

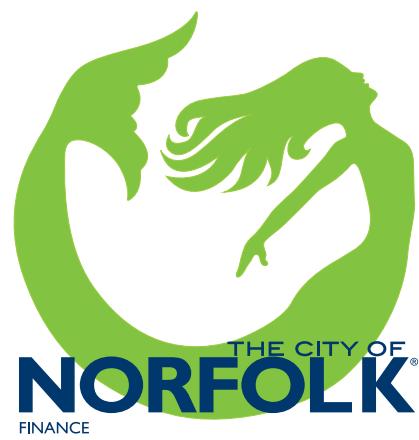
# Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED  
**JUNE 30, 2024**



THE CITY OF  
**NORFOLK**  
NORFOLK EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the City of Norfolk, VA



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# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Fiscal Year Ended**

**June 30, 2024**

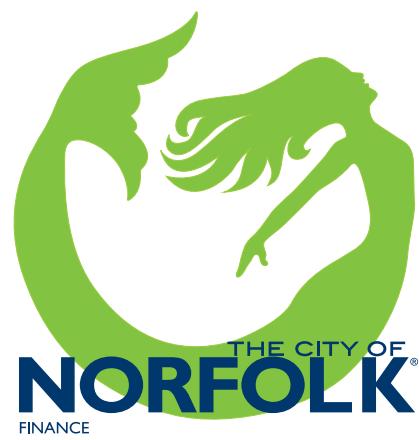
**Prepared by:**

**Norfolk Employees' Retirement System**

**A Component Unit of the City of Norfolk**

**Penny DeLosh**

**Executive Director of Retirement**



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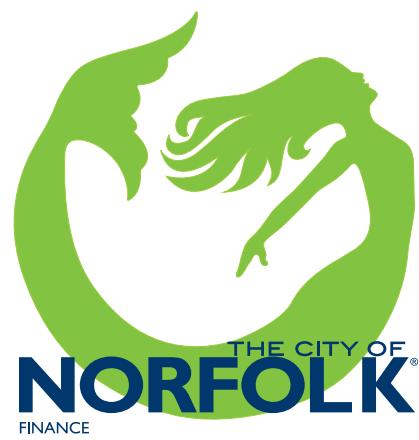
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# Introductory Section (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



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September 30, 2024

## 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 we present the Annual Comprehensive Financial Report (ACFR) for the Employees' Retirement System of the City of Norfolk (the System or Plan) for the Fiscal Year ended June 30, 2024, which reflects our ongoing commitment to timely and transparent reporting of our operations. The System is a Component Unit Pension Trust Fund, included in the financial statements of the City of Norfolk, Virginia.

This report is intended to provide complete and reliable information for use in making management decisions and evaluating responsible stewardship of the Systems' funds. 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 NERS Board of Trustees' (the Board or Trustees) oversight.

The System's 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).

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 Fiscal Year ended June 30, 2024 (see page 23). This Letter of Transmittal complements the MD&A and should be read in conjunction with it.

### System History

The System operates a defined benefit pension plan that was established by City of Norfolk, Virginia (City) ordinance, as contained in 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, prescribes the authority under which the City'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.

The System is a single-employer contributory defined benefit plan that covers employees of the City, excluding Constitutional Officers, School Board employees and employees hired or rehired on or after January 1, 2022, who are covered by the Virginia Retirement System (VRS). 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. Although the System presents separate financial statements, it is also included as a Component Unit Pension Trust Fund, fiduciary fund type, in the City's ACFR.

The City continues to foster a culture of diversity, inclusion, cultural competency, continual learning, innovation, and idea sharing. The NERS team supports our members both in-person and through an online presence, providing services and guidance. Members have adapted to virtual training webinars, online estimate tools, and the ability to book appointments online. Additionally, the System's website has been updated to make it easier to find answers, forms and tools for retirement planning.

This fiscal year, we promoted employee awareness of the importance of financial wellness, deferred compensation retirement savings, and launched the first Retirement Benefit Verification campaign. This campaign focuses on ensuring the accuracy of retirees' and beneficiaries' personal information and confirming the receipt of their monthly retirement-related benefits. The NERS has streamlined processes where possible and remained adaptable to the ever-changing landscape.

Looking ahead, we are committed to strengthening the organization to better support both public and customer service. Our guiding principles emphasize the interests of our members, the financial stability of the System, prudent investment of retirement funds, and maintaining the highest ethical standards as public servants.

## **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 five 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 1.55 percent during the Fiscal Year ended June 30, 2024.

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 annual estimated retirement benefit statements to actively employed NERS members, as well as facilitates an extensive educational outreach program. An online NERS Benefit Estimator tool is also available on the City's website where active NERS members can model their individual retirement benefit and estimate the amount of their retirement benefit at different dates in the future. 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](mailto:retirement@norfolk.gov) or via the City of Norfolk retirement website at [www.norfolk.gov/retirement](http://www.norfolk.gov/retirement).

## **Accounting System and Internal Control**

This ACFR has been prepared to conform to the principles of accounting and reporting established by the GASB. The basic financial statements are presented in accordance with guidelines established by GASB Statement No. 67, Financial Reporting for Pension Plans, and other authoritative accounting criteria. Specific accounting policies are detailed in the "Notes to the Financial Statements."

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. System management is responsible for establishing and maintaining an internal control structure designed to protect the assets of the retirement system from loss, theft or misuse and to provide reliable accounting data to support the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits and the valuation of costs and benefits requires estimates and judgments by the management of the System. 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.

Responsibility for the accuracy of the data and the fairness and completeness of its presentation, including all disclosures, rests with the management of the System and finance reporting staff. To the best of our knowledge, the enclosed information is accurate in all material respects and provides a fair representation of the financial position and results of operations of the System. The Fiscal Year 2024 financial statements have been audited by CliftonLarsonAllen LLP (CLA), certified public accountants, in conjunction with the City's annual audit. CLA issued an unmodified ("clean") opinion on the System's financial statements for the Fiscal Year ended June 30, 2024. The independent auditors' report is located on pages 19 through 22.

### **Funded Status and Net Pension Liability**

The intent of public pension funding is to provide a dependable and systematic process for financing the benefits that the retirement system provides. The System's funding objective is to meet long-term benefit payments through investment returns on Pension Trust Fund assets and annual employer and employee contributions. Measurement of the funding status indicates how well that goal is being met.

There are two standard indicators of funding status: the funding ratio and the existence of an unfunded liability. Both measure the benefit obligations, or liabilities, of a plan against its assets. If the funding level is adequate, the ratio of total accumulated assets to total liabilities will be larger and more funds will be available for investment purposes. An adequate funding level provides members with assurance that there are sufficient assets available for the payment of current and future member benefits.

An annual actuarial valuation of the System by the System's actuary, Cheiron, provides information for both the actuarially determined contributions (ADC), as well as the actuarially determined total pension liability. The actuarial valuation used for this ACFR was completed with payroll data as of June 30, 2024. As of June 30, 2024, the System's actuarial funded ratio was 85.1 percent, an increase from 84.5 percent as of June 30, 2023. This funded ratio does not include any market movements since June 30, 2024. Additional information is included in the Actuarial Section of this ACFR. The System's next planned valuation will reflect market conditions through June 30, 2025.

The financial markets performed better than expected during the Fiscal Year ended June 30, 2024. The actual return on a fair value basis was approximately 9.95 percent. 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 6.43 percent compared with an assumed rate of return of 6.75 percent. The System's liabilities decreased by \$1.26 million, primarily due to a decrease in contributions refundable at year end.

This ACFR illustrates the City's commitment to provide a financially sound retirement plan for its employees. See page 79 for the Schedule of Funding Progress over the last ten (10) fiscal years. "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 ADC of the employer and the contributions made by the employer in relation to the ADC.

### **Section 115 Pension Trust Fund**

The utilization of funds from the Section 115 Pension Trust Fund, established in June 2021 from the issuance of City of Norfolk General Obligation Bonds for the benefit of the NERS, to provide the City long-term budgetary flexibility continued in Fiscal Year 2024. Contributions to the System from the Section 115 Pension Trust Fund are projected to continue at approximately \$8.7 million annually over a multi-year span until the assets of the Section 115 Pension Trust Fund are depleted.

As of June 30, 2024, the Section 115 Pension Trust Fund held \$70.7 million in assets. Had this entire amount been contributed on June 30, 2024, and recognized as part of the System's assets, the System's funded ratio would be 89.7 percent on an actuarial value basis compared to 85.1 percent.

### **Investment Program**

In accordance with City of Norfolk Code Section 37-96, the Board of Trustees (the Board or Trustees) manages the pension portfolio to maximize return at a prudent level of risk.

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

The Board formally amended and adopted a Statement of Investment Policy on March 6, 2024, 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 Board establishes asset allocation targets that constitute the Board's view of a prudent and well-reasoned approach to the management of the entrusted funds. The independent Outsourced Chief Investment Officer (OCIO), Meketa Investment Group, monitors, evaluates and reports the performance of the investment managers and the aggregated total plan investment portfolio to the Board on a monthly basis. At any given time, the asset mix might deviate from the Board established target; deviations greater than predetermined acceptable levels require rebalancing. The goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes. Most pension funds are invested in a diversified pool of investments. The System has an asset allocation target of 52 percent Global Equities and 5 percent Private Equity (57% Growth Assets); 4 percent High Yield Bonds and Bank Loans (4% Credit); 8 percent Real Estate, 5 percent Natural Resources and Infrastructure, 3 percent Gold and 5 percent Short-Term TIPS (21% Inflation Hedges); in addition to 14 percent Investment Grade Fixed Income and 4 percent Hedge Funds (18% Risk Mitigation).

For Fiscal Year 2024, the investments provided a 10.11 percent one year time-weighted rate of return. The annualized rate of return was 2.5 percent over the past three years and 6.4 percent over the past five years. A listing of investment professionals who provide services to the Board is available beginning

on page 12. The Schedule of Investment Management Fees and Commissions is available beginning on page 64. Additional investment information is included in the Investment Section of this ACFR.

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 with the guidance of the OCIO. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, assisting in the selection of 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 and OCIO 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.

### **Professional Services**

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 12. A certification letter from the actuary, Cheiron, is also included as part of this ACFR on pages 67 through 69. 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.

### **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 of the City of Norfolk for its ACFR for the Fiscal Year ended June 30, 2023. This was the nineteenth 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 Fiscal Year ended June 30, 2023. This was the fourth 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 the NERS' commitment to excellence in financial reporting.

To receive a Certificate, a financial report must be easily readable, efficiently organized, and satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility.

### **Acknowledgements**

The compilation of this report reflects the combined effort of the System's and Financial Reporting staff under the leadership of the Director of Finance, serving the Board of Trustees.

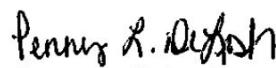
The reliability of monthly benefit payments is paramount to our retired members. The System also provides estimates of what working members can expect to receive in retirement, retirement information and account balances to those entering the Deferred Retirement Option Program, account balances of what has been paid in contributions during employment and tax documents for payments received and

taxes withheld, just to name a few services. But the System does not operate on its own. Having team members dedicated to the best outcome for our customers is at the heart of our service delivery and therefore 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,



