

## Statement of Governance

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

### Key Takeaways

- Good governance is critically important to assuring that a retirement system is operating smoothly and adhering to standards that protect the best interests of its members, retirees and beneficiaries, as well as employers and taxpayers.
- Good governance helps balance the complex needs of various stakeholder groups, as well as oversees significant trustee, administrative, and investment functions.
- The NERS Board of Trustees ensures the System is efficient, effective, financially sound and transparent by creating a foundation of good governance through policy, processes and planning.
- NERS regulations, policies and financial reporting are available and communicated to all stakeholders via publicly held meetings, the City of Norfolk's website and the NERS' website.

### **Finance Retirement Office**

#### Key Areas:

- Retirement Plan Summary
- Board of Trustees
- City Code Chapter 37

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## **Good Governance is Fundamental**

**Audience:** Norfolk Employees' Retirement System (NERS) Members

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

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



The NERS "Know 2 Ask" series provides basic information needed to empower you to ask important retirement-related questions. Knowing who and what to ask is key.

## **What is Good Governance?**

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

The City of Norfolk Employees' Retirement System's (NERS or the System) Board of Trustees (Board), staff and the City of Norfolk demonstrate the importance of good governance by adopting and implementing policies and procedures that identify controls and goals that ensure the System is focused on achieving sound financial stability, process efficiency, compliance and transparency in all aspects of the Systems.

## **Best Practices of Good Governance**

There is a strong link between the performance of the NERS Pension Trust Fund and adhering to specific best practices, including the following categories:

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

**Board Practices** The Board engages in the following best practices to ensure strong risk oversight and positive plan performance:

- Conducting annual actuarial valuations and periodic experience studies to inform the City of Norfolk and the Board of the System's future financial needs; and
- Engaging an Outsourced Chief Investment Officer (OCIO) to assist with the review of asset allocation studies to evaluate, establish and rebalance asset allocations to meet future financial needs.

**Board Policies** Several policies designed to achieve the goals of the NERS have been adopted by the Board, such as the:

- Board of Trustees Code of Ethics and Conduct
- Board of Trustees Governance Manual; and
- Statement of Investment Policy.

**Risk Oversight** Risk management of the NERS includes policies and assessments that ensure accountability and identification of potential reporting concerns through:

- Independent external financial audits;
- Independent internal financial audits; and
- Actuarial review and oversight.

**Strategic Planning** Strategic planning is the hallmark of successful pension plans, and provides the System a mechanism to map out long-term goals along with implementation steps necessary to achieve them.

**Reporting: Key Performance and Risk Measures** Certain metrics are reviewed periodically and reported to the Board on a bi-monthly basis:

- The funded ratio of the System, as measured by the comparison of the fund assets to the fund liabilities.
- Net annualized return on investments compared to the assumed rate of return, asset allocation benchmarks, and the System's performance compared to similar pension systems.
- Net assets available for monthly benefits and expenditures, in addition to asset changes as reported in the annual audit.

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

## **Why is Good Governance Important?**

Making and implementing good decisions are essential for successful retirement plans. Good governance practices are important to:

**Preserve and Strengthen Stakeholder Confidence** A supportive stakeholder base can generate benefits for the NERS through social and emotional support, intangible but very valuable attributes that all organizations should strive to achieve and sustain.

**Provide the Foundation for a High-Performing Organization** The achievement of goals and sustainable success requires input and support from all levels of an organization. The Board, through good governance practices, provides the framework for planning, implementation, and monitoring of the System's performance. Achievement of the best performance and results possible, within existing capacity and capabilities, is the NERS' on-going goal. Good governance should support management and staff to be "the best they can be".

**Ensure the organization is well placed to respond to a changing external environment.**