+/A /A-	BBB+/B BB /BBB-	BB+/BB /BB-	B+ and below	Unrated	Totals
Equity Funds[1]							$ 739,240	$ 739,240
Fixed Income[2]							350,878	350,878
Hedge Funds							64,443	64,443
Private Real Estate Funds							90,644	90,644
Totals	$ -	$ -	$ -	$ -	$ -	$ -	$1,245,205	$1,245,205

(Cash and Cash Equivalents are not included.)

[1]Includes Natural Resources and Gold

[2]Commingled Fixed Income Funds are included in the unrated section because they are not subject to credit risk rating disclosure

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

The following table presents the fair value of investments that represent five (5) percent or more of the System's net position on June 30, 2023:

Investment	Amount In '000s
SSGA Russell 3000 Index	$168,051
First Eagle Global Equity	$100,793
Artisan Global Opportunities	$ 98,990
SSGA MSCI EAFE Index	$ 97,634
SSGA MSCI ACWI IMI Index Fund	$ 80,535
Vanguard Short-Term TIPS Index Fund	$ 75,478
Wellington Core Bond	$ 74,964
SSGA Bond Market Index Fund	$ 67,078

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, 2023, were $848,000.

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 noncompliance with City Code are addressed when discovered. As of June 30, 2023, 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, 2023:

	June 30, 2023
Investments measured at the Net Asset Value (NAV)	
Equity Funds	$ 739,240
Fixed Income Funds	350,878
Real Estate Funds	90,644
Hedge Funds	64,443
Total Investments measured at the NAV	**$1,245,205**
Total Investments measured at Fair Value	**$1,245,205**

(Expressed in '000s)

In accordance with the authoritative guidance on fair value measurements and disclosures under 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. There are no level 1 investments as of June 30, 2023.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and alike factors. There are no level 2 investments as of June 30, 2023.

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, 2023.

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

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

1. Equity Funds. This type includes an investment in an equity fund with an investment objective to track the performance of the MSCI ACWI IMI Index Fund over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice. There are thirteen equity funds as of June 30, 2023.
2. Fixed Income Funds. This type includes an investment in a fund with an investment objective to track the performance of the Bloomberg Barclays U.S. Aggregate Bond Index over the long term. This investment can be redeemed within 1-15 days, depending on trade size, with 1-day notice. There are seven fixed income funds as of June 30, 2023.
3. Real Estate Funds. This type includes two investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-End Diversified Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with 45-60 days' notice. There are three real estate funds as of June 30, 2023.
4. Hedge Funds. This type of investment have an investment objective to diversify the portfolio and provide downside protection. These investments can utilize options, derivatives, and leverage, and invest across all asset classes (equity, rates, currencies, etc.). The liquidity varies by strategy ranging from daily liquid to monthly. Some strategies have a soft lock up (e.g., illiquid for a year but then monthly thereafter). There are four hedge funds as of June 30, 2023.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

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

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Total Pension Liability					
Service Cost	$ 21,246	$ 25,972	$ 27,208	$ 26,978	$ 26,372
Interest	101,376	98,454	98,032	96,458	94,853
Change In Benefits	(4,451)	(880)	-	-	-
Change In Assumptions	-	77,210	-	-	(7,031)
Differences Between Expected and Actual Experience	(14,071)	4,369	(19,181)	(6,398)	(8,189)
Benefit Payments	(103,551)	(99,101)	(94,649)	(93,078)	(91,999)
Refunds of Contributions	(4,410)	(2,924)	(923)	(920)	(867)
Net Change in total Pension Liability	**(3,861)**	**103,100**	**10,487**	**23,040**	**13,139**
Total Pension Liability – Beginning	**1,534,615**	**1,431,515**	**1,421,028**	**1,397,988**	**1,384,849**
Total Pension Liability – Ending (a)	**$ 1,530,754**	**$ 1,534,615**	**$ 1,431,515**	**$ 1,421,028**	**$ 1,397,988**
Plan Fiduciary Net Position					
Contributions – Employer*	40,134	41,457	160,252	38,494	37,079
Contributions – Employee	8,096	9,937	10,367	10,210	10,009
Net Investment Income	102,983	(134,727)	270,352	5,736	55,313
Benefit Payments	(103,551)	(99,101)	(94,649)	(93,078)	(91,999)
Refunds of Contributions	(4,410)	(2,924)	(923)	(920)	(867)
Administrative Expenses	(1,005)	(848)	(620)	(600)	(617)
Net Change in Plan Fiduciary Net Position	**42,247**	**(186,206)**	**344,779**	**(40,158)**	**8,918**
Plan Fiduciary Net Position – Beginning	**1,202,663**	**1,388,869**	**1,044,090**	**1,084,248**	**1,075,330**
Plan Fiduciary Net Position – Ending (b)	**1,244,910**	**1,202,663**	**1,388,869**	**1,044,090**	**1,084,248**
Plan Net Pension Liability – Ending (a-b)	**$ 285,844**	**$ 331,952**	**$ 42,646**	**$ 376,938**	**$ 313,740**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	81.3%	78.4%	97.0%	73.5%	77.6%
Covered Payroll (c)	$ 199,856	$ 195,554	$ 200,484	$ 197,405	$ 195,358
Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c)	143.0%	169.7%	21.3%	190.9%	160.6%

* Employer contributions during FY 2023 includes $8.7 million contribution from the Section 115 Pension Trust Fund.

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 '000s)

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total Pension Liability					
Service Cost	$ 25,146	$ 26,310	$ 25,919	$ 25,467	$ 24,579
Interest	92,517	86,974	84,711	82,839	80,203
Change In Benefits	11,698	590	568	353	20,689
Change In Assumptions	16,606	53,197	(6,509)	-	-
Differences Between Expected and Actual Experience	(1,598)	(2,543)	(2,666)	(2,471)	(10,654)
Benefit Payments	(84,704)	(83,215)	(76,489)	(79,028)	(77,061)
Refunds of Contributions	(1,229)	(762)	(4,295)	(3)	(4)
Net Change in total Pension Liability	**58,436**	**80,551**	**21,239**	**27,157**	**37,752**
Total Pension Liability – Beginning	**1,326,413**	**1,245,862**	**1,224,623**	**1,197,466**	**1,159,714**
Total Pension Liability – Ending (a)	**$1,384,849**	**$1,326,413**	**$1,245,862**	**$1,224,623**	**$1,197,466**
Plan Fiduciary Net Position					
Contributions – Employer	35,494	33,457	30,761	34,932	42,330
Contributions – Employee	9,858	9,450	8,735	4,915	1,672
Net Investment Income	72,663	111,228	3,278	16,596	157,292
Benefit Payments	(84,704)	(83,215)	(76,489)	(79,028)	(77,061)
Refunds of Contributions	(1,229)	(762)	(4,295)	(3)	(4)
Administrative Expenses	(764)	(668)	(672)	(387)	(413)
Net Change in Plan Fiduciary Net Position	**31,318**	**69,490**	**(38,682)**	**(22,975)**	**123,816**
Plan Fiduciary Net Position – Beginning	**1,044,012**	**974,522**	**1,013,204**	**1,036,179**	**912,363**
Plan Fiduciary Net Position – Ending (b)	**1,075,330**	**1,044,012**	**974,522**	**1,013,204**	**1,036,179**
Plan Net Pension Liability – Ending (a-b)	**$ 309,519**	**$ 282,401**	**$ 271,340**	**$ 211,419**	**$ 161,287**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	77.6%	78.7%	78.2%	82.7%	86.5%
Covered Payroll (c)	$ 191,549	$ 188,066	$ 175,679	$ 178,468	$ 177,561
Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c)	161.6%	150.2%	154.5%	118.5%	90.8%