Christine Garczynski  
Director of Finance



Penny L. DeLosh  
Executive Director of Retirement

## 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.

#### **Yvonne T. Allmond**

Chair

Appointed October 30, 2007

#### **Daryl N. Howard**

Member Represents City Public Safety Employees

Appointed January 29, 2019

#### **Elizabeth (Liz) A. Delude**

Vice-Chair

Appointed November 24, 2020

#### **James (Jim) J. Izard, II**

Member

Appointed June 11, 2019

#### **John R.E. Garris**

Member

Appointed September 12, 2023

#### **Mark R. Warden**

Member

Appointed April 9, 2024

#### **Lashawnda W. Hall**

Member Represents City General Employees

Appointed January 1, 2023

#### **Christine A. Garczynski**

Ex-officio Trustee as the Director of Finance

Appointed by virtue of position with the City

#### **Jean G. Hopkins**

Member/Citizen represents the NERS

Appointed January 1, 2024

#### **Catheryn R. Whitesell**

Ex-officio Trustee represents the City Manager

Appointed by virtue of position with the City

## Consultants and Professionals

### Legal Advisor

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

### Medical Examiners

Dr. Anthony C. Cetrone

### Actuary

Cheiron  
McLean, VA

### Custodian

State Street Bank and Trust  
Kansas City, MO

### Outsourced Chief Investment Officer (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

DF Dent & Co.  
Baltimore, MD

J. Stern & Co.  
London, UK

**Fixed Income**

State Street Global Advisors  
Boston, MA

Wellington Management  
Boston, MA

Brigade Capital Management  
New York, NY

Brandywine Global Investment Management  
Philadelphia, PA

The Vanguard Group  
Malvern, PA

**Real Estate**

J.P. Morgan Chase Bank  
New York, NY

UBS Trumbull  
Hartford, CT

**Natural Resources, Gold, and Infrastructure**

State Street Global Advisors  
Boston, MA

State Street Global Advisors  
Boston, MA

J.P. Morgan Chase Bank  
New York, NY

**Hedge Funds**

36 South Capital Advisors  
London, UK

BH-DG Systematic Trading  
London, UK

Sculpton Capital Management  
New York, NY

AlpStone Capital (Suisse) SA  
Geneva, Switzerland

Lombard Odier Asset Management  
New York, NY

**Private Equity**

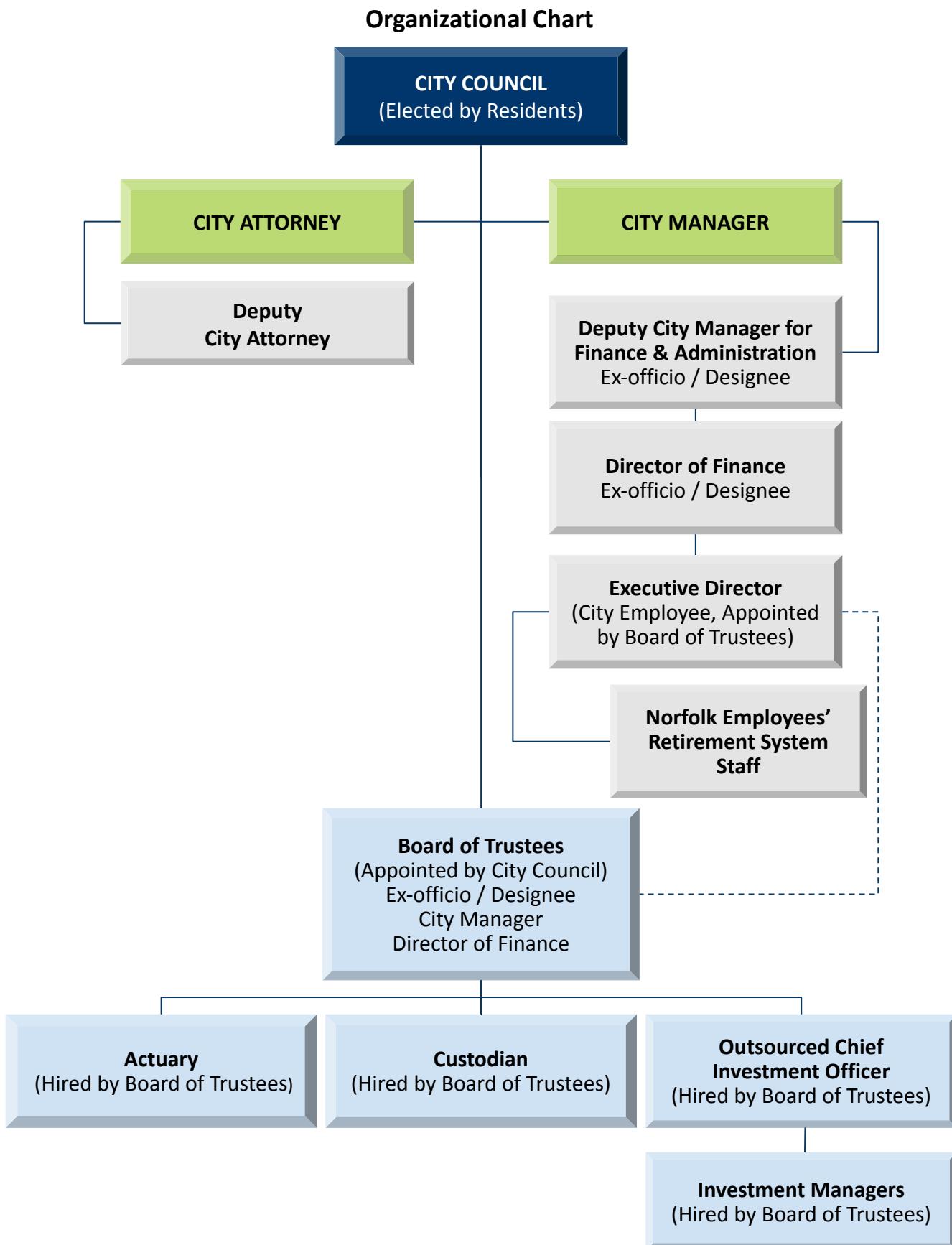
NexPhase Capital  
New York, NY

Vitruvian Partners  
London, UK

Lexington Partners  
New York, NY

Flagship Pioneering  
Cambridge, MA

Gauge Capital  
Southland, TX





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, 2023

*Christopher P. Morrell*

Executive Director/CEO



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
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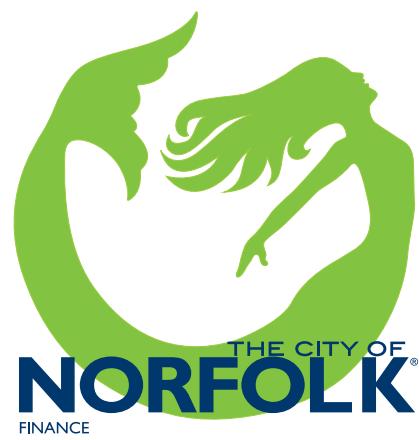
*Christopher P. Morrell*

Executive Director/CEO

# Financial Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM





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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 component unit of the City of Norfolk, as of and for the year ended June 30, 2024, 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, 2024, 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.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://CLAGlobal.com/disclaimer)

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

***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.

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

### ***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 does 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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, 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  
September 25, 2024

## Management's Discussion and Analysis (Unaudited)

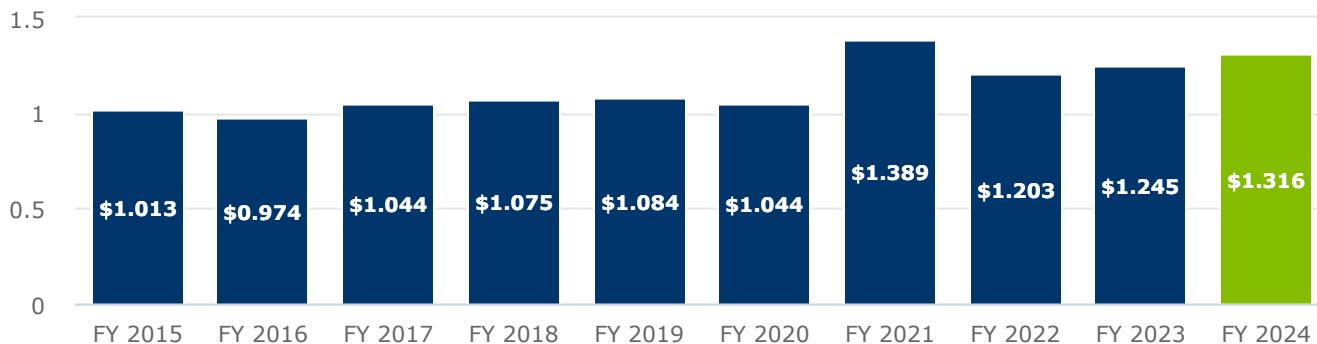
Our discussion and analysis of the financial performance of the System provides an overview and comparison of financial activities for the Fiscal Years ended June 30, 2024, and 2023. Please read Management's Discussion and Analysis in conjunction with the basic financial statements and the related notes thereto, which follows this discussion.

### Financial Highlights

- System assets exceeded liabilities at the close of Fiscal Years 2024 and 2023 by \$1.316 billion and \$1.245 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 85.1 percent and 84.5 percent, for June 30, 2024, and June 30, 2023, respectively. The fair value net position as a percentage of the total pension liability was 84.6 percent and 81.3 percent, for Fiscal Year 2024, and Fiscal Year 2023, 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, 2024, the Section 115 Pension Trust Fund held \$70.7 million in assets. If the entire Trust balance had been contributed on June 30, 2024, and recognized as part of the System's assets, the System would be 89.7 percent funded based on the Actuarial Value of Assets and 89.2 percent funded based on the Fair Value of Assets.
- Total additions increased over the prior year by \$22.89 million to \$174.10 million, or approximately 15.1 percent. The increase was primarily due to the investment income increase over the prior year by \$20.21 million to \$123.19 million, or approximately 19.6 percent.
- Total deductions decreased over the prior year by \$5.68 million to \$103.29 million or approximately 5.2 percent. The decrease primarily reflects a decline over the prior year in the refunds of contributions by \$3.48 million to \$0.94 million or approximately 78.8 percent due to the decrease in the number of non-vested members resulting from the closure of NERS.

#### 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, 2024, and 2023**  
 (Expressed in '000s)

	FY 2024	FY 2023	Percentage Change
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,527	\$ 4,369	-42.2%
Receivables	559	587	-4.8%
Investments	1,316,627	1,245,205	5.7%
<b>Total Assets</b>	<b>1,319,713</b>	<b>1,250,161</b>	<b>5.6%</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	3,994	5,251	-23.9%
<b>Total Liabilities</b>	<b>3,994</b>	<b>5,251</b>	<b>-23.9%</b>
<b>Plan Net Position Restricted for Pensions</b>	<b>\$ 1,315,719</b>	<b>\$ 1,244,910</b>	<b>5.7%</b>

## Analysis of Financial Activities

Total assets as of June 30, 2024, and 2023, were \$1.32 billion and \$1.25 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. Total assets increase of \$69.55 million or 5.6 percent for Fiscal Year 2024, as a result of increase in the investments.

Total liabilities as of June 30, 2024, and 2023, were \$3.99 million and \$5.25 million, respectively, and were comprised of accounts payable and accrued expenses. Total liabilities decreased by \$1.26 million or 23.9 percent for Fiscal Year 2024, primarily due to a decrease in contributions refundable at year end.

System assets exceeded liabilities at the close of Fiscal Years 2024 and 2023 by \$1.32 billion and \$1.24 billion, respectively. In Fiscal Year 2024, plan net position restricted for pensions increased by \$70.81 million or 5.7 percent from the previous year. The increase is due to an increase in investment income that more than offsets the decreased deductions, resulting from the decrease in refunds of contributions to non-vested members due to the closure of the System.

**Employees' Retirement System of the City of Norfolk  
Summary of Changes in Plan Fiduciary Net Position  
For the Fiscal Years Ended June 30, 2024, and 2023**  
(Expressed in '000s)

	FY 2024	FY 2023	Percentage Change
<b>ADDITIONS</b>			
Investment Income (Loss), net	\$ 123,193	\$ 102,983	19.6%
Employer Contributions*	42,319	40,134	5.4%
Employee Contributions	8,036	7,601	5.7%
Other Income	551	495	11.3%
<b>Total Additions</b>	<b>174,099</b>	<b>151,213</b>	<b>15.1%</b>
<b>DEDUCTIONS</b>			
Benefit Payments	101,407	103,551	-2.1%
Refunds of Contributions	935	4,410	-78.8%
Administrative Expenses	948	1,005	-5.7%
<b>Total Deductions</b>	<b>103,290</b>	<b>108,966</b>	<b>-5.2%</b>
<b>Net Increase/(Decrease)</b>	<b>70,809</b>	<b>42,247</b>	<b>67.6%</b>
<b>Plan Net Position Restricted for Pensions</b>			
<b>Beginning of the Year</b>	<b>1,244,910</b>	<b>1,202,663</b>	
<b>End of the Year</b>	<b>\$ 1,315,719</b>	<b>\$ 1,244,910</b>	<b>5.7%</b>

\*Includes \$8.7 million contributions 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 2024 and 2023 totaled \$174.10 million and \$151.21 million, respectively.

Additions increased for Fiscal Year 2024 by \$22.89 million from the prior year, due primarily to increase in investment income. The actual return on a fair value basis was approximately 9.95 percent. On an actuarial value basis, the assets returned 6.43 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, in addition to the cost of administering the System. Total deductions for Fiscal Year 2024 were \$103.29 million, a decrease of 5.2 percent over Fiscal Year 2023 deductions.

Pension benefit payments decreased by \$2.14 million in Fiscal Year 2024 or 2.1 percent, from the previous fiscal year. The decrease in pension benefits payments is attributed to the decrease 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 77 for details on changes to the beneficiary population. Refunds of Contributions decreased by \$3.48 million in Fiscal Year 2024 or 78.8 percent, from the previous fiscal year due to the decrease in the number of non-vested members resulting from the closure of the System. Administrative expenses for the Fiscal Years ended June 30, 2024 and 2023 were \$0.95 million and \$1.01 million, 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 as the funded ratio, increased in Fiscal Year 2024 compared to Fiscal Year 2023. The System's funded ratio on an actuarial value of assets over liabilities was 85.1 percent and 84.5 percent as of June 30, 2024 and 2023, 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, 2024, the Trust held \$70.7 million in assets. Had this entire amount been contributed on June 30, 2024, and recognized as part of System's assets, the System's funded ratios would be 89.7 percent on an actuarial value basis compared to the 85.1 percent that does not include the Section 115 Pension Trust Fund assets.

## Current Economic Condition

### Fiscal 2024 Year

As it turned out, Fiscal Year 2024 began right around the same time as the Federal Reserve (the Fed) last increased interest rates in the battle against the pandemic-induced inflation. Where we stand today, following the end of Fiscal Year 2024, we could be close to the first interest rate cut in this cycle. It has been a year that, despite numerous predictions to the contrary, economic growth remained positive, inflation has leveled out or declined, depending on the measure, and the labor market has remained relatively strong despite some recent softening.

The last increase in the Federal Funds rate was in July of 2023, to a range of 5.25% - 5.5%. At the time, given the Fed's hawkish comments and above expectations economic data, investors started to recognize that rates could stay higher for longer, with no forthcoming interest rate cut. Combined with a downgrade in U.S. debt and weakening economic data out of Europe and China, equity markets began to decline. Of the major asset classes, the U.S. equity market (Russell 3000) fell by 3.3% in the first quarter of Fiscal 2024. Outside the U.S., developed markets (MSCI EAFE) lost 4.1% and emerging market equities (MSCI Emerging Markets) were down 2.9%. Within emerging markets, Chinese equities (MSCI China) were down 1.9% in the first quarter of Fiscal 2024.

Treasury rates continued to drift upward in the first quarter of Fiscal Year 2024 with rates on longer-dated maturities increasing the most, driving a flattening of the yield curve. The two-year Treasury rose slightly from 4.9% to 5.1% while the ten-year Treasury increased from 3.8% to 4.6%. Higher rates resulted in negative returns for investment grade bonds. The broad U.S. investment grade bond market (Bloomberg U.S. Aggregate) fell 3.2%. Returns for High Yield bonds (Bloomberg High Yield) remained robust on few signs of distress and increased by 0.5% over the period.

As the second quarter of Fiscal 2024, began, futures markets were still pricing in the small chance of an additional rate hike in the cycle, with two to three potential rate decreases in 2024. Markets continued searching for overall direction though, on the path of inflation, growth, and interest rates both in the U.S. and abroad. As the quarter progressed, economic data started to come in below expectations and optimism built that major central banks could start cutting rates in 2024. This shift in sentiment rekindled the broad risk-on environment experienced earlier in calendar year 2023.

Among equity asset classes, the U.S. equity market (Russell 3000) returned an impressive 12.1% in the second quarter of Fiscal 2024. Outside the U.S., developed markets (MSCI EAFE) increased by 10.4% in the second quarter of Fiscal 2024, with more than half the gains coming from a depreciating U.S. dollar. Emerging market equities (MSCI Emerging Markets) were up 7.9% over the same period. Within emerging markets, Chinese equities (MSCI China) were down 4.2%, despite the enthusiasm around the globe.

Following a softening in inflation and expectations of lower policy rates, interest rates fell significantly in the second quarter of Fiscal 2024, resulting in positive returns for investment grade asset classes. The two-year Treasury fell from 5.1% to 4.3% while the ten-year Treasury declined from 4.6% to 3.9%. The broad U.S. investment grade bond market (Bloomberg U.S. Aggregate) was up 6.8%, the strongest quarterly performance on record for that benchmark. Returns for high yield bonds (Bloomberg High Yield) continued the positive trend and increased by 7.2% over the second quarter of Fiscal 2024.

