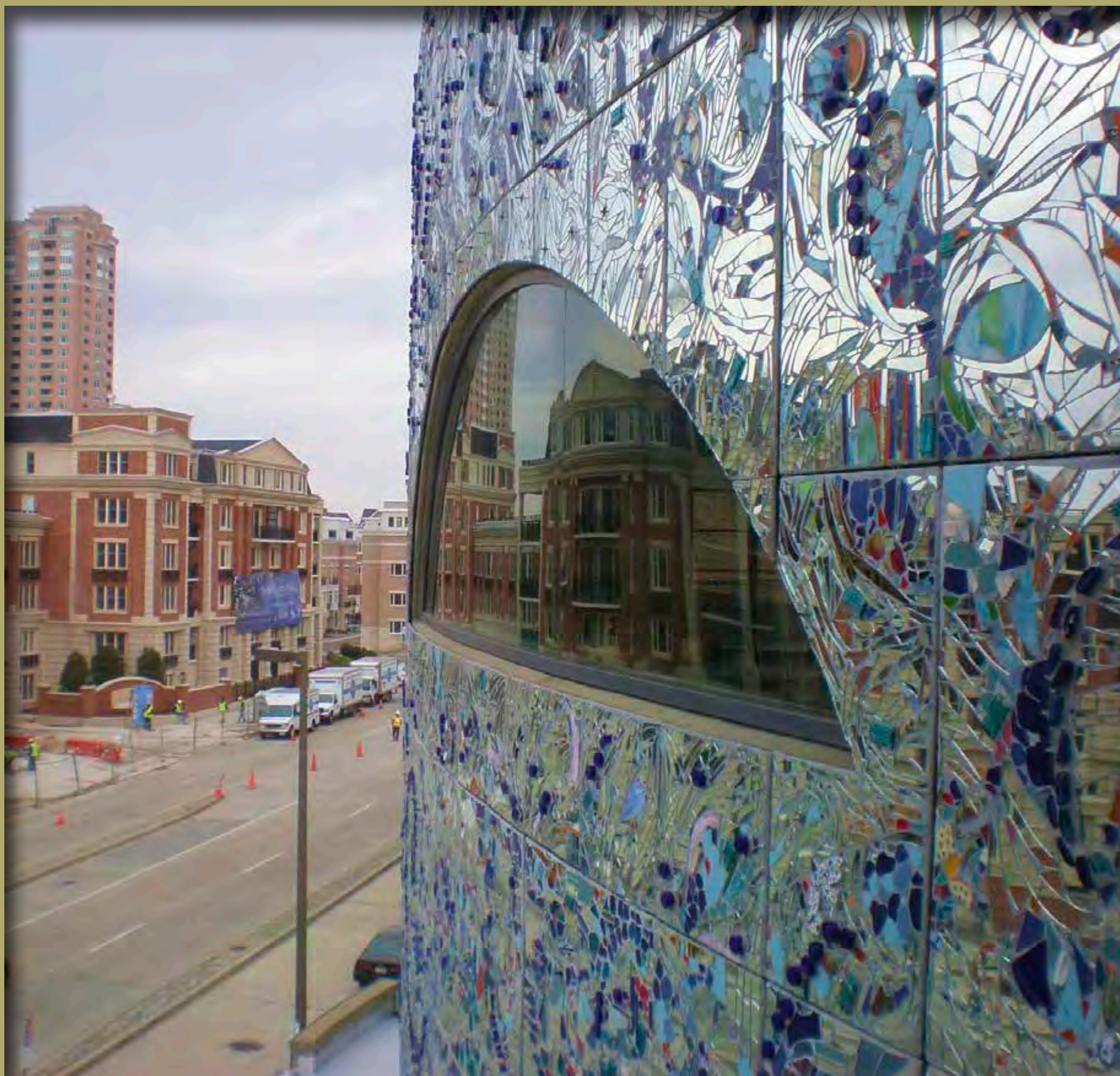
Elected Officials' Retirement System

City of Baltimore, Maryland



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

A component unit of the City of Baltimore

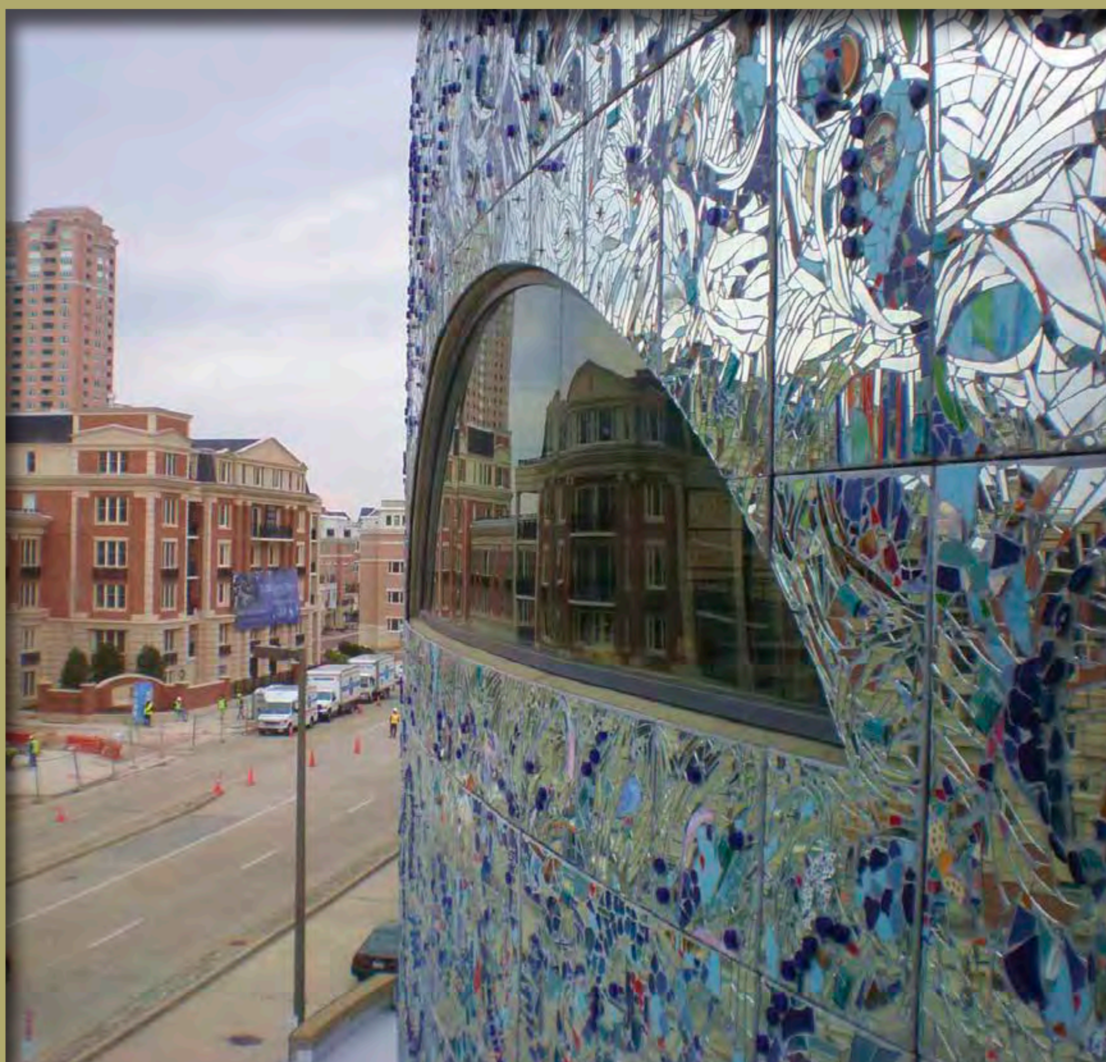
EOS
ELECTED OFFICIALS' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Elected Officials' Retirement System
City of Baltimore, Maryland

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

A component unit of the City of Baltimore



PREPARED BY

ROSELYN SPENCER, EXECUTIVE DIRECTOR & CIO
GRACE M. IKEOCHA, ACCOUNTING MANAGER

EOS
ELECTED OFFICIALS' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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Elected Officials’ Retirement System

Mission Statement

The System is committed to protecting and prudently investing member assets and providing accurate and timely retirement benefits with quality service to members and beneficiaries.