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
2023	$1,530,754	$1,244,910	$285,844	81.3%	$199,856	143.0%
2022	1,534,615	1,202,663	331,952	78.4	195,554	169.7
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

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

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

Fiscal Year	Contribution (ADC)	Contribution*	Contribution Deficiency (Excess)	Covered Payroll**	Contribution as a Percentage of Covered Payroll
2023	$31,417	$40,134	$(8,717)	$199,856	20.1%
2022	41,457	41,457	-	195,554	21.2
2021	40,698	160,252	(119,554)	200,484	79.9
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

** Employer Contributions during FY 2023 includes $8.7 million contribution from the Section 115 Pension Trust Fund.*
***The actuarially determination of the ADC is based on a projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary.*

Schedule of Investment Returns

Fiscal Year	Money-Weighted Rate of Return
2023	8.39%
2022	(10.32)
2021	25.85
2020	0.58
2019	8.91
2018	7.16
2017	11.64
2016	0.39
2015	1.97
2014	17.36

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 five (5) percent pay increase to members for purposes of paying 5 percent member contributions and the Deferred Retirement Option Program (DROP) for public safety members. Effective October 1, 2022, the City Council approved to amend the DROP and extend the maximum permissible DROP duration from four to five years of participation. Effective January 1, 2023, the DROP was expanded to include all eligible NERS members, including any police officer or firefighter member and general employee classifications.

Methods and assumptions used in calculations of actuarially determined contributions

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

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent Dollar Closed, 20-Years Layers
Asset Valuation Method	3-Years Smoothed Value
Investment Rate of Return	7.0%
Amortization 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	*Pre-Retirement/Healthy Annuitants* 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. *Disableds* 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.

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, 2023

		In ‘000s
Personnel Services:		
Staff Salaries	$	586
Benefits		199
Total Personnel Services		**785**
Professional Services:		
Actuarial Fees		112
Medical Examinations		4
Audit Fees		27
Total Professional Services		**143**
Communication Services:		
Travel and Training		1
Postage and Shipping		12
Total Communication Services		**13**
Miscellaneous Expenses:		
Supplies and Equipment		9
Other		55
Total Miscellaneous Expenses		**64**
Total Administrative Expenses	**$**	**1,005**

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, 2023

		In '000s
Investment Manager Fees:		
Manager Fees	$	1,923
Custody and Investment Consultant Fees:		
Investment Consultant Fees		556
Custody Fees		642
Total Custody and Investment Consultant Fees		**1,198**
Total Investment Expenses	**$**	**3,121**

See accompanying independent auditor's report.

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3

Investment Section

(Unaudited)

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Investment Performance, Policy, Statistics and Activity

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

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

Investment Objectives

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

- The overall goal of the System's investment portfolio is to provide a retirement benefit for the members of the System. This will be accomplished through a carefully planned and executed long-term investment program.

- The total portfolio over the long-term will be expected to earn a return that equals or exceeds:

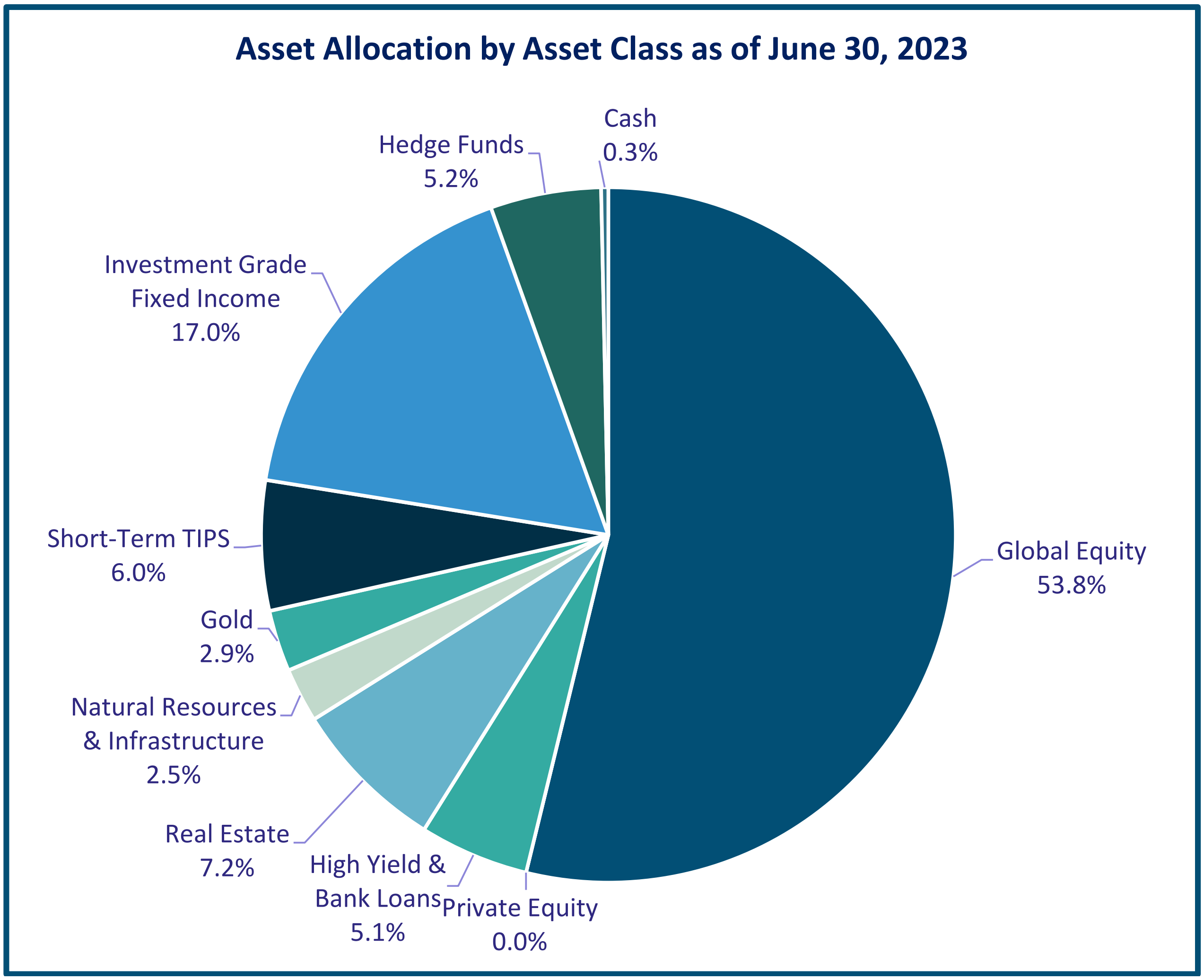
  1. The return of a target policy index ("Total Fund Public Benchmark") comprised of 74 percent MSCI AC World IMI (Net), and 26 percent Bloomberg Capital Aggregate Bond Index.
  2. The return of a Policy Index ("Total Fund Policy Benchmark"); such index being comprised of the return of the various broad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



Global Equity	$ 671,958
High Yield & Bank Loans	63,501
Real Estate	90,644
Natural Resources & Infrastructure	31,503
Gold	35,779
Short-Term TIPS	75,478
Investment Grade Fixed Income	211,899
Hedge Funds	64,443
Cash and Cash Equivalents*	4,200
Total	**$ 1,249,405**

Asset Allocation by Asset Class

(Expressed in '000s)

*Excludes cash held in deposits.