The third quarter of Fiscal 2024, began with the same optimism from the end of the previous quarter that inflation was in decline and that interest rate cuts would be forthcoming. However, as we moved forward it was likely that the resilient economic data that was driving global equities higher was also pushing out

the timing of the expected first Fed rate cut, weighing on bonds. At that time major central banks had largely paused interest rate hikes with expectations that many would eventually cut rates. The uneven pace of falling inflation and economic growth across countries led to speculation that the pace of rate cuts could vary between central banks.

Inflation pressures had significantly eased in most countries from their pandemic peaks, but levels were still above most central bank targets with questions about how inflation would track going forward. Headline inflation in the U.S. rose in March 2024, (3.2% to 3.5%) by more than expected, while core inflation was unchanged (3.8%) when it was predicted to decline to 3.7%.<sup>1</sup>

Among equity asset classes, U.S. markets (Russell 3000 Index) rose 10.0% in the third quarter of Fiscal 2024. The technology sector continued to perform well, with energy likely gaining on geopolitical tensions. Non-U.S. developed equity markets (MSCI EAFE) increased 5.8% in the quarter, helped by Japanese equities which hit multi-decade highs. A strengthening U.S. dollar drove the weaker relative results for U.S. investors with returns in local currency terms (MSCI EAFE Local) 4.2% higher (10.0% versus 5.8%) over the third quarter of Fiscal 2024.

During the third quarter of Fiscal 2024, emerging market equities (MSCI Emerging Markets) had the weakest equity returns (+2.4%), depressed by China (MSCI China) at -2.2%. Slowing economic growth, lingering issues in the property sector, and efforts by the U.S. to discourage investments in China all weighed on results. The stronger dollar also hurt performance in emerging markets for U.S. investors with returns in local currency terms (MSCI Emerging Markets Local) 2.1% higher (4.5%) during the same quarter.

Higher inflation and rising interest rates weighed on bonds with the broad U.S. bond market (Bloomberg Aggregate) returning -0.8% for the third quarter of Fiscal 2024. High Yield Bonds (Barclays High Yield) remained positive, up 1.5% for the same quarter, as risk appetite remained strong and all-in yields attractive.

The final quarter of Fiscal 2024, began with investors recognizing that interest rates may have to stay higher for longer given resilient economic data. Stronger than expected inflation and employment data in the U.S. weighed on both stocks and bonds in April. However, by May and June, sentiment changed as the Fed confirmed it was unlikely they would increase interest rates and economic data started largely coming in below expectations. Headline year-over-year inflation in the U.S. fell 0.5% over the quarter to 3.0% with several readings coming in below expectations. Core CPI also fell 0.5% in the quarter finishing at 3.3%.<sup>1</sup> Outside the U.S., inflation readings continued to decline in many developed markets, enough so that central banks in Canada, Sweden, Switzerland, and the European Union (EU) all cut interest rates in the final quarter of Fiscal 2024.<sup>2</sup>

Among equity asset classes, U.S. markets (Russell 3000 Index) rose 3.2% in the fourth quarter of Fiscal 2024. Large capitalization technology companies again performed well driven by continued excitement over artificial intelligence (AI). Enthusiasm surrounding artificial intelligence also benefited utilities, although to a lesser extent, with the market recognizing the massive computing power and energy needed to incorporate these technologies into many facets of everyday life. Non-U.S. developed equity markets (MSCI EAFE) decreased 0.4% in the final quarter of Fiscal 2024. A strengthening U.S. dollar drove the weaker relative results for U.S. investors with returns in local currency terms (MSCI EAFE Local) 1.4% higher (+1.0% versus -0.4%). Emerging market equities had the best returns in the final quarter of Fiscal 2024, with the MSCI Emerging Markets Index returning +5.0%, partially attributed to China (MSCI China) at +7.1%.

Rising interest rates weighed on bonds with income balancing capital losses. The broad U.S. bond market (Bloomberg Aggregate) returned 0.1% for the final quarter of Fiscal 2024. High Yield Bonds (Barclays High Yield) remained positive, up 1.1% for the quarter.

Somewhat surprisingly for many, the 2024 fiscal year saw continued high policy rates with many economies avoiding recessions. In the U.S., the Fed kept policy rates steady at 5.25%-5.50%, a level not seen in decades, for almost the entire fiscal year. Despite that, Gross Domestic Product (GDP) growth in the U.S. remained robust, with growth rates at 4.9%, 3.4%, 1.4%, and 2.8% for the first, second, third, and fourth quarters of Fiscal Year 2024, respectively.<sup>1</sup> Unemployment increased 0.5% over the fiscal year, starting at 3.6% and ending at 4.1%,<sup>3</sup> but remained low relative to history. All of this occurred while the headline year-over-year inflation number ended where it began, at 3.0%, while the core CPI number declined from 4.8% to 3.3%.<sup>1</sup>

Outside the U.S., unemployment and inflation painted a stable picture. The Eurozone ended Fiscal Year 2024, with unemployment numbers at 6.5%, the same level as the beginning of the fiscal year. Japan ended with an unemployment figure of 2.5%, slightly down from where it started for the year. Inflation in the Eurozone ended the fiscal year at 2.5%, down from 5.5% a year earlier. Inflation in Japan ended Fiscal Year 2024, at 2.8% versus 2.6% at the beginning of the fiscal year.<sup>2</sup> China notably had inflation levels at the end of the fiscal year at 0.2%, up slightly from 0.0% at the beginning of the fiscal year, given a disappointing reopening after Covid, issues in the property sector, geopolitical tensions, and increasingly protectionist trade measures around the globe.<sup>4</sup>

### Fiscal Year 2025 Outlook

In Fiscal Year 2024, the U.S. economy defied most expectations, with inflation moderating without significant damage to the economy, despite historically high interest rates. The Federal Funds rate ended the year above 5.0%, where it started, while economic growth remained far from recessionary territory. This, combined with excitement over AI, led to strong results in many equity markets, while fixed income markets were positive on softening inflation expectations. As we look toward Fiscal 2025, there are several areas that could guide markets, both positively and negatively. These include:

The path of inflation and monetary policy.

- In Fiscal 2025, we will be watching as the Fed continues their attempt to manage a “soft landing” of the U.S. economy.<sup>5</sup> A soft landing is when the Fed is able to sufficiently reduce inflation without increasing unemployment and turning growth negative.<sup>6</sup> Economic growth has continued to remain positive in the U.S., and while the U.S. unemployment rate has increased to 4.1%,<sup>3</sup> it is still near historic lows.
- The current Federal Funds rate stood at 5.25% - 5.5% for most of Fiscal 2024. At time of this publication, futures markets were pricing in an almost 100% chance of a rate cut in September of 2024, followed by one or two more by the end of the calendar year.<sup>7</sup> Should this play out as the futures markets expect, the next question might be how many more, if any, rate cuts could be expected in the second half of Fiscal 2025. From there we will be watching how lower interest rates impact the economy.
- Inflation, after surging during and after the global pandemic, has significantly declined from its peak in the U.S. and other advanced economies. However, inflation remains above the Fed’s average 2% target, largely driven by the “stickier”<sup>8</sup> services sectors. In June 2024, the Consumer Price Index (“CPI”) was at 3.0%, well below its peak of 9.1% in June of 2022.<sup>9</sup> Core CPI, which strips out the volatile food and fuel components, finished the fiscal year at 3.3%,<sup>1</sup> down from a 6.6% peak.<sup>10</sup> Core inflation is higher than headline inflation, as price increases for parts of the services sector, particularly shelter, medical care, and auto insurance, remain elevated. How inflation tracks on this final leg toward the Fed’s average 2.0% target will be key in the upcoming fiscal year and will heavily influence the path of interest rates and the overall economy.

- The U.S. labor market remains relatively healthy, despite some recent softening. Jobs continue to be added to the economy and wage growth remains strong. The unemployment rate has ticked up though, largely from people reentering the workforce. Initial claims for unemployment have also recently started to increase and the ratio of the number of jobs to unemployed has returned to pre-pandemic levels. Labor markets can deteriorate relatively quickly so we expect the Federal Reserve to be more focused on labor markets as they consider lowering interest rates.

Will gains in the U.S. equity market broaden out or remain focused in the technology sector?

- The U.S. equity market had impressive gains over the fiscal year, but results were largely driven by several large technology companies that benefited from optimism over artificial intelligence.
- Signs of a healthy stock market advance usually include broader participation from companies across many sectors and capitalization sizes.
- We have recently seen some rotation into smaller company stocks given the prospect of lower interest rates and the economy potentially avoiding a recession. These companies are typically more interest rate sensitive and domestic focused, so recent developments have particularly benefited them.
- As we move ahead, we will be watching how the large cap technology companies perform and if this recent rotation into other areas of the equity market persists.

Will China, the world's second largest economy, be able to manage economic pressures while also deleveraging the economy and addressing the faltering property sector?

- The MSCI China Index returned 1.6% for Fiscal Year 2024. However, the same index returned +7.1% in the fourth quarter of Fiscal 2024. Government purchases of shares, improving economic data, and returning foreign investors have all been supportive.
- Despite the recent gains, concerns remain about China's property sector, as well as tensions with the U.S. and growing protectionist policies globally.
- Other shadow debt should continue to keep a ceiling on economic growth. While hard to measure, it is estimated that local government debt, which is not typically included in official government figures, totals between \$7 and \$11 trillion, roughly two times the amount of China's office central government debt.<sup>11</sup> The central government could help to bailout local provinces, which may encourage more borrowing, or tolerate the default of the local funding vehicles, which could risk contagion to other areas of China's financial system.
- Market-friendly policies and openness are waning, while Chinese Communist Party ideology and nationalism are growing. The traditional playbook of building things to continue growth in China is not favored by current leadership, making a resolution of these deleveraging issues paramount in order to transition China's economy to a more sustainable path.

Geopolitical risks.

- Ongoing and latent regional conflicts have the potential to destabilize markets at any time. The war in Ukraine continues to demand more military and financial support.<sup>12</sup> Hamas' attack on Israel and the response of the Israeli Defense Force in Gaza has placed Israel's allies in a difficult position.
- China, with its own troubled domestic economy and real estate crisis, could continue to favor pro-nationalist policies over economic growth. Politically, China might try to thwart U.S. multilateral efforts to restore peace in the Middle East and contain President Putin. Despite Chinese policy makers scrambling to restore investor confidence and battle deflation, public markets in China declined in Fiscal 2024.

- Fiscal year 2024, has also been a busy year in elections, with votes happening in India, Mexico, Iran, the European Union, and Britain, among others. Of course, in addition to the November presidential election in the US, other possibly consequential elections are set to occur in Moldova and Romania, which could have some impact on the path of the war in Ukraine.
- Given these geopolitical risks, it seems incongruous that the index of volatility in the stock market, the VIX, has been trading around one standard deviation below its long-term average at the end of the fiscal year, as continued strength in technology stocks and weakening economic data has moderated fear in the markets.
- We will continue to evaluate these geopolitical concerns, with an eye toward their impact on inflation and growth. Increases in geopolitical conflicts could hamper supply chains and once again might drive-up inflation. As the world's second largest economy, the health of the Chinese economy is important to many corporations and investors.

Return data from Bloomberg unless otherwise indicated.

<sup>1</sup>Source: Bureau of Economic Analysis.

<sup>2</sup>Source: Eurostat.

<sup>3</sup>Source: Bureau of Labor Statistics.

<sup>4</sup>Source: Bloomberg.

<sup>5</sup>Source: Federal Reserve of St. Louis, "K. Engermann, " " A Soft Landing for the Economy: What it Means and What Data to Look at," October 11, 2023. The Fed was not able to tame inflation in the late 1970s and early 1980s without triggering economic recessions and raising unemployment.

<sup>6</sup>Source: Federal Reserve of St. Louis, "K. Engermann, " " A Soft Landing for the Economy: What it Means and What Data to Look at," October 11, 2023.

<sup>7</sup>Source: CME Group.

<sup>8</sup>Source: Federal Reserve Bank of Cleveland, M. Bryan, "Are Some Prices More Forward Looking than Others? We Think So", May 19, 2010. Sticky prices are the prices for goods and services that do not respond quickly to aggregate demand. Medical care, personal services, insurance, and education are some examples of sticky-price services and goods. About 70% of headline CPI includes goods and services with another 30% of the index reflecting goods and services that change prices more quickly in response to consumer demand.

<sup>9</sup>Source: Bureau of Labor Statistics as of February 13, 2024.

<sup>10</sup>Source: Bureau of Labor Statistics as of February 13, 2024. In January 2024, shelter costs accounted for two-thirds of inflation.

<sup>11</sup>Source: Wall Street Journal "Trillions in Hidden Debt Drove China's Growth. Now It Threatens Its Future" July 14, 2024.

<sup>12</sup> Source: Financial Times, C. Miller, "Active Defense [sic]: How Ukraine Plans to Survive in 2024," January 18, 2024.

## 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](mailto:retirement@norfolk.gov). This report, along with previous years financial reports, can be found online at [www.norfolk.gov/retirement](http://www.norfolk.gov/retirement).