Standards of Conduct

As Trustees and Staff, we are committed to:

Safeguard the members’ assets.

Strive for continuous improvement.

Maintain confidentiality as appropriate.

Effectively communicate accurate information.

Provide accountable and proactive leadership.

Conduct all business in a fair and respectful manner.

Foster an atmosphere of cooperation and teamwork.

Value members as clients and advocate on their behalf.

Comply with the System’s plan provisions, policies and guidelines.

Work efficiently, simplify procedures, and minimize bureaucratic hurdles.

Form alliances and partnerships to benefit the membership and the System.

We expect all who interact with us to adhere to these standards of conduct.

Approved by the Board of Trustees February 21, 2002

TABLE OF CONTENTS

	Pages
Title Page	1
Mission Statement	3
Table of Contents	4
INTRODUCTORY SECTION	5
Certificate of Achievement	6
Letter of Transmittal	7-10
Chair's Report	11
Board of Trustees	12
Legal Counsel, Actuary and Independent Auditor	13
Organization Chart	14
FINANCIAL SECTION	15
Independent Auditor's Report	16-17
Management's Discussion and Analysis	18-21
BASIC FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Basic Financial Statements	24-30
REQUIRED SUPPLEMENTARY INFORMATION	31
Schedule of Changes in Net Pension Assets and Related Ratios	32
Schedule of Employer Contributions	33
Schedule of Investment Returns	34
Notes to Required Supplementary Information	35
SUPPORTING SCHEDULES	
Schedules of Administrative Expenses, Investment Expenses and Payments to Consultants	36
INVESTMENT SECTION	38
Investment Consultant's Report	39-40
Outline of Investment Objectives and Policies	41-42
Portfolio Composition - Fair Value of Investments	43
Investment Results - Time Weighted Rate of Return, Current Value Basis	44
Asset Allocation – Actively Managed Accounts	45
Investment Summary	46
Top Holdings	46
Summary Schedule of Fees and Commissions	46
Investment Professionals	47
ACTUARIAL SECTION	48
Actuary's Disclosure Certification	49-50
Actuarial Funding Methods and Actuarial Assumptions	51-53
Schedule of Active Member Valuation Data	54
Schedule of Retirees and Beneficiaries Added to and Removed from Rolls	55
Solvency Test	56
Analysis of Financial Experience	57
Summary of Plan Provisions	58-61
STATISTICAL SECTION	63
Statistical Section Summary	64
Changes in Fiduciary Net Position for the Last Ten Fiscal Years	65-66
Revenues by Source	67
Expenses by Type	68
Schedule of Benefit Recipients by Attained Age and Type of Retirement	69
Schedule of Active Members by Years of Service	69
Benefit Expenses by Type	70
Average Monthly Benefit Payments	71

Introductory Section

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Elected Officials' Retirement System

City of Baltimore, Maryland

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

CITY OF BALTIMORE
CATHERINE E. PUGH, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM
ROSELYN H. SPENCER, Executive Director
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202

January 20, 2017

The Board of Trustees and
Members of the Elected Officials' Retirement System
Baltimore, Maryland

It is my pleasure to present the Comprehensive Annual Financial Report of the Elected Officials' Retirement System of the City of Baltimore, Maryland (EOS, System, and Plan), a component unit of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2016. The System's administration is responsible for the accuracy of the data and the completeness of the presentation, including all disclosures. We believe the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the EOS' operations.

According to accounting principles generally accepted in the United States, management is required to provide a narrative introduction, overview and analysis of the financial statements of the System in the form of a Management Discussion and Analysis (MD&A). The System applies all applicable pronouncements of the Government Accounting Standard Board (GASB). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report in the Financial Section starting on page 18.

Profile of the Plan

The EOS is a single employer defined benefit local government retirement plan. It was established on December 5, 1983 by legislation to cover the Baltimore City Mayor, the Comptroller, and the President and members of the City Council. All System-related administrative and benefit provisions are established by City Ordinance, as contained in Article 22 of the Baltimore City Code, and may be amended only by the Mayor and City Council. By law, the same Board of Trustees that administers the Employees' Retirement System also administers the EOS. A summary of plan provisions is presented on pages 58 through 61. The number of active, retired and deferred members, as well as beneficiaries of the plan, can be found in the Notes to Basic Financial Statements starting on page 24.

Major Initiatives

Asset Liability Study: An asset liability modeling study was completed taking into consideration actuarial and capital market assumptions. The study covered projections of liabilities, contributions, benefit payments, expenses and a holistic view of asset allocation dynamics. As a result, the Board of Trustees approved the following asset allocation for investment of the Plan's assets: 25% to fixed income, 39% to US equity, 21% to non-US equity, 5% to hedge funds and 10% to real estate.

Legislative Mandate: Ordinance 16-488 was signed into law by the Mayor on June 21, 2016. The Bill modifies the definitions of "regular interest" for valuation purposes and "actuarial equivalent". It changes the assumed interest rate for the Plan investments from the current 7.25% to 7.0% for fiscal years beginning July 1, 2015, through July 1, 2017. In fiscal year beginning on and after July 1, 2018, the assumed interest will be 6.75%. The Ordinance also: made changes to the actuary mortality tables to reflect present trends; changes the frequency of actuarial experience studies; and modifies the administration of death benefits for eligible surviving spouses and minor children.

Financial and Economic Summary

In a year where global populism was gaining momentum, geopolitical issues and the unpredictable intentions of monetary authorities made it difficult to capture the tenor of financial markets. United Kingdom's (UK) unexpected Brexit referendum, to exit the European Union, led to major sell offs in late June, wiping out some of the portfolio gains in the final days of the fiscal year. Brexit's effect on the financial markets was immediate, and with no quick solution on implementation, is creating a prolonged period of uncertainty. Central Banks in Europe and Japan continue to implement monetary stimulus and negative interest rate policies through large scale bond purchasing programs. Here in the US, the Federal Reserve decided against a mid-year rate hike based on improved US economic data especially in the unemployment rate and the Fed's willingness to allow inflation to raise slighter than its current 2.0%.

Yet, the U.S. economic expansion is likely to continue, as expectation are lowered for global economic growth, and expected to remain so for a long time. Equities continue to gain, as fixed income remained unattractive due to low yields and the forthcoming chance of rising interest. The financial markets also saw a flight to safety and risk aversion in anticipation of a market adjustment and the probability of an interest rate hike.

EOS ended the fiscal year June 30, 2016 with total net assets of $22.7 million, a declined by $690,000 thousand, or 3.0%, when compared to the 2015 fiscal year. Return on investments increased by 0.4%, from the previous fiscal year, but this was not enough to outperform the policy benchmark of 1.1%. Compared to its peers, EOS performance ranked it in the 61st percentile. A broad diversification of the Plan's assets facilitated some portfolio risk mitigation while contributing to performance returns. Positive contributors to performance came from investments in international small cap equities, and real estate. Detractors were investments in US small cap equities and bank loans.