Total Net Position Fair Value	**$ 1,249,405**
Adjustments to Reconcile Statement of Plan Asset Investments Total:	
Total Cash and Cash Equivalents held by Managers	(3,614)
Accrued Investment Income	(584)
Loan Income Receivable	(2)
Total Investments Reconciled to the Statement of Plan Fiduciary Net Position	**$ 1,245,205**

(Expressed in '000s)

Investment Managers and Investment Assignments

	Fair Value	% of Portfolio
SSGA MSCI ACWI IMI Index Fund	$ 80,536	6.4%
SSGA Russell 1000 Growth Index	29,112	2.3
SSGA Russell 1000 Value Index	14,137	1.1
SSGA Russell 3000 Index	168,051	13.5
SSGA MSCI EAFE	97,634	7.8
SSGA Emerging Markets Index	38,728	3.1
ABS China Direct	3,289	0.3
ABS EM ex China Direct	11,962	1.0
Kopernik Global All-Cap	28,726	2.3
First Eagle Global Equity	100,793	8.1
Artisan Global Opportunities	98,990	7.9
Sculptor Credit Opportunities Overseas Fund	25,364	2.0
Brigade High Income Fund	38,137	3.1
JP Morgan Asset Management Strategic Property Fund	51,308	4.1
UBS Trumbull Property Fund	25,946	2.1
SSGA US REIT	13,390	1.1
SSGA S&P Global Large MidCap Natural Resources Index	31,503	2.5
First Eagle Institutional Gold Fund, LP	35,779	2.9
Vanguard Short-Term TIPS Index	75,478	6.0
SSGA US Aggregate Bond	67,078	5.4
Wellington Core Bond	74,963	6.0
Brandywine U.S. Fixed Income	18,612	1.5
SSGA Long U.S. Treasury Index	51,246	4.1
36 South Kohinoor Series (Cayman) Fund	21,417	1.7
BH-DG Systematic Trading Master Fund	18,320	1.5
Lombard Odier Bear Convexity	7,986	0.6
Alpstone Global Macro Fund	16,720	1.3
Cash and Cash Equivalents*	4,200	0.3
Total	**$1,249,405**	**100.00%**

(Expressed in '000s)

*Excludes cash held in deposits.

***See reconciliation of Statement of Plan Assets in page 57.**

Asset Allocation Comparison

	Global Equity Commitment	Fixed Income Commitment	Total Other *
Total Fund	56.1%	26.4%	17.5%
Median All Public Plans	60.2%	24.8%	11.0%