**Employees' Retirement System of the City of Norfolk**  
 (A Pension Trust Fund)  
**Statement of Plan Fiduciary Net Position**  
**June 30, 2024**  
 (Expressed in '000s)

**Assets:**

Cash and Cash Equivalents	\$	2,527
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**Receivables:**

Accrued Investment Income	559
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**Investments:****Alternative Investments:**

Private Equity	4,590
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**Commingled Funds:**

Equity	843,573
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Fixed Income	302,294
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Real Estate	102,502
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Hedge Funds	63,668
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<b>Total Commingled Funds</b>	<b>1,312,037</b>
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<b>Total Investments</b>	<b>1,316,627</b>
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<b>Total Assets</b>	<b>1,319,713</b>
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**Liabilities:**

Accounts Payable and Accrued Expenses	3,994
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<b>Total Liabilities</b>	<b>3,994</b>
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<b>Plan Net Position Restricted for Pensions</b>	<b>\$ 1,315,719</b>
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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, 2024**  
 (Expressed in '000s)

**Additions:**

Investment Income:	
Net Appreciation in Fair Value of Investments	\$ 113,757
Interest	218
Dividends	5,884
Other Income	<u>5,313</u>
<b>Investment Income, Gross</b>	<b>125,172</b>
Less: Investment Expenses	(1,989)
Less: Other Expenses (Transfers In/Out)	<u>10</u>
<b>Investment Income, Net</b>	<b>123,193</b>
Employer Contributions*	42,319
Employee Contributions	8,036
Purchase of Service	283
Other Income/Interest	<u>268</u>
<b>Total Additions</b>	<b>174,099</b>

**Deductions:**

Benefits Paid Directly to Members	94,478
Beneficiary Payments	6,929
Refunds of Contributions	935
Administrative Expenses	<u>948</u>
<b>Total Deductions</b>	<b>103,290</b>
<b>Net Increase (Decrease)</b>	<b>70,809</b>

**Plan Net Position Restricted for Pensions**

Beginning of the Year	1,244,910
<b>End of the Year</b>	<b>\$ 1,315,719</b>

\*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 Component Unit)**

### **Notes to Financial Statements**

#### **For the Fiscal Year Ended June 30, 2024**

#### **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, 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 fiduciary component unit. The types of employees covered and current membership as of June 30, 2024, consists of the following:

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

	General	Public Safety	FY 2024 Total
Retirees and Beneficiaries Receiving Benefits	3,120	1,510	4,630
Vested Former Members Entitled to but not Receiving Benefits	1,158	415	1,573
Active Plan Members	1,238	653	1,891
<b>Total*</b>	<b>5,516</b>	<b>2,578</b>	<b>8,094</b>

\*Excludes two hundred twenty nine (229) members due a refund of mandatory member contributions. See Note 4 for more details. Also includes one-hundred twenty eight (128) members currently in the Deferred Retirement Option Program (DROP) and ten (10) 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. 416 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 seventy (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 reduced 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 full monthly pension benefit. The participant's DROP account balance is not credited with investment gains or losses.

As of June 30, 2024, the DROP liability is \$60.43 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 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 to each eligible retiree 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. 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, 2024, were as follows:

(Expressed in '000s)	
Total Pension Liability (Actuarial Value)	\$ 1,554,843
Plan Fiduciary Net Position (Fair Value)	1,315,719
<b>Net Pension Liability</b>	<b>\$ 239,124</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>84.6%</b>

### 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. Due to the Plan closure and declining future payroll, periodic contributions for normal cost will be represented as a dollar amount as of Fiscal Year 2024. 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 \$33.60 million in July 2023, 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 \$42.32 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 \$8.04 million for the Fiscal Year ended June 30, 2024. The System paid approximately \$0.94 million in refundable contributions in the year ended June 30, 2024, and is retaining approximately \$1.90 million in refundable contributions payable as of June 30, 2024, for two hundred twenty nine (229) 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 2024
Employee Contributions	\$ 8,036
Employer Contributions*	42,319
<b>Total</b>	<b>\$ 50,355</b>

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

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following summarized actuarial assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	3-Year Smoothed Value
Amortization Method	Level Dollar Closed, 20-Year Layers
Discount Rate	6.75%
Inflation	3.0%
Salary Increases – General Employees	Average of 4.52% 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 5.04% 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
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Public Safety:

Pub-2010 Safety Employee Table with fully generational improvements using Scale MP-2021, with 60 percent of deaths assumed accidental
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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, 2024, was 10.11 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, 2024, are summarized in the following table:

Asset Class	20-Year 2024 Long-Term Expected Real Rate of Return
Global Equity	5.9%
Private Equity	8.4%
High Yield Bonds & Bank Loans	3.9%
Short-Term TIPS	0.9%
Natural Resources & Infrastructure	6.4%
Real Estate	5.2%
Gold	3.7%
Investment Grade Bonds	2.0%
Hedge Funds	1.6%
Inflation Assumption	2.8%

**Discount Rate:** The discount rate, as of June 30, 2024, 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 City Council. 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 three (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, 2024, 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:

<b>Net Pension Liability</b> (Expressed in '000s)		
1% Decrease <b>(5.75%)</b>	Current Discount Rate <b>(6.75%)</b>	1% Increase <b>(7.75%)</b>
\$410,673	\$239,124	\$94,858

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 \$650 thousand as of June 30, 2024. 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.

**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, 2024:

Asset Class	Target Allocation
<b>Growth Assets</b>	<b>57.0%</b>
Global Equity	52.0%
Private Equity	5.0%
<b>Credit</b>	<b>4.0%</b>
High Yield & Bank Loans	4.0%
<b>Inflation Hedges</b>	<b>21.0%</b>
Real Estate	8.0%
Natural Resources & Infrastructure	5.0%
Gold	3.0%
Short-Term TIPS	5.0%
<b>Risk Mitigation</b>	<b>18.0%</b>
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, 2024, the System had Commingled Funds holding fixed income assets, which are based on their average maturity.

**Segmented Time Distribution**  
**For the Fiscal Year Ended June 30, 2024**  
(Expressed in '000s)

Investment Type	Fair Value	Investment Maturities (in years)						Not Available <sup>1</sup>
		Under 1	1 – 3	3 – 6	6 – 10	10+		
Equity Funds <sup>2</sup>	\$ 827,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 827,887
Fixed Income Funds	302,294	-	59,611	38,514	36,826	141,840	-	25,503
Private Real Estate Funds	102,502	-	-	-	-	-	-	102,502
Hedge Funds	63,668	-	-	-	-	-	-	63,668
Infrastructure	15,686	-	-	-	-	-	-	15,686
Private Equity	4,590	-	-	-	-	-	-	4,590
<b>Totals</b>	<b>\$ 1,316,627</b>	<b>\$ -</b>	<b>\$ 59,611</b>	<b>\$ 38,514</b>	<b>\$ 36,826</b>	<b>\$ 141,840</b>	<b>\$ 1,039,836</b>	

<sup>1</sup>Commingled fixed income funds are included at their NAV based on the weighted average maturity of the fund.

<sup>2</sup>Includes Natural Resources and Gold

**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, 2024**  
(Expressed in '000s)

	Fair Quality Ratings							Totals	
	AAA	AA+/AA /AA-	A+/A /A-	BBB+			Unrated <sup>1</sup>		
				/BBB	/BBB-	BB+/BB /BB-	B+ and below		
Equity Funds <sup>2</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 827,887 \$ 827,887	
Fixed Income Fund	-	-	-	-	-	-	-	302,294 302,294	
Private Real Estate Funds	-	-	-	-	-	-	-	102,502 102,502	
Hedge Funds	-	-	-	-	-	-	-	63,668 63,668	
Infrastructure	-	-	-	-	-	-	-	15,686 15,686	
Private Equity	-	-	-	-	-	-	-	4,590 4,590	
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,316,627 \$ 1,316,627</b>	

<sup>1</sup>Commingled fixed income funds are included in the unrated section because they are not subject to credit risk rating disclosure.

<sup>2</sup>Includes Natural Resources and Gold

**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, 2024:

<b>Investment</b> (Expressed in '000s)	\$	Value
SSGA Russell 3000 Index	\$	187,906
First Eagle Global Equity	\$	124,519
Artisan Global Opportunities	\$	100,750
SSGA MSCI EAFE Index	\$	86,160
Wellington Core Bond	\$	75,651

**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. As of June 30, 2024, all investments were held in alternative investments and commingled funds. Therefore, the System did not have direct foreign currency exposure.

## 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, 2024, were \$771,924.

## Note 7. Income Tax Status

The Internal Revenue Service has ruled in a determination letter dated September 29, 2016, that the System qualifies under Section 401-1(b)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The System operates pursuant to City Code. Instances of non-compliance with City Code are addressed when discovered. As of June 30, 2024, 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, 2024:

		June 30, 2024
<b>Investments measured at the Net Asset Value (NAV)</b>		
Equity Funds		\$ 827,887
Fixed Income Funds		302,294
Real Estate Funds		102,502
Hedge Funds		63,668
Infrastructure		15,686
Private Equity		4,590
<b>Total Investments measured at the NAV</b>		<b>\$ 1,316,627</b>
<b>Total Investments measured at Fair Value</b>		<b>\$ 1,316,627</b>

(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 prioritizes 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, 2024.

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, 2024.

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, 2024.

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, 2024.
2. **Fixed Income Funds.** This type includes an investment in a fund with an investment objective to track the performance of the Bloomberg 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, 2024.
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, 2024.
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, 2024.
5. **Infrastructure:** This investment has an objective to diversify the portfolio, especially during market downturns, as well as provide inflation protection. These investments are made across various sectors and sub-sectors ranging from energy and power to digital communications and can be redeemed on a semi-annual basis. There is one infrastructure fund as of June 30, 2024.

**Private Equity.** This type of investment has an investment objective to diversify the portfolio and provide enhanced returns. These investments are made across various sub-asset classes and vehicle types, but are typically a limited partnership. These investments are illiquid, requiring an investment period of 10-12 years for each strategy. There are five private equity funds as of June 30, 2024. Uncalled commitments as of June 30, 2024 totaled \$15.4 million.

## 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 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Total Pension Liability</b>					
Service Cost	\$ 25,467	\$ 25,919	\$ 26,310	\$ 25,146	\$ 26,372
Interest	82,839	84,711	86,974	92,517	94,853
Change In Benefits	353	568	590	11,698	-
Change In Assumptions	-	(6,509)	53,197	16,606	(7,031)
Differences Between Expected and Actual Experience	(2,471)	(2,666)	(2,543)	(1,598)	(8,189)
Benefit Payments	(79,028)	(76,489)	(83,215)	(84,704)	(91,999)
Refunds of Contributions	(3)	(4,295)	(762)	(1,229)	(867)
<b>Net Change in total Pension Liability</b>	<b>27,157</b>	<b>21,239</b>	<b>80,551</b>	<b>58,436</b>	<b>13,139</b>
<b>Total Pension Liability – Beginning</b>	<b>1,197,466</b>	<b>1,224,623</b>	<b>1,245,862</b>	<b>1,326,413</b>	<b>1,384,849</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$1,224,623</b>	<b>\$1,245,862</b>	<b>\$1,326,413</b>	<b>\$1,384,849</b>	<b>\$1,397,988</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer *	34,932	30,761	33,457	35,494	37,079
Contributions – Employee	4,915	8,735	9,450	9,858	10,009
Net Investment Income	16,596	3,278	111,228	72,663	55,313
Benefit Payments	(79,028)	(76,489)	(83,215)	(84,704)	(91,999)
Refunds of Contributions	(3)	(4,295)	(762)	(1,229)	(867)
Administrative Expenses	(387)	(672)	(668)	(764)	(617)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(22,975)</b>	<b>(38,682)</b>	<b>69,490</b>	<b>31,318</b>	<b>8,918</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>1,036,179</b>	<b>1,013,204</b>	<b>974,522</b>	<b>1,044,012</b>	<b>1,075,330</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>1,013,204</b>	<b>974,522</b>	<b>1,044,012</b>	<b>1,075,330</b>	<b>1,084,248</b>
<b>Plan Net Pension Liability – Ending (a-b)</b>	<b>\$ 211,419</b>	<b>\$ 271,340</b>	<b>\$ 282,401</b>	<b>\$ 309,519</b>	<b>\$ 313,740</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	82.7%	78.2%	78.7%	77.6%	77.6%
Covered Payroll (c)	\$ 178,468	\$ 175,679	\$ 188,066	\$ 191,549	\$ 195,358
Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c)	118.5%	154.5%	150.2%	161.6%	160.6%

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 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Total Pension Liability</b>					
Service Cost	\$ 26,978	\$ 27,208	\$ 25,972	\$ 21,246	\$ 17,117
Interest	96,458	98,032	98,454	101,376	101,028
Change In Benefits	-	-	(880)	(4,451)	-
Change In Assumptions	-	-	77,210	-	-
Differences Between Expected and Actual					
Experience	(6,398)	(19,181)	4,369	(14,071)	8,286
Benefit Payments	(93,078)	(94,649)	(99,101)	(103,551)	(101,407)
Refunds of Contributions	(920)	(923)	(2,924)	(4,410)	(935)
<b>Net Change in total Pension Liability</b>	<b>23,040</b>	<b>10,487</b>	<b>103,100</b>	<b>(3,861)</b>	<b>24,089</b>
<b>Total Pension Liability – Beginning</b>	<b>1,397,988</b>	<b>1,421,028</b>	<b>1,431,515</b>	<b>1,534,615</b>	<b>1,530,754</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$1,421,028</b>	<b>\$1,431,515</b>	<b>\$1,534,615</b>	<b>\$1,530,754</b>	<b>\$1,554,843</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer *	38,494	160,252	41,457	40,134	42,319
Contributions – Employee	10,210	10,367	9,937	8,096	8,587
Net Investment Income	5,736	270,352	(134,727)	102,983	123,193
Benefit Payments	(93,078)	(94,649)	(99,101)	(103,551)	(101,407)
Refunds of Contributions	(920)	(923)	(2,924)	(4,410)	(935)
Administrative Expenses	(600)	(620)	(848)	(1,005)	(948)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(40,158)</b>	<b>344,779</b>	<b>(186,206)</b>	<b>42,247</b>	<b>70,809</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>1,084,248</b>	<b>1,044,090</b>	<b>1,388,869</b>	<b>1,202,663</b>	<b>1,244,910</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>1,044,090</b>	<b>1,388,869</b>	<b>1,202,663</b>	<b>1,244,910</b>	<b>1,315,719</b>
<b>Plan Net Pension Liability – Ending (a-b)</b>	<b>\$ 376,938</b>	<b>\$ 42,646</b>	<b>\$ 331,952</b>	<b>\$ 285,844</b>	<b>\$ 239,124</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	73.5%	97.0%	78.4%	81.3%	84.6%
Covered Payroll (c)	\$ 197,405	\$ 200,484	\$ 195,554	\$ 199,856	\$ 160,320
Net Pension Liability as a Percentage of Covered Payroll ((a-b)/c)	190.9%	21.3%	169.7%	143.0%	149.2%

\* Employer contributions during FY 2023 and FY 2024 includes \$8.7 million contribution from the Section 115 Pension Trust Fund.