Investment Summary

The Board of Trustees (Board) is responsible for investment of the System's assets in accordance with the approved asset allocation. Other duties of the Board include: establishing reasonable investment objectives and policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines, and achievement of the System's objectives. The Board has a fiduciary duty to exercise its investment authority prudently and solely in the interest of the System's participants and beneficiaries.

The System's investment objective is to earn or exceed the actuarial assumption rate of 7.00%, or to outperform its policy benchmark. For fiscal year 2016, the System underperformed both objectives, which is an illustration of the difficulties in achieving the high assumed rate of return in a low interest rate, and low return environment. Long-term performance for the three and five year periods is still attractive, with annualized returns of 6.6% and 6.8%, respectively.

The Board utilizes external portfolio managers in active and passive strategies for investment of the System's assets. The managers are monitored and evaluated by the Board and its investment consultant, Marquette Associates, Inc. (Marquette), who provides the Board with monthly and annual evaluation reports. A summary of their annual analysis and the target asset allocation is found on pages 40-46 in the investment section of this report. Please refer to the MD&A for more investment and financial analysis.

Actuarial and Funding Results

An actuarial valuation report is prepared annually by the Board's Actuary to determine appropriate assumptions and funding requirements. As of June 30, 2016 the System's market value of assets declined from $23.4 million to $22.7 million, or a 2.9% decrease over the 2015 value of assets. The assets were greater than the Total Pension Liability (TPL) of $14.0 million as of June 30, 2016 resulting in surplus of $8.7 million as provided on page 32. The Net Pension Liability (NPL) is the difference between the Total Pension Liabilities (TPL) and the Plan Fiduciary Net Position (FNP). The FNP is greater than the TPL resulting in a net asset of the employer. All data related to GASB 67 is provided in the required supplemental section and in the financial notes. The Schedule of Changes in Net Pension Asset and Related Ratios found on page 32 provides three years of information as of June 30, 2016. It is expected to continue adding information until ten years of information is provided.

For funding purposes, the discount rate assumption rate of 7.25% was lowered to 7.00% resulting in an increase of $315,000 in actuarial liability. The actuarial value of assets which is a smoothed asset value used for funding purposes was $23.7 million as of June 30, 2016. When compared to the actuarial liability of $14.0 million, there was a surplus of $9.7 million. The System's funded ratio, which is the ratio of actuarial assets to actuarial liability, increased from 167.6% last year to 169.4% this year.

The required employer contribution is determined actuarially, based on the annual cost of accrual of benefits and amortization of the unfunded actuarial liability offset by employee contributions. Because the System is in a surplus position in excess of the annual cost of accrual of benefits, there is no required employer contribution for fiscal year 2017 and fiscal year 2018.

Accounting Systems and Internal Control

This report has been prepared in accordance with the principles of governmental accounting and reporting promulgated by GASB. The accrual basis of accounting is used to record assets and liabilities, and revenues and expenses. Revenues for the EOS are recorded when earned regardless of the date of collection, and expenses are recorded when liabilities are incurred regardless of when payment is made.

The System's administration assumes full responsibility for establishing and maintaining adequate internal controls and for the financial information contained in this report. Proper internal accounting and control exists to provide reasonable, but not absolute, assurance regarding the security of assets and the fair presentation of the financial statements and supporting schedules. Documented procedures, use of control cycles of work duties and other internal control policies are available for major job functions and operating processes. They are implemented thoughtfully and consistently. Management also understands that in executing reasonable assurance of an internal control framework, the cost of control should not exceed the anticipated benefits, and that the reasonable cost benefit framework requires management to make some estimates and or justifications.

Other Information

Independent Auditor: The Baltimore City Code requires that the City's Board of Estimates select an independent auditor for the Retirement System, and that the auditor report findings annually to the Board of Estimates and to the Board of Trustees. The Board of Estimates elected to have CliftonLarsonAllen render an opinion as to the fairness of the System's financial statements. The auditor's report is contained in the Financial Section of this report.

Professional Services: The Board appoints consultants and investment managers, subject to approval by the City's Board of Estimates. These professionals are chosen based on their ability to provide services that are essential to the effective and efficient operation of the System. Trustees are also required to monitor and terminate investment managers as necessary for underperformance, or for other material reasons as determined by the Board. All of the professionals that provide services to the Board are listed on pages 13 and 48 of this report.

Awards

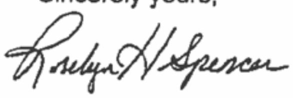
The Government Finance Officers Association of the United States and Canada (GFOA) awarded EOS a Certificate of Achievement for Excellence in Financial Reporting by for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 30th consecutive year (fiscal years 1986-2015) that the EOS has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

This CAFR is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and determining responsible stewardship for the assets contributed by the members and the City of Baltimore. It is prepared by the combined effort of the System's staff with contributions from the investment consultant Marquette Associates, Inc. and actuary, Cheiron, Inc. I am grateful for their continuous dedication and would like to express my appreciation for their contributions. This report is provided to the Elected City Officials and other interested parties. Copies are also filed with the Baltimore City Office of Legislative Reference. Other interested parties may obtain the report through the EOS website located at www.bcers.org.

We would like to take this opportunity to express our gratitude to the staff, actuary and consultant for their contributions in preparing this report. Also, our thanks go to the Board of Trustees for their devotion in the administration of the EOS.

Sincerely yours,



Roselyn H. Spencer
Executive Director & Chief Investment Officer

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM

ROSELYN H. SPENCER, Executive Director
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202

December 31, 2016

To: All Members, Retirees and Beneficiaries of the
City of Baltimore Elected Officials' Retirement System (EOS)

I am happy to report that the Baltimore City Elected Officials' Retirement System continues to be in great financial shape. The EOS funded ratio (the percentage of fund assets divided by liabilities) increased from 167.6% for the fiscal ending June 30, 2015 to 169.4% for the fiscal year ending June 30, 2016.

Because of EOS's overfunded status and continued asset growth, the City of Baltimore, for the third consecutive year, will not be required to make contributions to EOS for 2018.

EOS assets are allocated among many different types of investments. During this fiscal year, the Board of Trustees adopted the recommendation of Marquette Associates, the EOS's investment consultant, to make changes to the allocation of EOS investments. These changes are expected to increase investment return while minimizing risk.

In June, the Baltimore City Council passed, and the Mayor signed into law, legislation making certain changes to the EOS. Those changes include a reduction in the assumed rate of investment return that the EOS's actuary uses to calculate any required contribution by the City of Baltimore. This provision will help ensure that EOS remains well-funded.

As provided in the EOS law, all eligible EOS retirees and beneficiaries will receive a 2.5% annual post-retirement increase in January 2017.

In December 2015, I was fortunate enough to be elected Chair of the Board of Trustees. Having served in that capacity for almost one year, I have experienced first-hand the utmost dedication that my fellow Trustees demonstrate in handling the business of both the EOS and the Baltimore City Retiree Benefit Trust (OPEB Trust). I would also like to thank Executive Director Roselyn Spencer for her inspired leadership and the EOS staff for its exceptional service on behalf of our members and beneficiaries.

Sincerely,

Deborah F. Moore-Carter

Deborah F. Moore-Carter
Chair, Board of Trustees

BOARD OF TRUSTEES

Deborah F. Moore-Carter
Board Chair
Term expires December 31, 2019
Mrs. Moore-Carter is the Labor Commissioner for the City of Baltimore.
She was elected by the active membership to serve a four-year term.