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

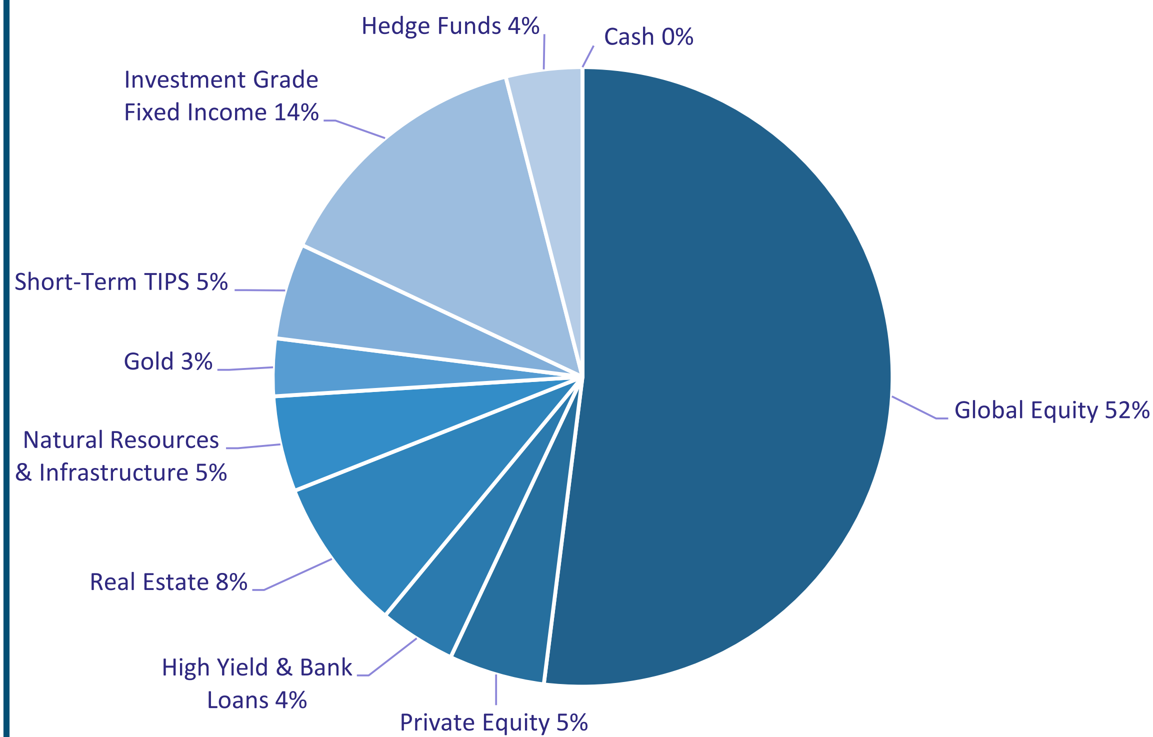
Target Asset Allocation

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

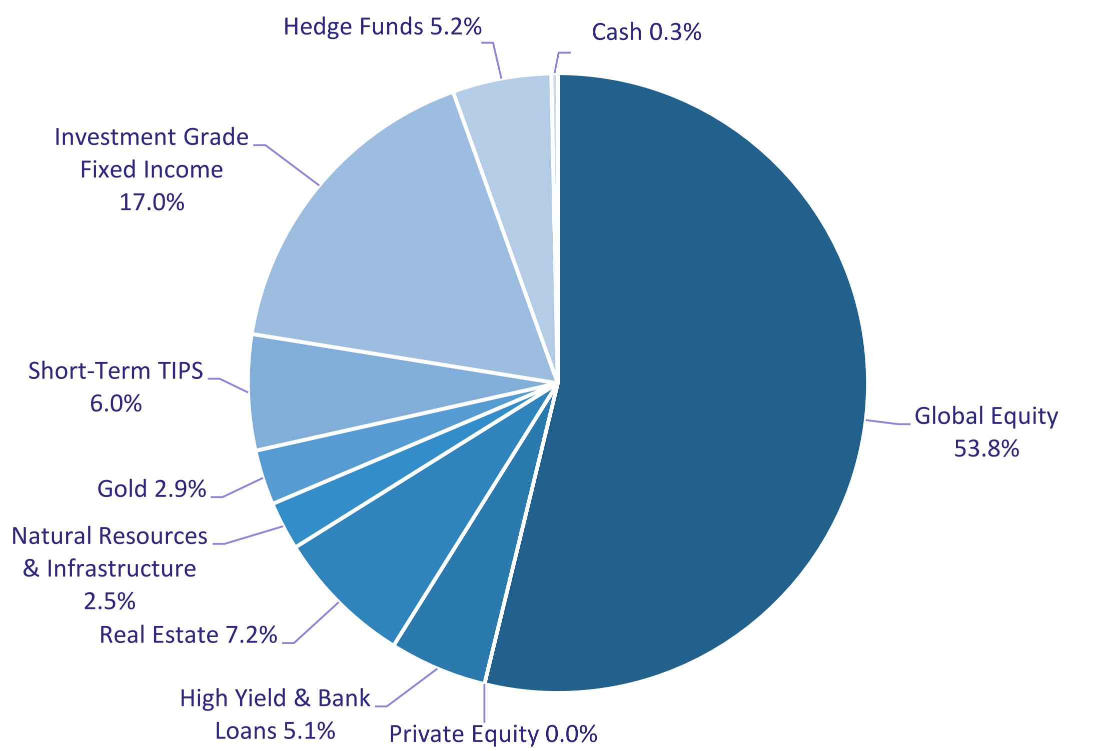
Asset Class	Minimum Percentage	Maximum Percentage	Target Percentage
Global Equity	42%	62%	52%
Private Equity	0%	10%	5%
High Yield Bonds & Bank Loans	0%	9%	4%
Real Estate	3%	13%	8%
Natural Resources & Infrastructure	0%	10%	5%
Gold	0%	6%	3%
Short-Term TIPS	0%	10%	5%
Master Limited Partnerships	0%	5%	0%
Investment Grade Fixed Income	7%	21%	14%
Hedge Funds	0%	9%	4%
Cash	0%	5%	0%

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

2023 Target Asset Allocation



2023 Actual Asset Allocation



Investment Performance Summary

For the Fiscal Year Ended June 30, 2023

Account	1 Year	2 Years	3 Years	5 Years
Growth Assets	**-**	**-**	**-**	**-**
Growth Assets Custom Benchmark[1]	-	-	-	-
Global Equity	**15.77**	**-1.51**	**11.15**	**7.93**
Global Equity Policy Benchmark[2]	16.14	-1.54	10.97	7.65
SSGA MSCI ACWI IMI Index Fund	16.58	-1.16	11.41	8.08
MSCI ACWI IMI Net USD	16.14	-1.54	10.97	7.65
SSGA Russell 1000 Growth Index	-	-	-	-
Russell 1000 Growth	27.11	1.61	13.73	15.14
SSGA Russell 1000 Value Index	-	-	-	-
Russell 1000 Value	11.54	1.95	14.30	8.11
SSGA Russell 3000 Index	-	-	-	-
Russell 3000	18.95	1.22	13.89	11.39
SSGA MSCI EAFE	-	-	-	-
MSCI EAFE	18.77	-1.17	8.93	4.39
SSGA Emerging Markets Index	-	-	-	-
MSCI Emerging Markets	1.75	-12.81	2.32	0.93
ABS China Direct	-	-	-	-
MSCI China NR USD	-16.82	-24.68	-10.26	-5.28
ABS EM ex China Direct	-	-	-	-
MSCI EM ex China	8.47	-7.74	8.54	3.48
Kopernik Global All-Cap	-	-	-	-
First Eagle Global Equity	-	-	-	-
Artisan Global Opportunities	-	-	-	-
MSCI ACWI	16.53	-0.92	10.99	8.10
Credit	**-**	**-**	**-**	**-**
Credit Custom Benchmark[3]	-	-	-	-
High Yield & Bank Loans	**-**	**-**	**-**	**-**
High Yield & Bank Loans Benchmark[4]	-	-	-	-
Sculptor Credit Opportunities Overseas	-	-	-	-
Bloomberg Global High Yield TR	10.50	-4.67	1.36	1.92
Brigade High Income Fund	-	-	-	-
60% Barclays U.S. Corporate High Yield & 40% CS Lev Loans	9.54	-0.07	4.39	3.66

Account	1 Year	2 Years	3 Years	5 Years
Inflation Hedges	**-**	**-**	**-**	**-**
Inflation Hedges Custom Benchmark[5]	-	-	-	-
Real Estate	**-12.07**	**1.89**	**2.50**	**1.82**
JP Morgan Asset Management Strategic Property Fund	-11.34	6.33	6.24	4.89
UBS Trumbell Property Fund	-15.56	2.14	1.80	0.53
SSGA US REIT CREIF ODCE (net)	-	-	-	-
DJ US Select REIT TR USD	-0.69	-3.59	9.17	3.28
Natural Resources & Infrastructure	-	-	-	-
S&P Global LargeMidCap Commodity and Resources NR USD	6.23	7.87	19.34	7.36
Gold	**-**	**-**	**-**	**-**
First Eagle Institutional Gold Fund, LP	-	-	-	-
60% Gold (Spot) / 40% FTSE Gold Mines	6.63	-0.16	-	-
Short-Term TIPS	-	-	-	-
Vanguard Short-Term TIPS Index	-	-	-	-
Bloomberg US TIPS 0-5 Yr. TR	0.11	0.58	2.34	2.73
Risk Mitigation	**-**	**-**	**-**	**-**
Risk Mitigation Custom Benchmark[6]	-	-	-	-
Investment Grade Fixed Income	**0.08**	**-5.35**	**-3.52**	**0.96**
Intermediate-Term Bonds	**-0.04**	**-5.41**	**-3.56**	**0.94**
SSGA US Aggregate Bond	-0.91	-5.74	-3.95	0.78
Wellington Core Bond	-	-	-	-
Brandywine U.S. Fixed Income	-	-	-	-
Bloomberg US Aggregate TR	-0.94	-5.73	-3.97	0.77
Long-Term Bonds	**-**	**-**	**-**	**-**
SSGA Long US Treasury Index	-	-	-	-
Bloomberg US Treasury Long TR	-6.82	-12.83	-12.09	-0.88
Hedge Funds	**-**	**-**	**-**	**-**
HFRI Macro (Total) Index	-0.41	3.66	7.30	4.99
36 South Kohinoor Series Fund	-	-	-	-

Account	1 Year	2 Years	3 Years	5 Years
CBOE Eurekahedge Long Volatility Hedge Fund Index	-5.98	-0.17	-3.45	1.96
Alpstone Global Macro Fund	-	-	-	-
HFRI Macro (Total) Index	-0.41	3.66	7.30	4.99
Total Fund	**8.41**	**-1.21**	**7.12**	**5.43**
Total Fund Policy Benchmark[7]	9.54	-0.70	7.64	6.00
Total Fund Public Benchmark[8]	10.51	-2.55	5.64	5.53