**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
		Fiduciary Net Position	Net Pension Liability*				
2015	\$ 1,224,623	\$ 1,013,204	\$ 211,419	82.7%	\$ 178,468	118.5%	
2016	1,245,862	974,522	271,340	78.2	175,679	154.5	
2017	1,326,413	1,044,012	282,401	78.7	188,066	150.2	
2018	1,384,849	1,075,330	309,519	77.6	191,549	161.6	
2019	1,397,988	1,084,248	313,740	77.6	195,358	160.6	
2020	1,421,028	1,044,090	376,938	73.5	197,405	190.9	
2021	1,431,515	1,388,869	42,646	97.0	200,484	21.3	
2022	1,534,615	1,202,663	331,952	78.4	195,554	169.7	
2023	1,530,754	1,244,910	285,844	81.3	199,856	143.0	
2024	1,554,843	1,315,719	239,124	84.6	160,320	149.2	

\* 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
	Contribution (ADC)	Contribution*				
2015	\$ 38,264	\$ 34,932	\$ 3,331	\$ 178,468	19.6%	
2016	30,761	30,761	-	175,679	17.5	
2017	33,457	33,457	-	188,066	17.8	
2018	35,494	35,494	-	191,549	18.5	
2019	37,079	37,079	-	195,358	19.0	
2020	38,494	38,494	-	197,405	19.5	
2021	40,698	160,252	(119,554)	200,484	79.9	
2022	41,457	41,457	-	195,554	21.2	
2023	31,417	40,134	(8,717)	199,856	20.1	
2024	33,603	42,319	(8,716)	160,320	26.4	

\* Employer Contributions during FY 2023 and 2024 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
2015	1.97 %
2016	0.39
2017	11.64
2018	7.16
2019	8.91
2020	0.58
2021	25.85
2022	(10.32)
2023	8.39
2024	10.11

**See accompanying independent auditor's report.**

## Notes to Required Supplementary Information

### Changes in Benefits

None.

### 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, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	3-Years Smoothed Value
Amortization Method	Level Percent Dollar Closed, 20-Years Layers
Discount Rate	6.75%
Inflation	3.00%
Salary Increases - General Employees	Average of 4.52% 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 5.04% 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

See accompanying independent auditor's report.

## 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, 2024  
 (Expressed in '000s)

**Personnel Services:**

Staff Salaries	\$ 565
Benefits	194
<b>Total Personnel Services</b>	<b>759</b>

**Professional Services:**

Actuarial Fees	73
Medical Examinations	3
Audit Fees	30
<b>Total Professional Services</b>	<b>106</b>

**Communication Services:**

Travel and Training	2
Postage and Shipping	8
<b>Total Communication Services</b>	<b>10</b>

**Miscellaneous Expenses:**

Supplies and Equipment	48
Other	25
<b>Total Miscellaneous Expenses</b>	<b>73</b>
<b>Total Administrative Expenses</b>	<b>\$ 948</b>

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, 2024**  
(Expressed in '000s)

**Investment Manager Fees:**

Manager Fees	\$ 1,290
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**Custody and Investment Consultant Fees:**

Investment Consultant Fees	661
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Custody Fees	38
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<b>Total Custody and Investment Consultant Fees</b>	<b>699</b>
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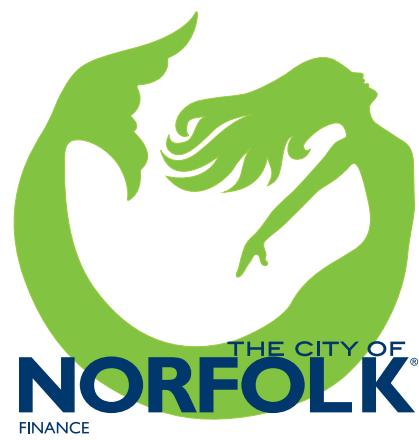
<b>Total Investment Expenses</b>	<b>\$ 1,989</b>
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See accompanying independent auditor's report.



# Investment Section (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



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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 Global Equity, Private Equity, High Yield Bonds and Bank Loans, Short-Term TIPS, Real Estate, Natural Resources & Infrastructure, 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 LargeMidcap Commodity and Resources NR, FTSE Gold Mines, Gold (Spot), Bloomberg U.S. Aggregate Bond, and Hedge Fund Custom Benchmark (HFRI Macro (Total), CBOE Eurekahedge Long Volatility) indices, respectively.

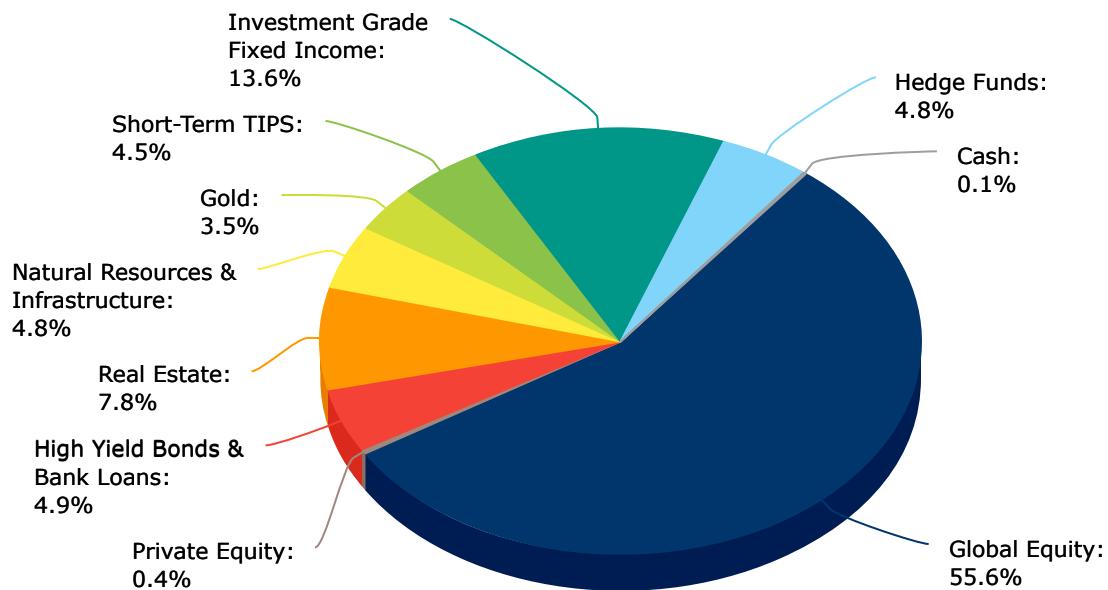
## Asset Allocation

The System adopts and implements an asset allocation policy that is predicated on several factors, including:

- Historical and expected long-term capital market risk and return behavior;
- Projected assets, liabilities, benefit payments, and contributions provided by System's actuary;
- An assessment of future economic conditions, including inflation and interest rate levels; and
- The specific investment objectives set forth in the Statement of Investment Policy.

The System will be diversified both by asset class (e.g., common stocks, bonds, cash) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total System.

**Asset Allocation by Asset Class as of June 30, 2024**



**Asset Allocation by Asset Class as of June 30, 2024**

Global Equity	\$ 733,035
Private Equity	4,590
High Yield Bonds & Bank Loans	64,017
Real Estate	102,502
Natural Resources & Infrastructure	63,828
Gold	46,710
Short-Term TIPS	59,611
Investment Grade Fixed Income	178,666
Hedge Funds	63,668
Cash and Cash Equivalents*	1,877
<b>Total</b>	<b>\$ 1,318,504</b>

(Expressed in '000s)

\*Excludes cash held in deposits.

<b>Total Net Position Fair Value</b>	<b>\$ 1,318,504</b>
Adjustments to Reconcile Statement of Plan Asset Investments Total:	
Total Cash and Cash Equivalent held in deposit	650
Accrued Investment Income	559
<b>Total Investments Reconciled to the Statement of Plan Fiduciary Net Position</b>	<b>\$ 1,319,713</b>

(Expressed in '000s)

### Investment Managers and Investment Assignments

	Fair Value	% of Portfolio
SSgA Russell 3000 Index	\$ 187,906	14.3%
First Eagle Global Equity	124,519	9.4
Artisan Global Opportunities	100,750	7.6
SSgA MSCI EAFE	86,160	6.5
Wellington Core Bond	75,651	5.7
Vanguard Short- Term TIPS Index	59,611	4.5
J. Stern & Co. World Stars Global Equity	56,890	4.3
SSgA Long U.S. Treasury Index	48,356	3.7
SSgA S&P Global LargeMidCap Natural Resources Index	48,141	3.7
First Eagle Institutional Gold Fund, LP	46,710	3.5
JP Morgan Asset Management Strategic Property Fund	43,669	3.3
Brigade High Income Fund	38,514	2.9
SSgA Emerging Markets Index	37,518	2.8
SSgA US Aggregate Bond	36,826	2.8
SSgA US REIT	36,381	2.8
SSgA Russell 1000 Growth Index	32,596	2.5
Kopernik Global All-Cap	32,124	2.4
SSgA Russell 1000 Value Index	30,575	2.3
Sculptor Credit Opportunities Overseas Fund	25,503	1.9
UBS Trumbull Property Fund	22,452	1.7
36 South Kohinoor Series (Cayman) Fund	21,544	1.6
ABS EM ex China Direct	21,310	1.6
Brandywine U.S. Fixed Income	17,834	1.4
BH-DG Systematic Trading Master Fund	17,455	1.3
Alpstone Global Macro Fund	16,911	1.3
JP Morgan Infrastructure Investments Fund	15,686	1.2
DF Dent Small Cap Growth Fund	14,582	1.1
ABS China Direct	8,105	0.6
Lombard Odier Bear Convexity	7,758	0.6
Lexington Capital Partners X, L.P.	4,050	0.3
NexPhase Capital Fund V, L.P.	258	-
Virtruvian Investment Partnership V	143	-
Flagship Pioneering Fund VIII, L.P.	116	-
Gauge Capital IV, L.P.	23	-
Cash and Cash Equivalents*	1,877	0.1
<b>Total</b>	<b>\$ 1,318,504</b>	<b>100.0%</b>

(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	55.6%	22.9%	21.5%
Median All Public Plans	48.9%	22.0%	17.4%

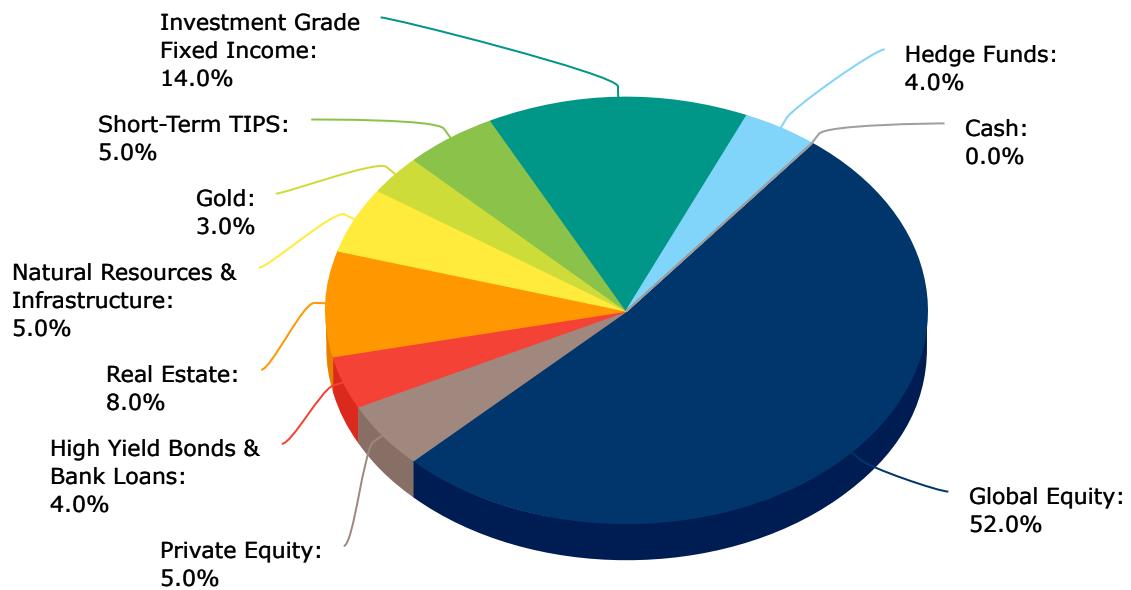
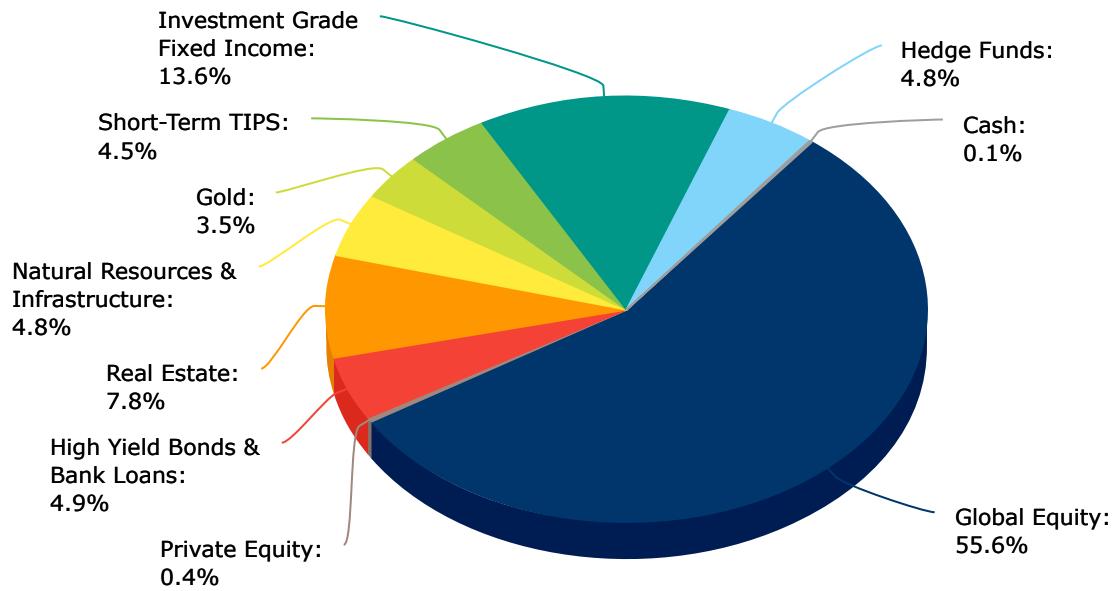
\*Includes total alternative asset classes. Medians do not sum to 100 percent as not all plan sponsors are exposed to each asset class.