Joan M. Pratt, CPA
Board Vice-Chair
Comptroller of the City of Baltimore, and serves as an **Ex-Officio Member**.

Jerome Sanders
Investment Committee Chair
Term expires December 31, 2016
Ms. Sanders is President of LVI Power, LLC
He was appointed by the Mayor.

Doris Y. Brightful
Investment Committee Vice-Chair
Term expires December 31, 2016
Ms. Brightful is a retired Community Health Nurse II from the Health Department.
She was appointed by the Mayor.

Dorothy L. Bryant
Term expires December 31, 2019
Ms. Bryant is a Phlebotomist with the City of Baltimore Health Department.
She was elected by the active membership to serve a four-year term.

Rosemary H. Atkinson
Term expires December 31, 2019
Mrs. Atkinson is a retired Neighborhood Service Center Director of the City of Baltimore.
She was elected by the retired membership to serve a four-year term.

Gary Gilkey
Term expires December 31, 2017
Mr. Gilkey is Chief of the Labor and Employment Office for the Baltimore City Law Department.
He was elected by the active membership to serve the remainder of the term left vacant by Trustee Corey who retired from the City and resigned as active member trustee in January 2015.

Both appointed and elected trustees serve four-year terms. Appointed trustees continue to serve until replaced by the Mayor, or until the expiration of two consecutive full terms. There are no limitations on the number of terms an elected trustee may serve.

LEGAL COUNSEL, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

Ian Berger

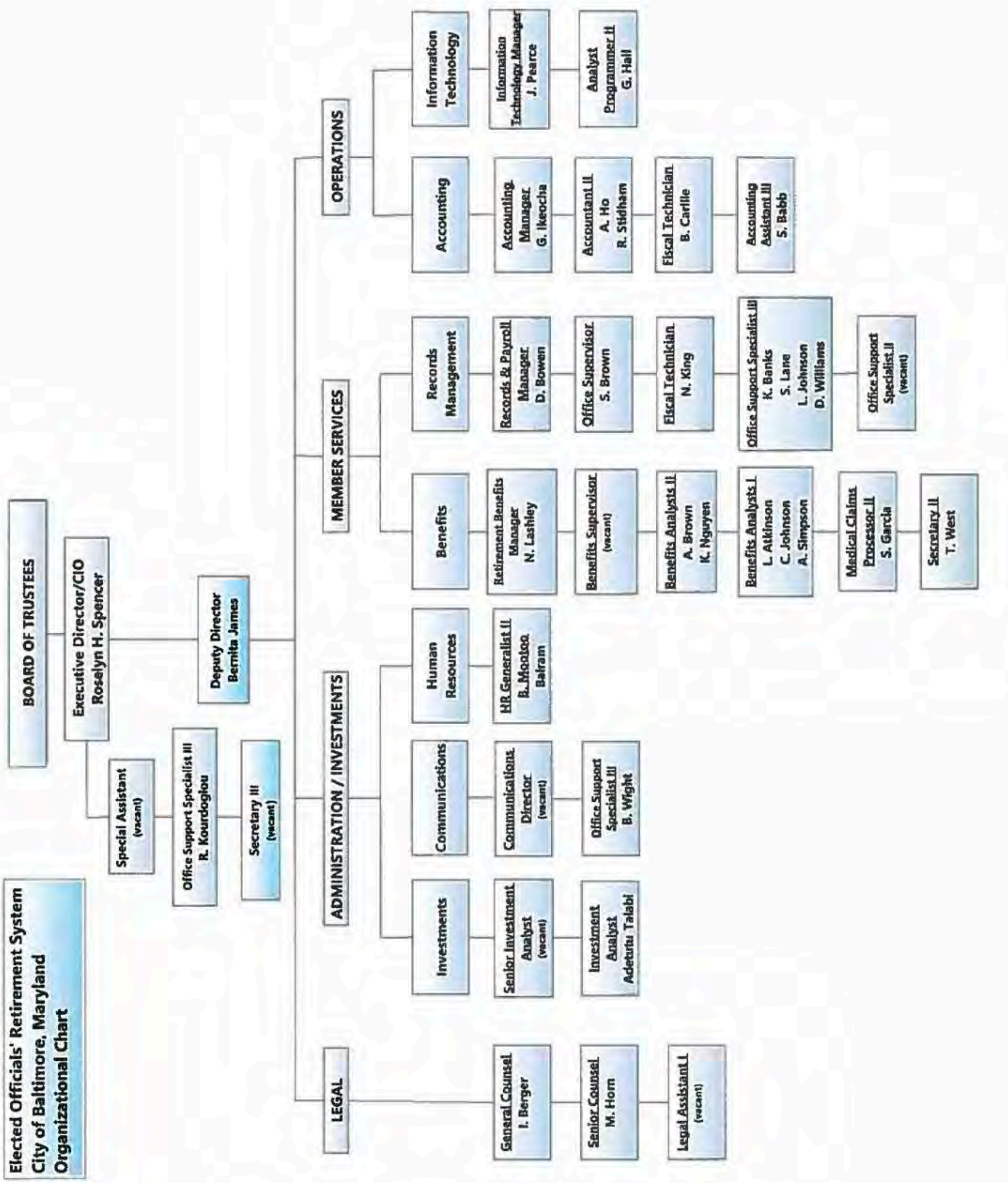
ACTUARY

Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

CliftonLarsonAllen, LLP
Thomas Rey, CPA

See page 47 in the Investment Section for a list of investment professionals.



Elected Officials' Retirement System
City of Baltimore, Maryland
Organizational Chart
BOARD OF TRUSTEES
Executive Director/CIO
Roselyn H. Spencer
Deputy Director
Bernita James
Special Assistant
(vacant)
Office Support Specialist III
R. Kourdoglou
Secretary III
(vacant)
LEGAL
ADMINISTRATION / INVESTMENTS
MEMBER SERVICES
OPERATIONS
General Counsel
I. Berger
Senior Counsel
M. Horn
Legal Assistant I
(vacant)
Investments
Senior Investment Analyst
(vacant)
Investment Analyst
Adetutu Talabi
Communications
Communications Director
(vacant)
Office Support Specialist III
B. Wight
Human Resources
HR Generalist II
B. Mootoo
Balram
Benefits
Retirement Benefits Manager
N. Lashley
Benefits Supervisor
(vacant)
Benefits Analysts II
A. Brown
K. Nguyen
Benefits Analysts I
L. Atkinson
C. Johnson
A. Simpson
Medical Claims Processor II
S. Garcia
Secretary II
T. West
Records Management
Records & Payroll Manager
D. Bowen
Office Supervisor
S. Brown
Fiscal Technician
N. King
Office Support Specialist III
K. Banks
S. Lane
L. Johnson
D. Williams
Office Support Specialist II
(vacant)
Accounting
Accounting Manager
G. Ikeocha
Accountant II
A. Ho
R. Stidham
Fiscal Technician
B. Carlile
Accounting Assistant III
S. Babb
Information Technology
Information Technology Manager
J. Pearce
Analyst Programmer II
G. Hall

Financial Section

INDEPENDENT AUDITORS' REPORT

The Honorable Joan M. Pratt, Comptroller,
Other Members of the Board of Estimates of the City of Baltimore and the
Board of Trustees of the Elected Official's Retirement System
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Elected Officials' Retirement System of the City of Baltimore (the System), which comprise the statement of fiduciary net position as of June 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Honorable Joan M. Pratt, Comptroller,
Other Members of the Board of Estimates of the City of Baltimore and the
Board of Trustees of the Elected Official's Retirement System

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the System's financial statements. The schedules of administrative expenses, investment expenses and payments to consultants, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of administrative expenses, investment expenses and payments to consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, investment expenses and payments to consultants are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017 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 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 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

Baltimore, Maryland
January 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to provide this overview and analysis of the financial activities of the Elected Officials' Retirement System (EOS) for the fiscal year ended June 30, 2016 and 2015. EOS is the administrator of a single employer defined benefit local government retirement plan (the Plan). Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Transmittal Letter, which begins on page 7 of this report.