[1]Growth Assets Custom Benchmark = 91% MSCI ACWI IMI Net USD / 9% MSCI ACWI + 3% 1Q Lag
[2]Global Equity Policy Benchmark = 100% MSCI ACWI IMI Net USD
[3]Credit Custom Benchmark = 50% Credit Suisse Leveraged Loan Index / 50% Bloomberg U.S. High Yield
[4]High Yield & Bank Loans Custom Benchmark = 50% Credit Suisse Leveraged Loan Index / 50% Bloomberg US High Yield
[5]Inflation Hedges Custom Benchmark = 24% Bloomberg US TIPS 1-5Yr TR / 14% 60% Gold (Spot) /40% FTSE Gold Mines / 24% S&P Global Large MidCap Commodity and Resources NR USD / 38% NCREIF ODCE (net)
[6]Risk Mitigation Custom Benchmark = 78% Bloomberg US Aggregate TR / 22% HFRI Macro (Total) Index
[7]Total Fund Policy Benchmark = 52% MSCI ACWI IMI Net USD / 5% MSCI ACWI +3% 1Q Lag / 2% Credit Suisse Leveraged Loans / 2% Bloomberg US High Yield TR / 5% Bloomberg US Treasury TIPS 0-5 Year TR / 3% 60% Gold (Spot) / 40% FTSE Gold Mines / 5% S&P Global Large MidCap Commodity and Resources NR USD / 8% MCREIF ODCE (net) / 14% Bloomberg US Aggregate TR / 4% HFRI Macro (Total) Index
[8]Total Fund Public Benchmark = 74% MSCI ACWI IMI / 26% Bloomberg US Aggregate

Investment returns are time-weighted returns based on fair value and net of investment management fees. 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) and System staff. Commissions paid in Fiscal Year 2023:

	Shares Traded	Base Commission	Commission Cost/Share
Broker Commissions	4,879,833,313.14	$40,535.82	$0.00001

Schedule of Investment Manager, Custody and Consultant Fees

		FY 2023 In '000s
Investment Manager Fees:		
Manager Fees	$	1,923
Custody and Investment Consultant Fees:		
Investment Consultant Fees		556
Custody Fees		642
Total Custody and Investment Consultant Fees		**1,198**
Total Fees	**$**	**3,121**

List of Largest Assets

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

Stock	Shares	Fair Value
Microsoft Corporation	44,541	$15,168
Apple Inc.	77,335	$15,001
Amazon.com Inc.	56,605	$ 7,379
Meta Platforms Inc.	22,451	$ 6,443
Alphabet Inc. – Class A	50,882	$ 6,091
Veeva Systems Inc.	30,664	$ 6,063
Novo Nordisk 'B'	34,906	$ 5,649
Alphabet Inc. – Class C	46,371	$ 5,609
Advanced Micro Devices Inc.	45,540	$ 5,187
Exxon Mobil Corporation	41,188	$ 4,417

(Expressed in '000s)

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Actuarial Section

(Unaudited)

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CHEIRON Classic Values, Innovative Advice

Actuary's Certification Letter

October 10, 2023

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

The Members of the Board:

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

Actuarial Valuation Used for Funding Purposes

Actuarial valuations of the Employees' Retirement System of the City of Norfolk are performed annually. The results of the latest actuarial valuation of the System, which we have prepared as of June 30, 2023, are summarized in this letter. Please refer to that valuation report for additional information related to the System.

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

We prepared the following schedules for inclusion in the Actuarial Section of the Annual Comprehensive Financial Report based on the June 30, 2023, 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

Actuary's Certification Letter

The Board of Trustees
October 10, 2023
Page 2

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

a) fully fund the normal cost contribution for the current year determined under the funding method; and

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

In accordance with the above, the City's contribution appropriated for the Fiscal Year ended June 30, 2024 (and to be paid July 1, 2023) was determined based on the results of the June 30, 2022, valuation. In accordance with this policy, the City contributed $33.6 million on July 1, 2023. Effective Fiscal Year Ending 2023, the City of Norfolk began making separate contributions to the System from the Section Trust that was previously established upon the bond issuance from June 2021. The City projects an $8.7 million annual contribution to the System until the Section 115 Pension Trust Fund assets are depleted. As of June 30, 2023, the Trust held $74.0 million in assets.

The results of the June 30, 2023, valuation determine the contribution appropriation for the Fiscal Year ending June 30, 2025 (to be paid July 1, 2024), which will be presented in our valuation report subject to your approval.

As of June 30, 2023, the System's Actuarial Liability was 84.5 percent funded based on the Actuarial Value of Assets and 81.3 percent funded based on the Market Value of Assets. These ratios exclude the Section 115 Pension Trust Fund assets. If the Trust balance of $74.0 million as of June 30, 2023, was included, the System would be 89.3 percent funded based on the Actuarial Value of Assets and 86.2 percent funded based on the Market Value of Assets.

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

Actuary's Certification Letter

The Board of Trustees
October 10, 2023
Page 3

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2023, 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, 2023, valuation report.

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

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

In preparing our valuations and schedules for the Annual Comprehensive Financial Report, we relied on information (some oral and some written) supplied by the City of Norfolk. This information includes, but is not limited to, the plan provisions, employee data and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

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

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

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

Respectfully submitted,
Cheiron

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

Justin Runkel, ASA, EA, MAAA
Consulting Actuary

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Interest Rate:

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

Mortality:

Pre-Retirement

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

Healthy Annuitants

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

Disabled

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

Salary Increase:

Annual rates of salary increases are as follows:

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Withdrawal:

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

Disability:

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

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Retirement:

General:

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

*NRA - Normal Retirement Age

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Public Safety:

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

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

Terminated Vested Retirement Age:

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

Future Expenses:

Administrative expenses are assumed to be $1.1 million payable at the beginning of the year, increasing 3% annually. The assumed interest rate is net of anticipated investment expenses.

Loading or Contingency Reserves:

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

Marital Status:

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

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

Form of Payment Election:

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

DROP Election:

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

Rationale for Economic and Demographic Assumptions:

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

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

Change in Assumptions:

The administrative expense assumption was updated to $1.1 million to better reflect recent experience.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Actuarial 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 using a level-dollar amortization.

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

Asset Valuation Method:

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

Valuation Software:

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

Changes in Actuarial Methods

None.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Census and Assets:

The valuation was based on members of the System as of June 30, 2023. All census data were supplied by the System and were subject to reasonable consistency checks. Asset data were supplied by the System.

General Employees:

Valuation as of June 30	Number of Active Members	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2023	1,417[1]	$ 86,178	$60,817	6.9%
2022	2,022	114,991	56,870	11.9
2021	2,492	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

[1] Excludes seven (7) members on Leave of Absence and three hundred nineteen (319) participants due a refund as of June 30, 2023.

Public Safety:

Valuation as of June 30	Number of Active Members	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2023	704[1]	$50,467	$71,686	6.4%
2022	892	60,111	67,390	11.3
2021	1,123	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	63,346	53,310	2.5
2014	1,216	63,219	51,989	3.4

[1] Excludes six (6) members on Leave of Absence and sixty-seven (67) participants due a refund as of June 30, 2023.

Total:

Valuation as of June 30	Number of Active Members	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2023	2,121[1]	$136,645	$64,425	7.2%
2022	2,914	175,102	60,090	11.6
2021	3,615	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

[1] Excludes thirteen (13) members on Leave of Absence and three hundred eighty-six (386) participants due a refund on June 30, 2023.