### 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	42.0%	62.0%	52.0%
Private Equity	0.0%	10.0%	5.0%
High Yield Bonds & Bank Loans	0.0%	9.0%	4.0%
Real Estate	3.0%	13.0%	8.0%
Natural Resources & Infrastructure	0.0%	10.0%	5.0%
Gold	0.0%	6.0%	3.0%
Short-Term TIPS	0.0%	10.0%	5.0%
Investment Grade Fixed Income	7.0%	21.0%	14.0%
Hedge Funds	0.0%	9.0%	4.0%
Cash	0.0%	5.0%	0.0%

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.

**2024 Target Asset Allocation****2024 Actual Asset Allocation**

**Investment Performance Summary  
For the Fiscal Year Ended June 30, 2024**

Account	1 Year	2 Years	3 Years	5 Years
<b>Growth Assets</b>	17.43	-	-	-
<i>Growth Assets Custom Benchmark<sup>1</sup></i>	19.35	-	-	-
<b>Global Equity</b>	17.39	16.58	4.43	10.37
<i>Global Equity Policy Benchmark<sup>2</sup></i>	18.40	17.26	4.70	10.36
SSgA Russell 1000 Growth Index	33.46	-	-	-
<i>Russell 1000 Growth</i>	33.48	30.26	11.28	19.34
SSgA Russell 1000 Value Index	13.05	-	-	-
<i>Russell 1000 Value</i>	13.06	12.30	5.52	9.01
DF Dent Small Cap Growth Fund	-	-	-	-
<i>Russell 2000 Growth Index</i>	9.14	13.74	-4.86	-
SSgA Russell 3000 Index	23.11	-	-	-
<i>Russell 3000</i>	23.12	21.02	8.05	14.14
SSgA MSCI EAFE	11.70	-	-	-
<i>MSCI EAFE</i>	11.54	15.10	2.89	6.46
SSgA Emerging Markets Index	11.62	-	-	-
<i>MSCI Emerging Markets</i>	12.55	7.01	-5.07	3.10
ABS China Direct	-6.29	-	-	-
<i>MSCI China NR USD</i>	-1.62	-9.54	-17.66	-4.26
ABS EM ex China Direct	17.84	-	-	-
<i>MSCI EM ex China</i>	18.46	13.35	0.28	5.98
Kopernik Global All-Cap	11.83	-	-	-
First Eagle Global Equity	10.53	-	-	-
Artisan Global Opportunities	20.46	-	-	-
J. Stern & Co. World Stars Global Equity	-	-	-	-
<i>MSCI ACWI</i>	19.38	17.94	5.43	10.76
<b>Private Equity</b>				
<i>MSCI ACWE + 3% 1Q Lag</i>	26.85	9.99	10.15	14.22
NexPhase Capital Fund V, L.P.	-	-	-	-
Vitruvian Investment Partnership V	-	-	-	-
Lexington Capital Partners X, L.P.	-	-	-	-
Flagship Pioneering Fund VIII, L.P.	-	-	-	-
Gauge Capital IV, L.P.	-	-	-	-
Private Equity	-	-	-	-
<b>Credit</b>	9.92	-	-	-
<i>Credit Custom Benchmark<sup>3</sup></i>	10.77	-	-	-
<b>High Yield &amp; Bank Loans</b>	9.92	-	-	-
<i>High Yield &amp; Bank Loans Benchmark<sup>4</sup></i>	10.77	10.21	3.84	4.68
Sculptor Credit Opportunities Overseas	6.59	-	-	-
<i>Bloomberg Global High Yield TR</i>	11.82	11.16	0.54	2.68
Brigade High Income Fund	12.30	-	-	-
<i>60% Barclays U.S. Corporate High Yield &amp; 40% CS Lev Loans</i>	10.71	10.12	3.41	4.53

**Investment Performance Summary  
For the Fiscal Year Ended June 30, 2024**

Account	1 Year	2 Years	3 Years	5 Years
<b>Inflation Hedges</b>	1.74	-	-	-
<i>Inflation Hedges Custom Benchmark<sup>5</sup></i>	1.21	-	-	-
<b>Real Estate</b>	-8.43	-10.27	-1.67	-0.33
JP Morgan Asset Management Strategic Property Fund	-14.85	-13.12	-1.26	0.66
UBS Trumbell Property Fund	-8.57	-12.13	-1.56	-1.10
<i>NCREIF ODCE (net)</i>	-10.00	-10.37	1.02	2.27
SSgA US REIT	7.01	-	-	-
<i>DJ US Select REIT TR USD</i>	7.12	3.11	-0.17	2.77
<b>Natural Resources &amp; Infrastructure</b>	6.24	-	-	-
SSgA S&P Global LargeMidCap Natural Resources Index	5.16	7.87	19.34	7.36
<i>S&amp;P Global Large MidCap Commodity and Resources NR USD</i>	5.18	5.70	6.96	8.28
JP Morgan Infrastructure Investment Fund	-	-	-	-
<i>DJ Brookfield Listed Public Infrastructure+1%</i>	3.40	1.50	2.04	3.86
<b>Gold</b>	15.32	-	-	-
First Eagle Institutional Gold Fund, LP	15.32	-	-	-
<i>60% Gold (Spot) / 40% FTSE Gold Mines</i>	17.75	12.05	5.37	-
<b>Short-Term TIPS</b>	5.35	-	-	-
Vanguard Short-Term TIPS Index	-	-	-	-
<i>Bloomberg US TIPS 0-5 Yr. TR</i>	2.70	2.15	3.16	2.70
<b>Risk Mitigation</b>	0.55	-	-	-
<i>Risk Mitigation Custom Benchmark<sup>6</sup></i>	3.17	-	-	-
<b>Investment Grade Fixed Income</b>	0.08	-5.35	-3.52	0.96
<b>Intermediate-Term Bonds</b>	0.94	0.51	-3.30	-0.32
SSgA US Aggregate Bond	2.62	0.84	-3.03	-0.22
Wellington Core Bond	3.95	-	-	-
Brandywine U.S. Fixed Income	0.51	-	-	-
<i>Bloomberg US Aggregate TR</i>	2.63	0.83	-3.02	-0.23
<b>Long-Term Bonds</b>	-5.67	-	-	-
SSgA Long US Treasury Index	-5.67	-	-	-
<i>Bloomberg US Treasury Long TR</i>	-5.61	-12.83	-12.09	-0.88
<b>Hedge Funds</b>	-1.20	-	-	-
<i>Hedge Fund Custom Benchmark<sup>7</sup></i>	4.73	-	-	-
36 South Kohinoor Series (Cayman) Fund	0.59	-	-	-
<i>CBOE Eurekahedge Long Volatility Hedge Fund Index</i>	-3.67	-4.87	-1.38	1.63
BH-DG Systematic Trading Master Fund	-4.72	-	-	-
<i>Barclay CTA Index TR USD</i>	3.27	1.43	3.85	4.43
Lombard Odier Bear Convexity	-2.85	-	-	-
<i>CBOE Eurekahedge Long Volatility Hedge Fund Index</i>	-3.67	-4.87	-1.38	1.63
Alpstone Global Macro Fund	1.14	-	-	-
<i>HFRI Macro (Total) Index</i>	5.91	2.70	4.40	5.69

**Investment Performance Summary  
For the Fiscal Year Ended June 30, 2024**

Account	1 Year	2 Years	3 Years	5 Years
<b>Total Fund<sup>8</sup></b>	10.33	9.37	2.50	6.41
<i>Total Fund Policy Benchmark<sup>9</sup></i>	12.13	10.83	3.41	7.22
<i>Total Fund Public Benchmark<sup>10</sup></i>	<u>14.18</u>	<u>12.33</u>	<u>2.74</u>	<u>7.07</u>

<sup>1</sup>Growth Assets Custom Benchmark = 91% MSCI ACWI IMI Net USD / 9% MSCI ACWI + 3% 1Q Lag.

<sup>2</sup>Global Equity Policy Benchmark = 100% MSCI ACWI IMI Net USD.

<sup>3</sup>Credit Custom Benchmark = 50% Credit Suisse Leveraged Loan Index / 50% Bloomberg U.S. High Yield.

<sup>4</sup>High Yield & Bank Loans Custom Benchmark = 50% Credit Suisse Leveraged Loan Index / 50% Bloomberg US High Yield.

<sup>5</sup>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).

<sup>6</sup>Risk Mitigation Custom Benchmark = 78% Bloomberg US Aggregate TR / 22% Hedge Fund Custom Benchmark.

<sup>7</sup>Hedge Fund Custom Benchmark = 33% HFRI Macro (Total) Index / 33% SG Trend Index / 33% CBOE Eurekahedge Long Volatility Hedge Fund Index.

<sup>8</sup>Total Fund performance as of 7/25/2024 consist of latest available data.

<sup>9</sup>Total Fund Policy Benchmark = 52% MSCI ACWI IMI Net USD/ 5% Bloomberg US Treasury TIPS 0-5 Yr 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% Hedge Fund Custom Benchmark.

<sup>10</sup>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.

## Schedule of Broker Commissions

Fiscal Year ended June 30, 2024, there were no broker commissions.

### Schedule of Investment Manager, Custody and Consultant Fees (Expressed in '000s)

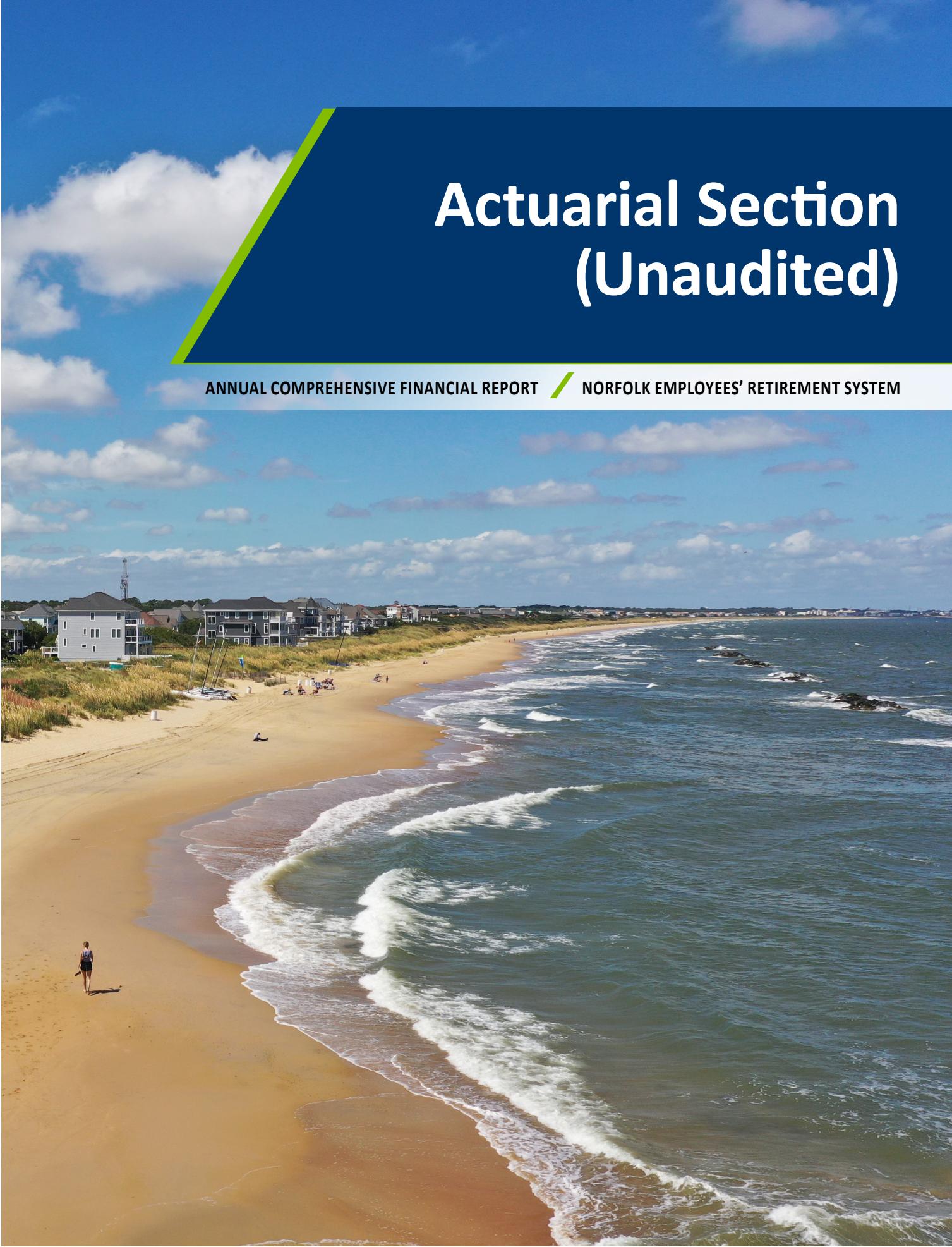
	FY 2024
<b>Investment Manager Fees:</b>	
Manager Fees	\$ 1,290
<b>Custody and Investment Consultant Fees:</b>	
Investment Consultant Fees	661
Custody Fees	38
<b>Total Custody and Investment Consultant Fees</b>	<b>699</b>
<b>Total Fees</b>	<b>\$ 1,989</b>

## List of Largest Assets

The following presents the 10 largest holdings by descending order of fair value of the System as of fiscal year ended June 30, 2024.