Financial Highlights

- The net position restricted for pensions of the Plan at the close of the fiscal year 2016 was $22,749,282. The net position is available to meet the Plan's ongoing obligations to plan participants and their beneficiaries.

- The Plan's net position restricted for pensions decreased by $690,679 or 2.9%, compared to last year's position of $23,439,961 as a result of the retirement allowance exceeding plan members' contributions and investment performance.

- The time weighted rate of return for the fiscal year ended June 30, 2016 was 0.4%. Compared to the fiscal year ended June 30, 2015 return of 2.9%, this was a decline of 2.5% as a result of the investment performance of the Plan's international equity assets that dropped to (6.3%) return from (3.4%) in 2015.

- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2016, the Plan's net position as percentage of total pension liability was 162.5%. In general, this indicates that the EOS has sufficient funds to cover every dollar of benefits due.

- Revenues (Additions to Fiduciary Net Position) for the year were $107,915, a decrease of $667,087 from the prior year. Revenues include plan members' contributions of $62,485 and a net investment gain of $45,430.

- Expenses (Deductions from Fiduciary Net Position) increased to $798,594 from the prior year expenses of $797,644. Expenses include retirement benefit allowances and administrative expenses of the System.

Overview of Financial Statements

The following discussion and analysis are intended to serve as an introduction to the EOS financial statements and the Financial Section of this report.

The **Statement of Fiduciary Net Position** presents the Plan's assets and liabilities, as well as, the net position restricted for pensions at June 30, 2016. The assets comprise receivables, mainly from member contributions, and investments.

The **Statement of Changes in Fiduciary Net Position**, presents information showing how the Plan's net position changed during the year. Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when a formal commitment has been made by the City of Baltimore to provide the contributions. All investment gains and losses are shown at trade date. Both realized and unrealized gains and losses are shown on the investments. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The statements and the notes are in conformity with the accounting principles generally accepted in the United States. These principles require certain financial statement presentations and disclosures including the use of the full accrual basis of accounting to record assets and liabilities, and revenues and expenses.

The Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position can be found on pages 22 and 23 of this report.

The **Required Supplementary Information** that follows immediately after the notes to the basic financial statements include the Schedules of Changes in Net Pension Asset and Related Ratios, Employer Contributions and Investment Returns and the Notes to Required Supplementary Information. See the Required Supplementary Information beginning on page 29 of this report.

The remaining supplemental schedules provide additional detailed information concerning administrative expenses, investment expenses and payments to consultants. All of this information is considered useful in understanding and evaluating the financial activities of the Plan.

Financial Analysis

Net position may serve over time as a useful indicator of the Plan's financial position. At June 30, 2016 assets exceeded liabilities by $22,749,282. All of the net position is available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2016, net position decreased by 2.9% compared to the prior year, due to investment underperformance in the domestic and international equities.

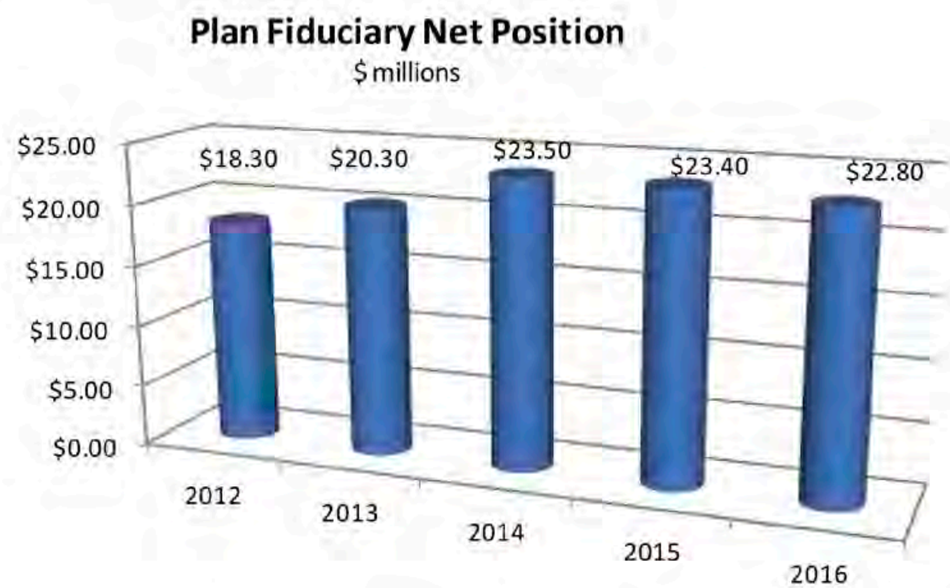
Fiduciary Net Position	Fiscal Year 2016	Fiscal Year 2015	Increase / (Decrease)	Percentage Change
Investments	$ 20,427,069	$ 23,342,004	$ (2,914,935)	(12.5)%
Other assets	2,328,351	110,393	2,217,958	2,009.1%
Total assets	22,755,420	23,452,397	(696,977)	(2.9)%
Total liabilities	6,138	12,436	(6,298)	(50.6)%
Net Position	$ 22,749,282	$ 23,439,961	$ (690,679)	(2.9)%

Investments

EOS is a long-term investor and manages the Plan's assets with long-term objectives in mind. A primary element of the Plan's investment philosophy is to employ a diversification of assets as the best possible way to achieve its goals. The assets of the Plan are currently managed by investment managers, whom employ active and passive management strategies to take advantage of imbalances in the markets. The target asset allocation consists of 44% invested in a domestic equity index, 21% in international equity, 25% in fixed income and 10% in Real Estate.

The Plan's investment performance for fiscal year 2016 was 0.4%, underperforming the policy benchmark of 1.1%. The domestic equity time weighted rate of return of 0.5% underperformed its benchmark of 2.1% by 1.6% for the fiscal year ending June 30, 2016. International equity time weighted rate of return was (6.3) %, an outperformance of its benchmark MSCI All Country ex US index by 3.5%. The time weighted rate of return for domestic fixed income was 4.9%, but still underperformed its benchmark Barclay's Capital Aggregate index by 1.1%.

Investments in this report are stated at fair value and include the recognition of unrealized gains and losses in the current period. The System's exposure to small-cap equity within the U.S. equity portfolio added to returns. Exposure to small-cap stocks within the international equity portfolio also contributed positively to results. The annualized rate of return for the three and five year periods ending June 30, 2016 were 6.6% and 6.8%, respectively. The Plan's long-term actuarial investment return assumption is 7.00%.



The Investment Section beginning on page 38 gives detailed information on the Plan's investment policies. See page 45 of this report for charts showing the asset allocation targets established by the Board of Trustees and the actual asset allocation of Plan assets at June 30, 2016.

Liabilities

The liabilities are payables due to retirement benefit expenses, investment management fees and administrative expenses of the EOS office. The Plan is administered by the same staff that administers the Employees' Retirement System.