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		On Rolls at Year-End			
Year Ended June 30	No.	Annual Allowance (In '000s)	No.	Annual Allowance (In '000s)	No.	Annual Allowance (In '000s)	Average Allowance	% Increase Average Allowance
2023	200	$4,291	135	$2,067	4,416	$99,369	$22,502	0.8%
2022	206	3,567	127	2,091	4,351	97,145	22,327	(0.3)
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

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

SCHEDULE OF FUNDED LIABILITIES BY TYPE

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

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

The relationship between accrued liabilities and net position of the System for Fiscal Years ended June 30, 2014, through June 30, 2023, are presented as follows:

Valuation Date	(1) Active Member Contributions	(2) Retirees, Vested Terms, Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets[A]	Portion of Accrued Liabilities Covered by Reported Assets		
					(1)	(2)	(3)
2023	$43,443	$1,134,726	$352,585	$1,293,562	100.0%	100.0%	32.7%
2022	45,687	1,094,862	394,066	1,291,722	100.0	100.0	38.4
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

(Expressed in '000s)

[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 employer contribution receivable. 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.

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
2023	$1,530,754	$1,293,562	$237,192	84.5%	$199,856	118.7%
2022	1,534,614	1,291,722	242,892	84.2	195,554	124.7
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

ANALYSIS OF FINANCIAL EXPERIENCE

Gain or (Loss) for Year Ended June 30

(Expressed in '000s)

Type of Activity	2023	2022	2021	2020	2019
Investment Income	$ (24,326)	$ (44,529)	$ 45,878	$ (27,978)	$ (6,601)
Combined Liability Experience	14,071	(4,369)	19,181	6,398	9,342
Gain (Loss) During Year from Financial Experience	(10,255)	(48,898)	65,059	(21,580)	2,741
Non-recurring Items	4,451	(76,330)	-	-	-
Composite Gain (Loss) During Year	$ (5,804)	$ (125,228)	$ 65,059	$ (21,580)	$ 2,741

Type of Activity	2018	2017	2016	2015	2014
Investment Income	$ 219	$ 196	$ (20,184)	$ 2,975	$ 31,460
Combined Liability Experience	1,594	2,568	2,666	2,471	10,654
Gain (Loss) During Year from Financial Experience	1,813	2,764	(17,518)	5,446	42,114
Non-recurring Items	(11,758)	(54,510)	(2,608)	(353)	(20,690)
Composite Gain Loss) During Year	$ (9,945)	$ (51,746)	$ (20,126)	$ 5,093	$ 21,424

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 the System.

Membership

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

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

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

A member, who was a Norfolk Community Services Board employee on June 30, 2012, who became a City employee on July 1, 2012, began participating in the System on such date. Prior service for these employees was credited towards benefit eligibility only. Lastly, these employees were exempt from the 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 percent of average final compensation for each year of creditable service up to a maximum of 35 years.

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

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

Employees Hired On or After July 1, 2018

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

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

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

Early Service Retirement Allowance

Eligibility

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

Amount

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

Vested Allowance

Eligibility

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

Amount

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

Ordinary Disability Retirement Allowance

Eligibility

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

Amount

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

Accidental Disability Retirement Allowance

Eligibility

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

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

Amount

The amount payable is 66⅔ percent of average final compensation.

Ordinary Death Benefit

Eligibility

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

Amount

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

Accidental Death Benefit

Eligibility

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

Amount

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

Offset on Account of Workers' Compensation

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

Death Benefit after Retirement

Eligibility

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

Amount

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

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

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

Return of Contributions

Eligibility

Termination of membership prior to death.

Amount

Beginning July 1, 2014, in the event of death/departure prior to retirement or vesting, mandatory contributions made on or after October 5, 2010, shall be refunded with interest on the accumulated contributions of the members, if applicable.

Contributions

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

Deferred Retirement Option Program (DROP)

Eligibility

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

Amount

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

Changes in Plan Provisions

Effective October 1, 2022, the maximum permissible DROP duration was extended from four to five years, subject to Public Safety officer age restrictions.

Retirees who were receiving a retirement benefit on or before June 30, 2022, and had a minimum of 20 years of creditable service are eligible to receive a one-time supplemental payment of $660 in their July 2023 pension.

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Statistical Section

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STATISTICAL SECTION

About the Statistical Section

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

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

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

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

Schedule of Average Benefit Payments presents the average monthly benefit paid as of June 30, 2023.

SCHEDULE OF ADDITIONS BY SOURCES 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
2023	$ 8,096	$ 31,417	15.72%	$ 8,717	$102,983	$151,213
2022	9,936	41,457	21.20	-	(134,727)	(83,334)
2021	10,367	40,698	20.30	119,554	270,352	440,971
2020	10,209	38,494	19.50	-	5,737	54,440
2019	10,009	37,079	18.98	-	55,313	102,401
2018	9,858	35,494	18.53	-	72,663	118,015
2017	9,450	33,457	17.79	-	111,228	154,135
2016	9,038	30,761	17.51	-	3,278	43,078
2015	4,915	34,932	21.44	-	16,596	56,443
2014	1,672	42,330	23.84	-	157,292	201,294

Schedule of Deductions by Type

Fiscal Year Ended June 30	Benefit Payments (Age and Service Benefits)	Benefit Payments (Disability Benefits)	Refund of Contributions	Lump Sum Death Benefits	Administrative Expenses	Total Deductions
2023	$ 99,276	$ 4,099	$ 4,410	$ 176	$ 1,005	$ 108,966
2022	94,764	4,001	2,924	336	848	102,873
2021	90,515	3,957	923	177	620	96,192
2020	89,014	3,844	920	220	600	94,598
2019	87,943	3,886	867	170	617	93,483
2018	80,575	3,878	1,229	251	764	86,697
2017	83,049	N/A	762	166	668	84,645
2016	80,553	N/A	305	231	672	81,761
2015	78,914	N/A	3	115	386	79,418
2014	76,785	N/A	4	276	413	77,478

Total Change in Net Position

Fiscal Year Ended June 30	Total Change in Net Position
2023	$ 42,247
2022	(186,206)
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

(Expressed in '000s)

Annual Allowances Scheduled to be Paid in Ensuing Fiscal Year

General

As of June 30	Service Retired Members	Contingent Annuitants	Disabled Annuitants	Total
2023	$47,136	$3,756	$2,660	$53,552
2022	46,618	3,772	2,641	53,031
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

Public Safety

As of June 30	Service Retired Members	Contingent Annuitants	Disabled Annuitants	Total
2023	$38,492	$3,654	$3,671	$45,817
2022	37,219	3,418	3,477	44,114
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*
2023	$85,628	$7,410	$6,331	$99,369
2022	83,837	7,190	6,118	97,145
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, 2023

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]	1,241													
$1-$300	278	138	4	0	46	5	0	68	14	3	106	5	114	0
$301-$600	514	229	6	0	95	28	0	114	38	4	196	6	205	2
$601-$900	373	106	4	0	73	28	1	106	54	1	125	4	166	0
$901-$1,200	322	52	1	1	58	21	7	123	57	2	109	6	144	1
$1,201-$1,500	285	36	5	0	39	8	15	119	62	1	97	2	141	0
$1,501-$1,800	216	14	1	0	9	11	13	102	65	1	99	3	103	0
$1,801-$2,100	222	7	0	0	10	7	8	148	42	0	91	2	118	1
$2,101-$2,400	169	3	1	0	7	2	4	119	33	0	67	1	93	0
$2,401-$2,700	156	2	0	0	2	4	1	129	18	0	57	1	96	0
$2,701-$3,000	113	1	0	0	1	2	2	98	9	0	52	0	60	0
Over $3,000	333	2	0	0	3	2	3	307	16	0	114	0	213	3
Totals	4,222	590	22	1	343	118	54	1,433	408	12	1,113	30	1,453	7