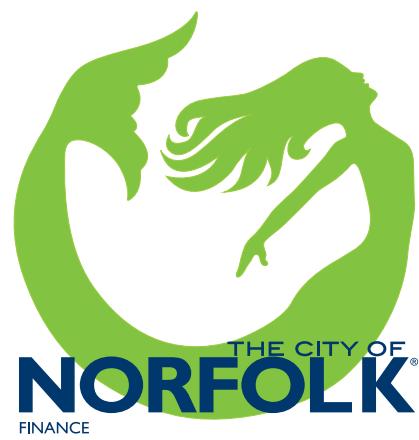
Description	Shares of Fund	Fair Value
SSgA Russel 3000 Index Fund	2,966,863	\$ 187,906
First Eagle Global Equity Fund	90,464	\$ 124,519
Artisan Global Opportunities	2,444,804	\$ 100,750
SSgA MSCI EAFE Fund	625,027	\$ 86,160
Wellington Core Bond Fund	9,192,077	\$ 75,651
Vanguard Short- Term TIPS Index Fund	2,469,380	\$ 59,611
J. Stern & Co. World Stars Global Equity Fund	1,903,063	\$ 56,890
SSgA Long U.S. Treasury Index	2,277,700	\$ 48,356
SSgA S&P Global LargeMidCap Natural Resources Index Fund	2,755,202	\$ 48,141
First Eagle Institutional Gold Fund, LP	39,230	\$ 46,710

(Fair Value Expressed in '000s)



# Actuarial Section (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



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## Actuary's Certification Letter

August 29, 2024

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, 2024, 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, 2024, actuarial valuation.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funded Liabilities by Type
- Analysis of Financial Experience
- Summary of Benefits and Contribution Provisions

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

- A. fully fund the normal cost contribution for the current year determined under the funding method; and
- 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, 2025 (and to be paid July 1, 2024) was determined based on the results of the June 30, 2022, valuation. In accordance with this policy, the City contributed \$34.4 million on July 1, 2024. Effective Fiscal Year Ending 2023, the City of Norfolk began making separate contributions to the System from the Section 115 Trust that was previously established as an extension of 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, 2024, the Trust held \$70.7 million in assets.

The results of the June 30, 2024, valuation determine the contribution appropriation for the Fiscal Year ending June 30, 2026 (to be paid July 1, 2025), which will be presented in our valuation report subject to your approval.

As of June 30, 2024, the System's Actuarial Liability was 85.1 percent funded based on the Actuarial Value of Assets and 84.6 percent funded based on the Fair Value of Assets. These ratios exclude the Section 115 Pension Trust Fund assets. If the Trust balance of \$70.7 million as of June 30, 2024, was included, the System would be 89.7 percent funded based on the Actuarial Value of Assets and 89.2 percent funded based on the Fair Value of Assets.

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

### **Actuarial Valuation Used for Financial Reporting Purposes**

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2024, 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, 2024, 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.

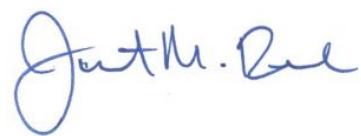
This certification letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well 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:

Age	General*		Public Safety**
	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:*

Age	Hired Before July 1, 2018	Hired On or After 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 end 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, 65 percent of Public Safety and 55 percent of General employees 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.

## Summary of Actuarial Assumptions and Methods (Continued)

### 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:

None.

## 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, 2024. 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 <sup>1</sup>	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2015	2,704	\$ 123,366	\$ 45,624	3.8%
2016	2,741	126,900	46,297	1.5
2017	2,727	128,708	47,198	1.9
2018	2,689	129,910	48,312	2.4
2019	2,599	127,569	49,084	1.6
2020	2,591	130,005	50,176	2.2
2021	2,492	126,671	50,831	1.3
2022	2,022	114,991	56,870	11.9
2023	1,417	86,178	60,817	6.9
2024	1,238	81,923	66,174	8.8

<sup>1</sup>Excludes members on leave of absence and participants due a refund as of each respective June 30.

### Public Safety:

Valuation as of June 30	Number of Active Members <sup>1</sup>	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2015	1,207	\$ 64,346	\$ 53,310	2.5 %
2016	1,238	66,136	53,422	2.8
2017	1,219	68,343	56,065	4.9
2018	1,216	71,415	58,729	4.8
2019	1,187	70,942	59,766	1.8
2020	1,171	71,415	60,986	2.0
2021	1,123	67,982	60,536	(0.1)
2022	892	60,111	67,390	11.3
2023	704	50,467	71,686	6.4
2024	653	49,457	75,738	5.7

<sup>1</sup>Excludes members on leave of absence and participants due a refund as of each respective June 30.

**Total:**

Valuation as of June 30	Number of Active Members <sup>1</sup>	Valuation Payroll (In '000s)	Average Salary	Percent Increase (Decrease) in Average
2015	3,911	\$ 187,712	\$ 47,996	3.3%
2016	3,979	193,036	48,514	1.1
2017	3,946	197,051	49,937	2.9
2018	3,905	201,325	51,556	3.2
2019	3,786	198,511	52,433	1.7
2020	3,762	201,420	53,541	2.1
2021	3,615	194,653	53,846	0.6
2022	2,914	175,102	60,090	11.6
2023	2,121	136,645	64,425	7.2
2024	1,891	131,380	69,477	7.8

<sup>1</sup>Excludes members on leave of absence and participants due a refund on each respective June 30.

**Schedule of Retirees and Beneficiaries Added to and Removed from Rolls**

Year Ended June 30	Added to Rolls		Removed from Rolls		On Rolls at Year-End			% Increase Average Allowance
	No.	Annual Allowance (In '000s)	No.	Annual Allowance (In '000s)	No.	Annual Allowance (In '000s)	Average Allowance	
2015	158	\$ 2,605	116	\$ 1,374	3,760	\$ 78,552	\$ 20,891	0.5 %
2016	159	3,369	82	1,047	3,837	80,874	21,077	0.9
2017	176	3,449	100	1,272	3,913	83,051	21,224	0.7
2018	201	4,876	120	1,543	3,994	86,383	21,628	1.9
2019	216	4,972	91	1,295	4,119	90,060	21,865	1.1
2020	208	4,946	115	1,606	4,212	93,400	22,175	1.4
2021	194	4,509	134	2,240	4,272	95,669	22,394	1.0
2022	206	3,567	127	2,091	4,351	97,145	22,327	(0.3)
2023	200	4,291	135	2,067	4,416	99,369	22,502	0.8
2024	198	3,174	112	1,470	4,502	101,073	22,451	(0.2)

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. The ten-year Schedule of Employer's Contributions, actuarially determined and actual contributions, are identified in the required supplementary information on page 48. 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, 2015, through June 30, 2024, are presented as follows:

Valuation Date	(1) Active Member Contributions	(2) Retirees, Vested Terms, Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets <sup>A</sup>	Portion of Accrued Liabilities Covered by Reported Assets		
					(1)	(2)	(3)
2015	\$ 8,425	\$ 850,742	\$ 365,456	\$ 1,038,059	100.0%	100.0%	49.0%
2016	15,493	877,143	361,774	1,048,346	100.0	100.0	43.0
2017 <sup>C</sup>	21,937	921,087	392,802	1,043,620	100.0	100.0	25.6
2018 <sup>B</sup>	29,427	950,489	397,973	1,074,892	100.0	100.0	23.9
2019	34,844	979,721	383,423	1,097,451	100.0	100.0	21.6
2020	40,701	1,001,938	378,389	1,100,046	100.0	100.0	15.2
2021	45,445	1,024,402	361,668	1,297,114	100.0	100.0	62.8
2022	45,687	1,094,862	394,066	1,291,722	100.0	100.0	38.4
2023	43,443	1,134,726	352,585	1,293,562	100.0	100.0	32.7
2024	45,319	1,152,805	356,719	1,323,882	100.0	100.0	35.3

(Expressed in '000s)

<sup>A</sup> Reported assets are actuarial value of assets. If assets were fair value of assets, the results would be different.

<sup>B</sup> 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.

<sup>C</sup> Reported assets for 2017 do not include the employer contribution receivable. Reported assets prior to 2017 included these amounts.

**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
2015	\$1,224,623	\$1,038,059	\$ 186,564	84.8%	\$ 178,468	104.5%
2016	1,254,410	1,048,346	206,064	83.6	175,679	117.3
2017	1,335,826	1,043,620	292,206	78.1	188,066	155.4
2018	1,377,889	1,074,892	302,997	78.0	191,549	158.2
2019	1,397,988	1,097,451	300,537	78.5	195,358	153.8
2020	1,421,028	1,100,046	320,982	77.4	197,405	162.6
2021	1,431,515	1,297,114	134,401	90.6	200,484	67.0
2022	1,534,614	1,291,722	242,892	84.2	195,554	124.7
2023	1,530,754	1,293,562	237,192	84.5	199,856	118.7
2024	1,554,843	1,323,882	230,961	85.1	160,320	144.1

**Analysis of Financial Experience**  
**Gain or (Loss) for Year Ended June 30**  
(Expressed in '000s)

Type of Activity	2015	2016	2017	2018	2019
Investment Income	\$ 2,975	\$ (20,184)	\$ 196	\$ 219	\$ (6,601)
Combined Liability Experience	2,471	2,666	2,568	1,594	9,342
Gain (Loss) During Year from Financial Experience	5,446	(17,518)	2,764	1,813	2,741
Non-recurring Items	(353)	(2,608)	(54,510)	(11,758)	-
Composite Gain (Loss) During Year	\$ 5,093	\$ (20,126)	\$ (51,746)	\$ (9,945)	\$ 2,741
Type of Activity	2020	2021	2022	2023	2024
Investment Income	\$ (27,978)	\$ 45,878	\$ (44,529)	\$ (24,326)	\$ (4,081)
Combined Liability Experience	6,398	19,181	(4,369)	14,071	(8,286)
Gain (Loss) During Year from Financial Experience	(21,580)	65,059	(48,898)	(10,255)	(12,367)
Non-recurring Items	-	-	(76,330)	4,451	-
Composite Gain (Loss) During Year	\$ (21,580)	\$ 65,059	\$ (125,228)	\$ (5,804)	\$ (12,367)

## 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 City Code Sec. 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 two and a half (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.

Effective January 1, 2022, the Retirement System is closed to new members. Between January 1, 2022 and December 31, 2022, participants of the Retirement System were permitted to port their service to the Virginia Retirement System.

### 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 five (5) consecutive years of creditable service which produces the highest average. Creditable service consists of membership service plus 100 percent of accumulated unused sick leave for all employees except Firefighters. For Firefighters, 46 percent of unused sick leave accumulated prior to July 1, 1985, and 100 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  $\frac{1}{4}$  of 1 percent for each month commencement date precedes the normal retirement date for general employees, and  $\frac{1}{2}$  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 66 $\frac{2}{3}$  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 Employees' Retirement 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	Surviving Spouse Lump Sum Death Benefit
No Option	<p>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.</p>	<p>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</p>
	<p>For members hired on or after July 1, 2016, an unreduced pension is payable for the life of the member.</p>	
	<p>This benefit would payable in lieu of the lump sum death benefit.</p>	
Option A	<p>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.</p>	Eligible
Option B	<p>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.</p>	Eligible
Option C	<p>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.</p>	Eligible
Option D	<p>A reduced pension with the provision that at death, fifty (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.</p>	Ineligible

## Return of Contributions

### Eligibility

Termination of membership prior to death or departure prior to retirement or vesting.

### Amount

All mandatory member contributions shall be refunded with interest on the accumulated contributions.

### Contributions

By Members	<p>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.</p>
By City	<p>Annual contributions actuarially computed to be required to cover the cost of benefits of the System.</p>

## 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.

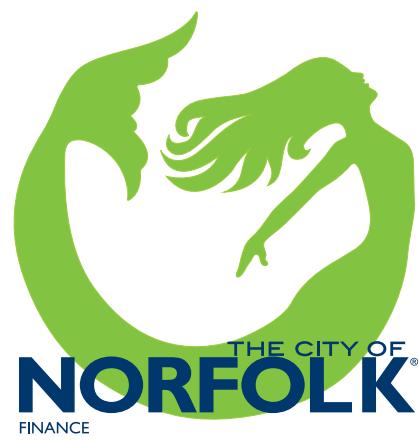
### Changes in Plan Provisions

None.



# Statistical Section (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM



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## About the Statistical Section

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

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

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

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

Schedule of Average Benefit Payments presents the average monthly benefit paid as of June 30, 2024.

**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)	Total Net Investment Additions
2015	\$ 4,915	\$ 34,932	21.44%	\$	-	\$ 16,596	\$ 56,443
2016	9,038	30,761	17.51		-	3,278	43,078
2017	9,450	33,457	17.79		-	111,228	154,135
2018	9,858	35,494	18.53		-	72,663	118,015
2019	10,009	37,079	18.98		-	55,313	102,401
2020	10,209	38,494	19.50		-	5,737	54,440
2021	10,367	40,698	20.30		119,554	270,352	440,971
2022	9,936	41,457	21.20		-	(134,727)	(83,334)
2023	8,096	31,417	15.72		8,717	102,983	151,213
2024	8,587	33,603	20.96		8,716	123,193	174,099

**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
2015	\$ 78,914	\$ N/A	\$ 3	\$ 115	\$ 386	\$ 79,418
2016	80,553	N/A	305	231	672	81,761
2017	83,049	N/A	762	166	668	84,645
2018	80,575	3,878	1,229	251	764	86,697
2019	87,943	3,886	867	170	617	93,483
2020	89,014	3,844	920	220	600	94,598
2021	90,515	3,957	923	177	620	96,192
2022	94,764	4,001	2,924	336	848	102,873
2023	99,276	4,099	4,410	176	1,005	108,966
2024	96,953	4,101	935	353	948	103,290

**Total Change in Net Position (Expressed in '000s)**

<b>Fiscal Year Ended June 30</b>	<b>Total Change in Net Position</b>
2015	\$ (22,975)
2016	(38,683)
2017	69,490
2018	31,318
2019	8,918
2020	(40,158)
2021	344,779
2022	(186,206)
2023	42,247
2024	70,809

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**

<b>As of June 30</b>	<b>Service Retired Members</b>	<b>Contingent Annuitants</b>	<b>Disabled Annuitants</b>	<b>Total</b>
2015	\$ 37,388	\$ 2,716	\$ 2,737	\$ 42,841
2016	38,726	2,746	2,711	44,183
2017	40,489	2,834	2,612	45,935
2018	42,210	3,006	2,632	47,848
2019	44,336	3,048	2,514	49,898
2020	45,553	3,244	2,699	51,496
2021	46,093	3,540	2,636	52,269
2022	46,618	3,772	2,641	53,031
2023	47,136	3,756	2,660	53,552
2024	47,794	3,862	2,527	54,183

**Public Safety**

<b>As of June 30</b>	<b>Service Retired Members</b>	<b>Contingent Annuitants</b>	<b>Disabled Annuitants</b>	<b>Total</b>
2015	\$ 30,606	\$ 2,106	\$ 2,999	\$ 35,711
2016	31,308	2,127	3,256	36,691
2017	31,743	2,206	3,167	37,116
2018	32,359	2,636	3,540	38,535
2019	34,315	2,660	3,187	40,162
2020	35,488	2,840	3,577	41,905
2021	36,753	3,355	3,292	43,400
2022	37,219	3,418	3,477	44,114
2023	38,492	3,654	3,671	45,817
2024	39,274	3,835	3,780	46,889