Changes in Fiduciary Net Position	Fiscal Year 2016	Fiscal Year 2015	Increase / (Decrease)
Additions			
Employer contribution	$ –	$ $84,986	$ (84.986)
Members contributions	62,485	60,667	1,818
Net investment income	45,430	629,349	(583,919)
Total additions	107,915	775,002	(667,087)
Deductions			
Retirement allowances	763,018	744,046	18,972
Refund of contributions	–	20,232	(20,232)
Administrative expenses	35,576	33,366	2,210
Total deductions	798,594	797,644	950
Net decrease	$ (690,679)	$ (22,642)	$ (668,037)

Contributions and Investment Income

The employer's contribution to the plan in fiscal year 2016 is based on the actuarial valuation report for the year ended June 30, 2014. The employer contribution is determined by an actuarial valuation. It may decrease when actuarial asset is greater than the actuarial liability and the amortization of the surplus is greater than the annual cost of the Plan. In fiscal year 2016, the employer contribution decreased by $84,986 to zero because of the actuarial determined employer contribution for fiscal year 2016 being set to $0. Net investment income decreased due to lower returns in domestic and international equities compared to fiscal year 2015.

Retirement Benefits and Administrative Expenses

The Plan was created to provide lifetime service retirement benefits, survivor benefits and permanent disability benefits to eligible Plan members and their beneficiaries. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the administrative expenses of the Plan.

The primary source of expense during fiscal year 2016 was for the payment of continuing retirement benefits totaling $763,018, which increased from $744,046 for fiscal year 2015 primarily due to the annual cost of living adjustments.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances and to account for the money it receives to the Board of Trustees, the Mayor and City Council, the Plan's membership and the City's taxpayers. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Executive Director, Employees' Retirement System, 7 E. Redwood Street, 12th Floor, Baltimore, Maryland 21202.

Elected Officials' Retirement System
City of Baltimore, Maryland

STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2016

Assets		
Cash and cash equivalents		$ 2,328,017
Receivables		
Other receivables	$ 334	
Total receivables		334
Investments:		
Domestic equity	10,174,889	
Domestic fixed income	5,490,886	
International equity	4,761,294	
Total investments		20,427,069
Total assets		22,755,420
Liabilities		
Investment management fees payable	5,196	
Other accounts payable	942	
Total liabilities		6,138
Net position restricted for pension benefits		$ 22,749,282

The notes to the basic financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

Additions		
Contributions		
Plan members	$ 62,485	
Total contributions		$ 62,485
Investment income		
Interest and dividend income	974,122	
Net depreciation in value of investments	(895,444)	
Less: Investment expenses	(33,248)	
Net investment income		45,430
Total additions		107,915
Deductions		
Retirement allowances	763,018	
Administrative expenses	35,576	
Total deductions		798,594
Net decrease		(690,679)
Net position restricted for pension benefits		
Beginning of year – July 1, 2015		23,439,961
End of year – June 30, 2016		$22,749,282

The notes to the basic financial statements are an intergral part of this statement.

1. Plan Description:

The Elected Officials' Retirement System of the City of Baltimore (EOS) is the administrator of a single employer defined benefit local government retirement plan (the Plan). Established December 5, 1983, the plan covers the Mayor, the Comptroller, and the President and all members of the City Council. Based on criteria established by the Governmental Accounting Standards Board, the EOS is a component unit of the City of Baltimore and is included in the City's financial report as a Public Employee's Retirement System (PERS).

At June 30, 2016, the EOS membership consisted of:

Retirees and beneficiaries currently receiving benefits	21
Active plan members	17
Terminated vested member	2
Total	40

The Plan provides retirement benefits as well as death and disability benefits in accordance with Article 22 of the Baltimore City Code and may be amended by the Mayor and City Council of Baltimore. However, the reduction of benefits is precluded by the City Code. Membership in the Plan is mandatory upon taking the oath of office, unless the elected official is already a member of the Employees' Retirement System of the City of Baltimore.

Post-retirement benefit increases are indexed to future increases in the compensation for the position held by the elected official prior to retirement.

2. Summary of Significant Accounting Policies:

Basis of Presentation:
The accounting and financial reporting policies of the EOS included in this report conform to the accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board, which designates accounting and financial reporting standards applicable to PERS. This report includes solely the accounts of the EOS, a component unit of the City of Baltimore. There are no component units of the EOS based on the nature of operational or financial relationships.

Basis of Accounting:
These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments:
Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, and interest and dividend income earned, less investment expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Tax Status:
The System is a tax-exempt governmental plan qualified under Section 401 and exempt under Section 501(a) of the Internal Revenue Code. IRS qualification letters have been received.

Use of Estimates in Preparing Financial Statements:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net position held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

GASB Statement No. 72: *Fair Value Measurement and Application*, was adopted during the year ended June 30, 2016. It addresses accounting and reporting issues related to fair value measurements. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Additional disclosures are also required for investments in certain entities that calculate net asset value per share (or its equivalent). Comprehensive footnote disclosure regarding this Statement is found in Note 5.

3. Contributions:

Plan members are required to contribute 5% of their regular compensation through payroll deduction. The City's annual employer contribution is determined through an actuarial valuation. The employer contribution may decrease when actuarial asset is greater than the actuarial liability and the amortization of the surplus is greater than the annual cost of the Plan. According to the Plan provisions, Article 22 of the Baltimore City Code, contribution requirements of the Plan members and the City are established and may be amended by the Mayor and City Council. Administrative costs of the Plan are paid from investment earnings.

4. Cash and Investments:

The Plan's cash deposits are entirely covered by federal depository insurance at all times.

The Board of Trustees (the Board) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the Code. The Board accomplishes the daily management of the Plan's investments through an external investment advisor who acts as a fiduciary for the Plan and through external investment managers. The Board invests the assets of the Plan using the "prudent person standard" which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would in a similar situation. The Board has adopted an investment policy and guidelines to formally document its investment objectives and responsibilities.

The investments of the Plan at June 30, 2016 are categorized, as indicated in the following schedule:

Investments Type	Fair Value
Domestic equity index funds	$10,174,889
Fixed income	5,490,886
International equity	4,761,294
Total Investments	$20,427,069

Investments of the Plan are made by outside investment managers and are held under a custodial agreement with BNY Mellon Financial Corporation.

Foreign Currency Exposure Risk

At June 30, 2016, EOS did not hold any foreign currency or hedging foreign investment positions. EOS does not have a formal policy to limit foreign currency exposure.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The duration method used to rate interest rate risk is not available for the fixed income securities of the Plan because they are held in a commingled fund. The Plan does not have a formal policy to limit interest rate risk.

Credit Risk by Quality

The Plan's investments are not rated for credit risk. The Plan does not have a formal policy to limit credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in single issuer. As of June 30, 2016, the EOS has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in commingled funds, external investment pools, and other pooled investments are excluded.

Target Allocation

The pension plan's policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Domestic fixed income	25%
Domestic large equity	24
Domestic mid equity	10
Domestic small equity	10
International large equity	11
International small equity	10
Real Estate	10
Total	100%

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (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 arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.4%
Domestic fixed income	1.0%
International equity	5.3%

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return of the Plan, was 0.4%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expense, adjusted for the changing amounts actually invested. The inflation rate as of June 30, 2016 is 2.5%.

5. Fair Value Measurements

The Plan categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.
Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The table on page the following page shows the fair value leveling on the investments for the Plan.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 1, Level 2 and Level 3 are valued using either a bid evaluation, mid evaluation, last trade or official close. Bid evaluations are an estimated price at which a dealer would pay for a security. Mid evaluations are when a bid and ask evaluation are both present. Last trade is the most recent trade price of a security at market close time. Official close is the closing price as defined by the exchange.