Public Safety

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]	463													
$1-$300	11	4	0	0	6	0	0	1	0	0	2	0	3	0
$301-$600	96	52	0	2	26	4	1	4	2	5	32	0	31	0
$601-$900	79	26	0	0	25	4	2	3	7	12	9	1	32	0
$901-$1,200	70	16	1	2	29	5	3	3	5	6	9	1	22	0
$1,201-$1,500	85	6	1	6	34	9	5	10	8	6	8	0	30	0
$1,501-$1,800	70	6	2	5	23	3	7	13	8	3	12	0	25	0
$1,801-$2,100	81	1	2	1	19	3	8	27	19	1	16	2	40	0
$2,101-$2,400	88	4	0	0	11	2	17	39	14	1	20	1	55	0
$2,401-$2,700	87	0	0	0	3	1	9	58	16	0	22	1	61	0
$2,701-$3,000	118	1	0	0	2	1	20	80	14	0	31	2	83	0
Over $3,000	650	1	0	0	5	1	28	584	31	0	163	6	475	1
Totals	1,898	117	6	16	183	33	100	822	124	34	324	14	857	1

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]	1,704													
$1-$300	289	142	4	0	52	5	0	69	14	3	108	5	117	0
$301-$600	610	281	6	2	121	32	1	118	40	9	228	6	236	2
$601-$900	452	132	4	0	98	32	3	109	61	13	134	5	198	0
$901-$1,200	392	68	2	3	87	26	10	126	62	8	118	7	166	1
$1,201-$1,500	370	42	6	6	73	17	20	129	70	7	105	2	171	0
$1,501-$1,800	286	20	3	5	32	14	20	115	73	4	111	3	128	0
$1,801-$2,100	303	8	2	1	29	10	16	175	61	1	107	4	158	1
$2,101-$2,400	257	7	1	0	18	4	21	158	47	1	87	2	148	0
$2,401-$2,700	243	2	0	0	5	5	10	187	34	0	79	2	157	0
$2,701-$3,000	231	2	0	0	3	3	22	178	23	0	83	2	143	0
Over $3,000	983	3	0	0	8	3	31	891	47	0	277	6	688	4
Totals	6,120	707	28	17	526	151	154	2,255	532	46	1,437	44	2,310	8

[1] Type of Retirement:

1 = Resigned
2 = Pre-Retirement Ordinary Death
3 = Pre-Retirement Accidental Deatl
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 108 participants currently in DROP and 13 vested participants on Leave of Absence.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AS OF JUNE 30, 2023 (CONTINUED)

General

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected[1]			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred[2]	1,241							
$1-$300	278	220	53	5	106	5	114	0
$301-$600	514	381	105	28	196	6	205	2
$601-$900	373	266	78	29	125	4	166	0
$901-$1,200	322	232	62	28	109	6	144	1
$1,201-$1,500	285	217	45	23	97	2	141	0
$1,501-$1,800	216	181	11	24	99	3	103	0
$1,801-$2,100	222	197	10	15	91	2	118	1
$2,101-$2,400	169	155	8	6	67	1	93	0
$2,401-$2,700	156	149	2	5	57	1	96	0
$2,701-$3,000	113	108	1	4	52	0	60	0
Over $3,000	333	325	3	5	114	0	213	3
Totals	4,222	2,431	378	172	1,113	30	1,453	7

Public Safety

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected[1]			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred[2]	463							
$1-$300	11	5	6	0	2	0	3	0
$301-$600	96	58	33	5	32	0	31	0
$601-$900	79	36	37	6	9	1	32	0
$901-$1,200	70	24	38	8	9	1	22	0
$1,201-$1,500	85	24	47	14	8	0	30	0
$1,501-$1,800	70	27	33	10	12	0	25	0
$1,801-$2,100	81	47	23	11	16	2	40	0
$2,101-$2,400	88	57	12	19	20	1	55	0
$2,401-$2,700	87	74	3	10	22	1	61	0
$2,701-$3,000	118	95	2	21	31	2	83	0
Over $3,000	650	616	5	29	163	6	475	1
Totals	1,898	1,063	239	133	324	14	857	1

Total

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected[1]			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred[2]	1,704							
$1-$300	289	225	59	5	108	5	117	0
$301-$600	610	439	138	33	228	6	236	2
$601-$900	452	302	115	35	134	5	198	0
$901-$1,200	392	256	100	36	118	7	166	1
$1,201-$1,500	370	241	92	37	105	2	171	0
$1,501-$1,800	286	208	44	34	111	3	128	0
$1,801-$2,100	303	244	33	26	107	4	158	1
$2,101-$2,400	257	212	20	25	87	2	148	0
$2,401-$2,700	243	223	5	15	79	2	157	0
$2,701-$3,000	231	203	3	25	83	2	143	0
Over $3,000	983	941	8	34	277	6	688	4
Totals	6,120	3,494	617	305	1,437	44	2,310	8

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

SCHEDULE OF AVERAGE BENEFITS PAYMENTS

(Excludes Beneficiaries)

General							
Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 2013 to June 30, 2014							
Average Monthly Benefit	$ 114	$ 345	$ 778	$ 1,135	$ 1,649	$ 1,899	$ 2,946
Average - Average Final Compensation	$ 39,457	$ 30,127	$ 37,923	$ 44,376	$ 49,961	$ 45,918	$ 54,633
Number of Active Retirees	7	24	24	16	8	22	43
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	$ 468	$ 742	$ 1,107	$ 2,195	$ 2,281	$ 2,870
Average - Average Final Compensation	$ 4,707	$ 36,332	$ 39,308	$ 39,931	$ 63,423	$ 59,285	$ 53,734
Number of Active Retirees	5	16	23	18	13	10	23
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$ 270	$ 617	$ 536	$ 980	$ 1,431	$ 2,088	$ 3,114
Average - Average Final Compensation	$ 43,399	$ 56,271	$ 31,864	$ 40,632	$ 45,813	$ 53,418	$ 59,279
Number of Active Retirees	3	12	23	16	8	11	36
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$ 559	$ 403	$ 831	$ 1,133	$ 1,597	$ 2,234	$ 2,728
Average - Average Final Compensation	$ 17,651	$ 38,331	$ 39,223	$ 42,149	$ 52,172	$ 56,091	$ 52,417
Number of Active Retirees	3	16	18	16	6	9	32
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$ 36	$ 562	$ 787	$ 992	$ 1,849	$ 2,236	$ 3,537
Average - Average Final Compensation	$ 14,108	$ 60,153	$ 42,143	$ 39,738	$ 57,821	$ 56,339	$ 67,144
Number of Active Retirees	1	19	25	11	22	12	39
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$ 221	$ 520	$ 741	$ 1,081	$ 1,851	$ 1,979	$ 3,370
Average - Average Final Compensation	$ 48,699	$ 50,763	$ 37,737	$ 43,432	$ 58,122	$ 49,232	$ 67,004
Number of Active Retirees	3	35	21	24	22	9	34
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$ 201	$ 489	$ 686	$ 1,103	$ 1,643	$ 1,978	$ 2,904
Average - Average Final Compensation	$ 29,325	$ 41,437	$ 33,667	$ 38,820	$ 48,025	$ 45,365	$ 52,497
Number of Active Retirees	2	25	22	22	15	4	39
July 1, 2021 to June 30, 2022							
Average Monthly Benefit	$ 27	$ 450	$ 972	$ 1,361	$ 1,647	$ 2,012	$ 2,792
Average - Average Final Compensation	$ 8,382	$ 41,988	$ 50,183	$ 54,838	$ 50,194	$ 52,365	$ 54,985
Number of Active Retirees	1	31	17	19	18	13	24
July 1, 2022 to June 30, 2023							
Average Monthly Benefit	$ 55	$ 492	$ 722	$ 1,540	$ 1,785	$ 2,538	$ 2,997
Average - Average Final Compensation	$ 10,753	$ 46,225	$ 39,273	$ 59,435	$ 53,396	$ 65,150	$ 61,189
Number of Active Retirees	1	35	36	18	11	12	17