**Total**

<b>As of June 30</b>	<b>Service Retired Members</b>	<b>Contingent Annuitants</b>	<b>Disabled Annuitants</b>	<b>Total*</b>
2015	\$ 67,994	\$ 4,822	\$ 5,736	\$ 78,552
2016	70,034	4,873	5,967	80,874
2017	72,232	5,040	5,779	83,051
2018	74,569	5,642	6,172	86,383
2019	78,651	5,708	5,701	90,060
2020	81,041	6,084	6,276	93,401
2021	82,846	6,895	5,928	95,669
2022	83,837	7,190	6,118	97,145
2023	85,628	7,410	6,331	99,369
2024	87,068	7,697	6,308	101,073

\*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, 2024

### General

Amount of Monthly Benefit	Number of Retirees	Type of Retirement <sup>1</sup>									Option Selected <sup>2</sup>			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred <sup>3</sup>	1,234													
\$1-\$300	289	158	4	0	42	5	0	65	13	2	112	6	122	1
\$301-\$600	533	254	4	0	93	26	0	118	34	4	213	6	211	2
\$601-\$900	382	115	3	0	80	25	1	104	53	1	127	4	166	1
\$901-\$1,200	332	57	2	1	59	18	7	129	57	2	115	7	145	1
\$1,201-\$1,500	288	38	6	0	41	8	15	118	61	1	99	3	138	0
\$1,501-\$1,800	221	16	1	0	11	11	13	101	67	1	101	3	104	0
\$1,801-\$2,100	228	9	0	0	10	7	7	151	44	0	94	2	121	1
\$2,101-\$2,400	167	3	1	0	6	2	4	118	33	0	67	2	91	0
\$2,401-\$2,700	155	2	0	0	2	3	1	129	18	0	58	1	94	0
\$2,701-\$3,000	114	1	0	0	1	2	2	98	9	0	55	0	58	0
Over \$3,000	334	2	0	0	3	2	3	309	16	0	114	1	213	3
Totals	4,277	655	21	1	348	109	53	1,440	405	11	1,155	35	1,463	9

### Public Safety

Amount of Monthly Benefit	Number of Retirees	Type of Retirement <sup>1</sup>									Option Selected <sup>2</sup>			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred <sup>3</sup>	466													
\$1-\$300	11	5	0	0	5	0	0	1	0	0	4	0	2	0
\$301-\$600	93	52	0	2	25	4	0	3	2	5	34	0	27	0
\$601-\$900	86	33	0	0	25	4	2	3	6	13	11	2	35	0
\$901-\$1,200	78	18	2	2	33	5	3	3	5	7	9	2	23	0
\$1,201-\$1,500	84	6	2	6	33	9	5	10	7	6	7	0	30	0
\$1,501-\$1,800	70	7	2	5	24	3	6	13	8	3	12	0	24	0
\$1,801-\$2,100	79	2	2	0	20	3	8	24	18	2	15	2	38	0
\$2,101-\$2,400	83	4	0	0	11	2	15	36	14	1	20	1	50	0
\$2,401-\$2,700	89	0	0	1	4	1	9	58	16	0	22	1	61	0
\$2,701-\$3,000	121	1	0	0	2	1	20	81	15	0	32	2	85	0
Over \$3,000	665	2	0	0	5	1	32	590	35	0	167	9	483	1
Totals	1,925	130	8	16	187	33	100	822	126	37	333	19	858	1

### Total

Amount of Monthly Benefit	Number of Retirees	Type of Retirement <sup>1</sup>									Option Selected <sup>2</sup>			
		1	2	3	4	5	6	7	8	9	1	2	3	4
Deferred <sup>3</sup>	1,700													
\$1-\$300	300	163	4	0	47	5	0	66	13	2	116	6	124	1
\$301-\$600	626	306	4	2	118	30	0	121	36	9	247	6	238	2
\$601-\$900	468	148	3	0	105	29	3	107	59	14	138	6	201	1
\$901-\$1,200	410	75	4	3	92	23	10	132	62	9	124	9	168	1
\$1,201-\$1,500	372	44	8	6	74	17	20	128	68	7	106	3	168	0
\$1,501-\$1,800	291	23	3	5	35	14	19	114	75	4	113	3	128	0
\$1,801-\$2,100	307	11	2	0	30	10	15	175	62	2	109	4	159	1
\$2,101-\$2,400	250	7	1	0	17	4	19	154	47	1	87	3	141	0
\$2,401-\$2,700	244	2	0	1	6	4	10	187	34	0	80	2	155	0
\$2,701-\$3,000	235	2	0	0	3	3	22	179	24	0	87	2	143	0
Over \$3,000	999	4	0	0	8	3	35	899	51	0	281	10	696	4
Totals	6,202	785	29	17	535	142	153	2,262	531	48	1,488	54	2,321	10

<sup>1</sup>Type of Retirement:

1 = Resigned

2 = Pre-Retirement Ordinary Death

3 = Pre-Retirement Accidental Death

4 = Post-Retirement Death

5 = Ordinary Disability

<sup>2</sup>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)

6 = Accidental Disability

7 = Normal Retirement

8 = Early Retirement

9 = Qualified Domestic Relations Order

Beneficiaries were excluded. Retirees provided without a specified option are allocated by marital status: single = Option 1, married = Option 3

<sup>3</sup>Deferred Future Benefits - Terminated employees entitled to benefits but not yet receiving them.

Includes 128 participants currently in DROP and 10 vested participants on Leave of Absence.

## Schedule of Retired Members by Type of Benefit as of June 30, 2024 (Continued)

### General

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected <sup>1</sup>			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred <sup>3</sup>	1,234							
\$1-\$300	289	236	48	5	112	6	122	1
\$301-\$600	533	406	101	26	213	6	211	2
\$601-\$900	382	272	84	26	127	4	166	1
\$901-\$1,200	332	243	64	25	115	7	145	1
\$1,201-\$1,500	288	217	48	23	99	3	138	0
\$1,501-\$1,800	221	184	13	24	101	3	104	0
\$1,801-\$2,100	228	204	10	14	94	2	121	1
\$2,101-\$2,400	167	154	7	6	67	2	91	0
\$2,401-\$2,700	155	149	2	4	58	1	94	0
\$2,701-\$3,000	114	109	1	4	55	0	58	0
Over \$3,000	334	326	3	5	114	1	213	3
Totals	4,277	2,500	381	162	1,155	35	1,463	9

### Public Safety

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected <sup>1</sup>			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred <sup>3</sup>	466							
\$1-\$300	11	6	5	0	4	0	2	0
\$301-\$600	93	57	32	4	34	0	27	0
\$601-\$900	86	42	38	6	11	2	35	0
\$901-\$1,200	78	26	44	8	9	2	23	0
\$1,201-\$1,500	84	23	47	14	7	0	30	0
\$1,501-\$1,800	70	28	34	8	12	0	24	0
\$1,801-\$2,100	79	44	24	11	15	2	38	0
\$2,101-\$2,400	83	54	12	17	20	1	50	0
\$2,401-\$2,700	89	74	5	10	22	1	61	0
\$2,701-\$3,000	121	97	2	22	32	2	85	0
Over \$3,000	665	627	5	33	167	9	483	1
Totals	1,925	1,078	248	133	333	19	858	1

### Total

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected <sup>1</sup>			
		Service Retired Members	Contingent Annuitants	Disabled Annuitants	1	2	3	4
Deferred <sup>3</sup>	1,700							
\$1-\$300	300	242	53	5	116	6	124	1
\$301-\$600	626	463	133	30	247	6	238	2
\$601-\$900	468	314	122	32	138	6	201	1
\$901-\$1,200	410	269	108	33	124	9	168	1
\$1,201-\$1,500	372	240	95	37	106	3	168	0
\$1,501-\$1,800	291	212	47	32	113	3	128	0
\$1,801-\$2,100	307	248	34	25	109	4	159	1
\$2,101-\$2,400	250	208	19	23	87	3	141	0
\$2,401-\$2,700	244	223	7	14	80	2	155	0
\$2,701-\$3,000	235	206	3	26	87	2	143	0
Over \$3,000	999	953	8	38	281	10	696	4
Totals	6,202	3,578	629	295	1,488	54	2,321	10

<sup>1</sup>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

<sup>2</sup>Deferred Future Benefits - Terminated employees entitled to benefits but not yet receiving them.

Includes 128 participants currently in DROP and 10 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, 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
July 1, 2023 to June 30, 2024							
Average Monthly Benefit	\$ 173	\$ 461	\$ 800	\$ 1,327	\$ 1,733	\$ 3,222	\$ 3,283
Average - Average Final Compensation	\$ 45,311	\$ 41,992	\$ 45,690	\$ 53,957	\$ 56,321	\$ 80,298	\$ 68,509
Number of Active Retirees	4	53	29	19	11	8	7

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 service.

## Public Safety

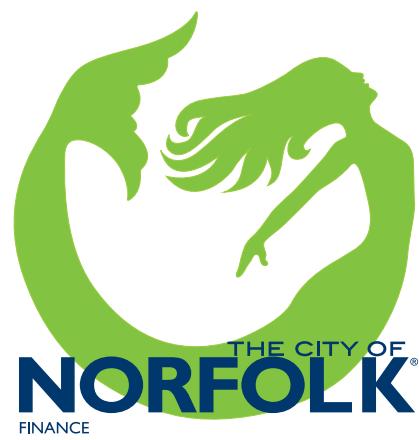
Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 2017 to June 30, 2018							
Average Monthly Benefit	\$ -	\$ 504	\$ 1,522	\$ 1,682	\$ 2,915	\$ 3,560	\$ 3,984
Average - Average Final Compensation	\$ -	\$ 40,922	\$ 43,357	\$ 50,162	\$ 64,961	\$ 67,427	\$ 70,961
Number of Active Retirees	-	1	6	4	7	9	2
July 1, 2018 to June 30, 2019							
Average Monthly Benefit	\$ -	\$ 534	\$ 870	\$ 1,921	\$ 2,895	\$ 3,756	\$ 4,729
Average - Average Final Compensation	\$ -	\$ 39,414	\$ 39,061	\$ 53,009	\$ 62,796	\$ 69,505	\$ 85,492
Number of Active Retirees	-	2	5	5	9	14	6
July 1, 2019 to June 30, 2020							
Average Monthly Benefit	\$ -	\$ 426	\$ 1,271	\$ 1,932	\$ 3,341	\$ 4,081	\$ 6,394
Average - Average Final Compensation	\$ -	\$ 39,280	\$ 43,066	\$ 56,148	\$ 69,926	\$ 75,795	\$ 114,716
Number of Active Retirees	-	3	5	3	13	8	3
July 1, 2020 to June 30, 2021							
Average Monthly Benefit	\$ -	\$ 501	\$ 994	\$ 2,608	\$ 3,056	\$ 3,814	\$ 4,512
Average - Average Final Compensation	\$ -	\$ 36,247	\$ 41,261	\$ 72,906	\$ 69,105	\$ 71,882	\$ 83,225
Number of Active Retirees	-	5	4	3	11	14	5
July 1, 2021 to June 30, 2022							
Average Monthly Benefit	\$ -	\$ 1,025	\$ 1,271	\$ 1,607	\$ 3,257	\$ 3,816	\$ 10,155
Average - Average Final Compensation	\$ -	\$ 35,759	\$ 50,245	\$ 49,823	\$ 71,212	\$ 71,512	\$ 182,768
Number of Active Retirees	-	4	9	2	7	30	1
July 1, 2022 to June 30, 2023							
Average Monthly Benefit	\$ -	\$ 1,040	\$ 1,334	\$ 2,326	\$ 3,285	\$ 3,983	\$ 4,038
Average - Average Final Compensation	\$ -	\$ 40,713	\$ 42,773	\$ 62,803	\$ 75,584	\$ 74,135	\$ 73,249
Number of Active Retirees	-	6	8	11	9	12	3
July 1, 2023 to June 30, 2024							
Average Monthly Benefit	\$ -	\$ 791	\$ 1,943	\$ 2,064	\$ 2,678	\$ 4,807	\$ 5,529
Average - Average Final Compensation	\$ -	\$ 37,323	\$ 70,576	\$ 50,164	\$ 69,002	\$ 88,032	\$ 109,064
Number of Active Retirees	-	11	6	1	6	7	5

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.

**Total**

Retirement Effective Dates	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
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
July 1, 2023 to June 30, 2024							
Average Monthly Benefit	\$ 173	\$ 518	\$ 996	\$ 1,364	\$ 2,066	\$ 3,962	\$ 4,219
Average - Average Final Compensation	\$ 45,311	\$ 41,190	\$ 49,956	\$ 53,768	\$ 60,797	\$ 83,907	\$ 85,407
Number of Active Retirees	4	64	35	20	17	15	12

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 service.

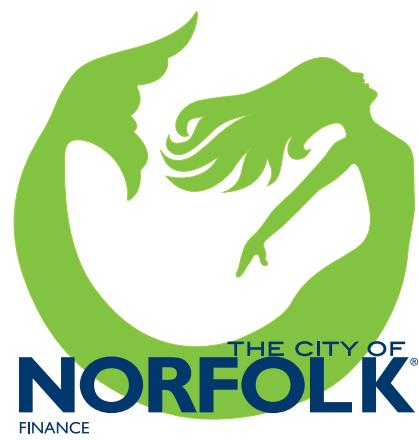


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# Compliance Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT / NORFOLK EMPLOYEES' RETIREMENT SYSTEM





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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 component unit of the City of Norfolk, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated September 25, 2024.

***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.

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

***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*.

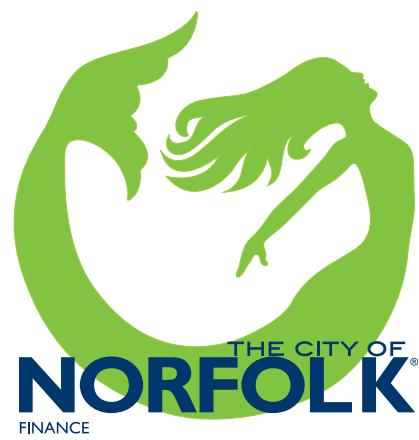
***Purpose of This Report***

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*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
September 25, 2024



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A Component Unit of the City of Norfolk, VA