The EOS invested assets measured at fair value at June 30, 2016 are presented below:

Investments by fair value level	Base Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic fixed income	$ 1,532,794	$ 1,532,794	$ -	$ -
Total investments by fair value level	$ 1,532,794			
Investments by net asset value				
Domestic equity	$ 10,174,889			
Domestic fixed income	3,958,092			
International equity	4,761,294			
Total investments measured at the net asset value	$ 18,894,275			
Total investments	$ 20,427,069			

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below:

	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity	$ 10,174,889	-	Daily, Weekly, & Monthly	0-30 days
Domestic fixed income	3,958,092	-	Daily, Weekly, & Monthly	0-30 days
International equity	4,761,294	-	Daily, Weekly, & Monthly	0-30 days
Total investments measured at the net asset value	$ 18,894,275	-		

- Domestic equity investment is through funds that are actively managed. The funds invest in stocks of small, mid and large capitalizations. The funds seek to outperform the S&P 500 Index while maintaining a similar level of market risk over the long term.

- Domestic fixed income investment is in high quality corporate bond securities with long durations in line with the profile of invested funds. A fundamentals-based, quantitative credit modeling process is used to screen out riskier securities and determine credit quality.

- International equity investment is also in actively managed funds. About half of the investment is in securities where rigorous dividend discount analysis is used to identify value in terms of the long term flow of income. The other half of investment is in funds which employs strategy that seeks to outperform the MSCI World Index (half-hedged) while maintaining a similar level of market risk over the long term.

6. Net Pension Asset

The following schedules are the Net Pension Asset (NPA) as of June 30, 2016 and the sensitivity of the of NPA to the discount rate.

The components of the net pension asset of the Plan at June 30, 2016 were as follows:

Total pension asset	$ 14,002,347
Less: Plan fiduciary net position	22,749,282
Net Pension Asset	$ (8,746,935)
Plan fiduciary net position as a percentage of the total pension liability	162.5%

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made the contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the pension liability schedule presents the net pension asset of the Plan calculated using the discount rate 7.00 percent as well as what the Plan's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

Sensitivity of the pension liability to changes in the discount rate.

Discount Rate	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net pension asset	$ (7,352,080)	$ (8,746,935)	$ (9,938,642)
Plan fiduciary net position as a percentage of the total pension asset	147.7%	162.5%	177.6%

The last actuarial experience study covered the period July 1, 2010 through June 30, 2014. Generally, an experience study is conducted every five years, unless requested by the EOS Board of Trustees.

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2016. The System's Board of Trustees approved the assumptions but some of the changes regarding interest rates defined by the City of Baltimore Code will require changes to the law. The information presented below is in the required supplementary schedules of this report on page 31.

Key methods and assumptions used to determine contribution rates.

Actuarial cost method:	Entry age normal method, effective June 30, 2016.
Amortization period:	Level dollar over 16-year period that is decreased each year. As of June 30, 2016 the unfunded liability is amortized over 11 years.
Actuarial assumptions:	
Investment rate of return:	7.00%
Projected salary increases	2.5% compounded annually.
Cost-of-living adjustments	2.5% compounded annually.
Mortality:	RP 2000 Healthy Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females.

7. Subsequent Events:

The Plan evaluated subsequent events through January 20, 2017 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to January 20, 2017 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2016.

Required Supplementary Information and Supporting Schedules

Elected Officials' Retirement System
City of Baltimore, Maryland

SCHEDULE OF CHANGES IN NET PENSION ASSETS AND RELATED RATIOS

	FY2016	FY2015	FY2014
Total Pension Liability			
Service cost (MOY)	$ 260,210	$ 409,788	$ 398,617
Interest (includes interest on service cost)	983,528	1,219,029	1,176,509
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(474,228)	(440,458)	(255,687)
Changes of assumptions	315,330	-3,523,408	-
Benefit payments, including refund of members contributions	(763,018)	(764,278)	(724,679)
Net change in pension liability	321,822	(3,099,327)	594,760
Total pension liability - beginning	**13,680,525**	**16,779,852**	**16,185,092**
Total pension liability - ending	**$ 14,002,347**	**$ 13,680,525**	**$ 16,779,852**
Plan fiduciary net position			
Contributions - employer	**$ -**	$ 84,986	$ 306,606
Contributions - members	**62,485**	60,667	56,903
Net investment income	**45,430**	629,349	3,508,186
Benefit payments, including refund of member contributions	**(763,018)**	(764,278)	(724,679)
Adminstrative expense	**(35,576)**	(33,366)	(32,996)
Net change in plan fiduciary net position	**$ (690,679)**	$ (22,642)	$ 3,114,020
Plan fiduciary net position - beginning	**23,439,961**	**23,462,603**	**20,348,583**
Plan fiduciary net position - ending	**22,749,282**	**23,439,961**	**23,462,603**
Net pension liability / (assets) - ending	**$ (8,746,935)**	**$ (9,759,436)**	**$ (6,682,751)**
Plan fiduciary net postion as a percentage of the total pension liability	162.5%	171.3%	139.8%
Covered employee payroll	$ 1,333,907	$ 1,298,865	$ 1,267,185
Net pension asset as a percentage of covered employee payroll	-655.74%	-751.38%	-527.37%

Note:

The actuarial liability decreased in 2015 by $3,523,408 due to the following actuarial assumption changes reflected in this valuation:

a. Salary and post retirement increase asumption was decreased from 5.0% to 2.5%

b. Post retirement mortality tablew were updated to the RP 2000 table with projections for improvement

The system regular interest for valuation purposes was reduced from 7.25% to 7.0% resulting in an increase in actuary liability of $315,330 in 2016

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the system will present information for those years for which information is available.

Elected Officials' Retirement System
City of Baltimore, Maryland

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarial determined contribution	$ -	$ 84,986	$ 306,606	$ 419,459	$ 997,685	$ 957,220	$ 339,830	$ -	$ 143,521	$ 381,524
Contributions in relations to actuarially determined contribution	-	84,986	306,606	419,459	997,685	957,220	339,830	-	143,521	381,524
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	**$ 1,333,907**	**$ 1,298,865**	**$ 1,267,185**	**$ 1,236,273**	**$ 1,236,273**	**$ 1,206,122**	**$ 1,206,122**	**$ 1,182,300**	**$ 1,142,000**	**$ 863,000**
Contributions as a percentage of employee payroll	0.00%	6.54%	24.20%	33.93%	80.70%	79.36%	28.18%	0.00%	12.57%	44.21%

Notes to Schedule

Valuation Date	July 1, 2014
Timing	Actuarial determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	Market value plus accrued contributions minus/plus the unrecognized gain/loss.
Amortization method	Level percent of pay closed period with 13 years remaining as of July 1, 2014
Discount rate	7.25%
Investment return	7.25% which is net of all expenses. While this is the same rate used for funding purposes which includes adminstrative expenses, for consistency in measurement we have used the same rate for the expected future asset return.
Salary increases	5.00%
Mortality	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvements using Scale AA

A complete description of the method and assumptions used to determine contribution rates for the fiscal year ending June 30, 2016 can be found in July 1, 2015 actuarial valuation report

Elected Officials' Retirement System
City of Baltimore, Maryland

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Annual money-weighted rate of return, net of investment expense	0.4%	2.9%	17.2%	12.8%	1.3%	23.2%	13.3%	-21.3%	-8.2%	18.8%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The employer's contributions increased from $339,830 to $957,220 for the fiscal year ending June 30, 2010 primarily due to demographic experience. The contributions are payable July 1, 2011.