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

SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

(Excludes Beneficiaries)

Public Safety

Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 2013 to June 30, 2014							
Average Monthly Benefit	$ 0	$ 460	$ 663	$ 1,684	$ 2,759	$ 3,500	$ 4,489
Average - Average Final Compensation	$ 0	$ 33,116	$ 34,047	$ 43,775	$ 55,911	$ 63,219	$ 79,759
Number of Active Retirees	0						
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						
July 1, 2015 to June 30, 2016							
Average Monthly Benefit	$ 0	$ 1,638	$ 1,386	$ 2,158	$ 2,380	$ 3,483	$ 3,752
Average - Average Final Compensation	$ 0	$ 93,640	$ 42,807	$ 50,251	$ 58,583	$ 64,995	$ 74,998
Number of Active Retirees	0	5	5	4	8	22	8
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$ 0	$ 449	$ 933	$ 833	$ 2,247	$ 4,034	$ 3,792
Average - Average Final Compensation	$ 0	$ 34,298	$ 39,850	$ 25,000	$ 61,041	$ 73,441	$ 72,268
Number of Active Retirees	0	2	4	1	5	8	11
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$ 0	$ 504	$ 1,522	$ 1,682	$ 2,915	$ 3,560	$ 3,984
Average - Average Final Compensation	$ 0	$ 40,922	$ 43,357	$ 50,162	$ 64,961	$ 67,427	$ 70,961
Number of Active Retirees	0	1	6	4	7	9	2
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$ 0	$ 534	$ 870	$ 1,921	$ 2,895	$ 3,756	$ 4,729
Average - Average Final Compensation	$ 0	$ 39,414	$ 39,061	$ 53,009	$ 62,796	$ 69,505	$ 85,492
Number of Active Retirees	0	2	5	5	9	14	6
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$ 0	$ 426	$ 1,271	$ 1,932	$ 3,341	$ 4,081	$ 6,394
Average - Average Final Compensation	$ 0	$ 39,280	$ 43,066	$ 56,148	$ 69,926	$ 75,795	$ 114,716
Number of Active Retirees	0	3	5	3	13	8	3
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$ 0	$ 501	$ 994	$ 2,608	$ 3,056	$ 3,814	$ 4,512
Average - Average Final Compensation	$ 0	$ 36,247	$ 41,261	$ 72,906	$ 69,105	$ 71,882	$ 83,225
Number of Active Retirees	0	5	4	3	11	14	5
July 1, 2021 to June 30, 2022							
Average Monthly Benefit	$ 0	$ 1,025	$ 1,271	$ 1,607	$ 3,257	$ 3,816	$ 10,155
Average - Average Final Compensation	$ 0	$ 35,759	$ 50,245	$ 49,823	$ 71,212	$ 71,512	$ 182,768
Number of Active Retirees	0	4	9	2	7	30	1
July 1, 2022 to June 30, 2023							
Average Monthly Benefit	$ 0	$ 1,040	$ 1,334	$ 2,326	$ 3,285	$ 3,983	$ 4,038
Average - Average Final Compensation	$ 0	$ 40,713	$ 42,773	$ 62,803	$ 75,584	$ 74,135	$ 73,249
Number of Active Retirees	0	6	8	11	9	12	3

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

SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

(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, 2013 to June 30, 2014							
Average Monthly Benefit	$ 114	$ 349	$ 758	$ 1,196	$ 2,076	$ 2,681	$ 3,237
Average - Average Final Compensation	$ 39,457	$ 30,246	$ 37,255	$ 44,309	$ 52,249	$ 54,368	$ 59,374
Number of Active Retirees	7	25	29	181	13	43	53
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	$ 747	$ 857	$ 1,298	$ 2,266	$ 3,108	$ 3,098
Average - Average Final Compensation	$ 47,027	$ 49,976	$ 39,933	$ 41,807	$ 61,579	$ 63,211	$ 59,222
Number of Active Retirees	5	21	28	22	21	32	31
July 1, 2016 to June 30, 2017							
Average Monthly Benefit	$ 270	$ 593	$ 595	$ 971	$ 1,745	$ 2,908	$ 3,273
Average - Average Final Compensation	$ 43,399	$ 53,132	$ 33,048	$ 39,713	$ 51,670	$ 61,849	$ 62,319
Number of Active Retirees	3	14	27	17	13	19	47
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	$ 559	$ 409	$ 1,004	$ 1,243	$ 2,306	$ 2,897	$ 2,801
Average - Average Final Compensation	$ 17,651	$ 38,483	$ 40,257	$ 43,752	$ 59,059	$ 61,759	$ 53,508
Number of Active Retirees	3	17	24	20	13	18	34
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	$ 36	$ 560	$ 801	$ 1,282	$ 2,153	$ 3,055	$ 3,696
Average - Average Final Compensation	$ 14,108	$ 58,178	$ 41,629	$ 43,885	$ 59,265	$ 63,428	$ 69,591
Number of Active Retirees	1	21	30	16	31	26	45
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	$ 221	$ 512	$ 843	$ 1,176	$ 2,404	$ 2,968	$ 3,615
Average - Average Final Compensation	$ 48,699	$ 49,856	$ 38,762	$ 44,845	$ 62,506	$ 61,732	$ 70,872
Number of Active Retirees	3	38	26	27	35	17	37
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	$ 201	$ 491	$ 734	$ 1,284	$ 2,241	$ 3,406	$ 3,086
Average - Average Final Compensation	$ 29,325	$ 40,572	$ 34,836	$ 42,910	$ 56,944	$ 65,989	$ 55,989
Number of Active Retirees	2	30	26	25	26	18	44
July 1, 2021 to June 30, 2022							
Average Monthly Benefit	$ 27	$ 515	$ 1,075	$ 1,384	$ 2,098	$ 3,271	$ 3,087
Average - Average Final Compensation	$ 8,382	$ 41,276	$ 50,204	$ 54,360	$ 56,079	$ 65,723	$ 60,097
Number of Active Retirees	1	35	26	21	25	43	25
July 1, 2022 to June 30, 2023							
Average Monthly Benefit	$ 55	$ 573	$ 833	$ 1,838	$ 2,460	$ 3,261	$ 3,153
Average - Average Final Compensation	$ 10,753	$ 45,418	$ 39,910	$ 60,713	$ 63,381	$ 69,643	$ 62,998
Number of Active Retirees	1	41	44	29	20	24	20

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

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6

Compliance Section

THE CITY OF NORFOLK FINANCE

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Employees' Retirement System of the City of Norfolk (the System), a fiduciary fund of the City of Noroflk, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Arlington, Virginia
November 16, 2023

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A Publication of the City of Norfolk, Virginia