2. The June 30, 2011 actuarial assumptions changes are based on the results experience study covering the period July 1, 2006 through June 30, 2010. The System's Board of Trustees approved the assumptions but legislation is pending adoption by the Mayor and City Council of Baltimore City. The employer contributions decreased from $957,220 to $419,459, payable July 1, 2012.

3. The June 30, 2012 funding position improved from a surplus of $899,798 as of June 30, 2011 to a surplus of $1,551,750 as of June 30, 2012.The employer's contribution decreased from $419,459 to $306,606 primarily due to gains in actuarial liability resulting from demographic experience and lower than expected salary increases.

4. The recommended total employer's contribution decreased from $306,606 for fiscal year 2014 to $84,986 for fiscal year 2015 primarily due to gains in actuarial liability resulting from demographic experience, zero salary increases and better than expected investment performance.

   The investment return on an actuarial valuation basis was 16.86%, outperforming the Plan's expected return 7.25% by 9.6%. Investments earned 17.23% on a market value basis.

5. The recommended employer contribution for 2016 was $0 and remains the same for 2017 as the plan is fully funded primarily due to the asset gain based on the smoothed asset and decrease in actuarial liability driven by assumption changes in response to the 2014 Experience Study

6. The actuarial liability decreased by $3,523,408 due to the following actuarial assumption changes

   - Salary and post retirement increase assumption was decreased from 5.0% to 2.5%
   - Post retirement mortality tables were updated to the RP 2000 table with projections for improvement

7. Regular interest rate as defined in the code was reduced from 7.25% to 7.00% effective June 30, 2016. This change resulted in an increase in actuarial liability of $315,330.

SCHEDULE OF ADMINISTRATIVE EXPENSES
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
Year Ended June 30, 2016

Schedule of Administrative Expenses

Administrative expenses	Fees
Actuarial fees	$ 31,285
Audit fees	3,060
Dues and membership fees	652
Retirement payroll processing	579
Total administrative expenses	**$ 35,576**

Schedule of Investment Expenses

Investment expenses	Fees
Investment management fees	$ 28,839
Investment advisor fees	959
Custodial fees	3,450
Total investment expenses	**$ 33,248**

Schedule of Payments to Consultants

Firm	Nature of Service	Fees
Cherion	Actuarial Services	$ 31,285
Baltimore City Department of Audits	Financial Audit	3,060
Total payments to consultants		**$ 34,345**

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Investment Section

MarquetteAssociates

INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the City of Baltimore Elected Officials' Retirement System (EOS) by Marquette Associates, Inc. is based on information supplied by the System's custodian, Mellon Bank, N.A (Mellon). Mellon provides Marquette Associates, Inc. with beginning and ending market values, cash flows, transactions, and positions for the EOS as well as each manager, where applicable. Mellon audits the information contained in its accounting reports monthly. The rates of return are calculated using a time-weighted rate of return methodology based upon market values. The returns are reported on both net of fees and gross of fees to provide comparisions with the appropriate benchmarks. Investment information is reported to the greatest degree possible in conformance with the presentation standards of Global Performance Investment Standards (GIPS) formerly known as AIMR.

Distinction of Responsibilities

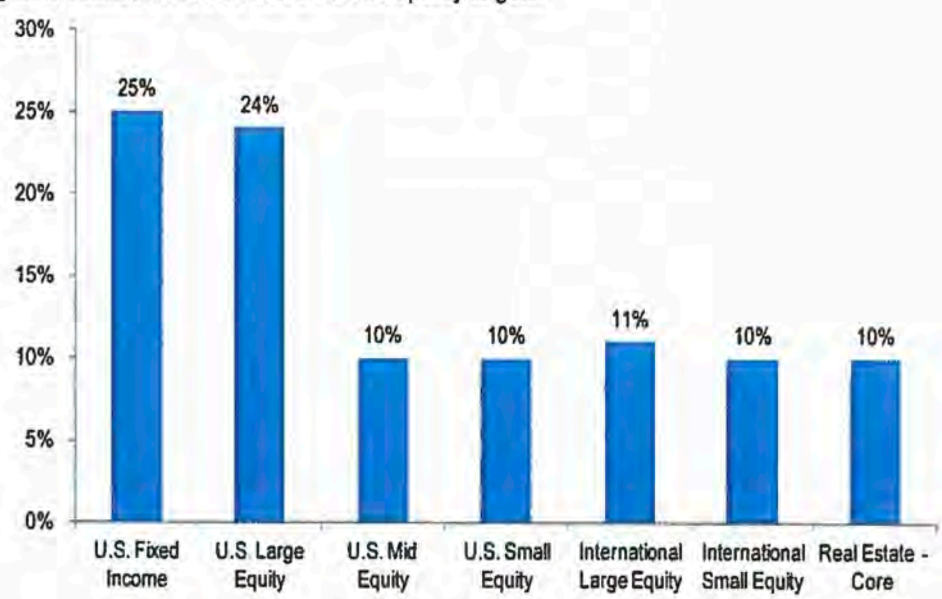
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner that is consistent with the retirement objectives of the System's members. These responsibilities are detailed in the Investment Guidelines.

The primary investment objectives of the System are to preserve the capital value of the System assets adjusted for inflation, to ensure adequate liquidity to meet benefit liabilities as they fall due, to meet the actuarial interest rate assumptions, and without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of System assets.

The investment managers appointed to execute the policy will invest EOS assets in accordance with the policy guidelines and with their judgment concerning relative investment values. In particular, the investment managers are accorded full discretion to: (1) select individual securities, (2) make periodic strategic adjustments to the mix of the common stock and fixed income securities, where applicable, and (3) diversify their portfolios.

Investment Asset Allocation Structure

The goal of the asset allocation structure is to provide a favorable rate of return coupled with a prudent level of risk. The System conducted a full Asset Allocation Review earlier this year to achieve long term return objectives while reducing risk. As a result, the System will implement strategies to increase diversification in the fixed income, equity,and real estate programs over the course of the year. The following table outlines the EOS's new investment policy targets:



Prepared by Marquette Associates, Inc.

The asset allocation structure further diversified the domestic and international equity asset classes. In domestic equity, the asset allocation has exposure to large, mid and small-cap equity. In international equity, the asset allocation has exposure to large and small equity and emerging markets. In fixed income, the asset allocation has exposure to investment grade core bonds and bank loans. The Trustees have employed both active and passive investment strategies to obtain the desired asset allocation mix in the most cost effective and efficient manner.

Investment Objective

The EOS's investment objective is to outperform the return of a policy portfolio consisting of 44% Russell 3000, 21% MSCI ACWI ex US, 10% CPI +6% and 25% Barclays Capital Aggregate. In addition, the EOS's performance is evaluated relative to the Investorforce Public Fund Universe, a universe representing the performance of 260 Public Funds. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of 48 different investment consulting firms located throughout the United States.

Market Overview

Fixed income markets outpaced equities for the year ended June 30, 2016 in a year where defensive investments and risk aversion dominated the markets. With the unexpected decision of the United Kingdom to leave the European Union at the end of June and concerns over global growth, the stock market retracted earlier gains and investors flocked to the safety of Treasury bonds. The best performing areas of both the bond and stock market exhibited the least risk such as government bonds and low volatility equity stocks. The U.S. Equity market, as proxied by the Russell 3000 Index posted a gain of 2.1% for the year while developed international markets posted a loss of -9.8%. International markets suffered losses due to concerns about the United Kingdom's spillover effects into already struggling European economies. As yields on longer dated bonds significantly decreased over the year, fixed income markets posted a solid gain of 6.0% as proxied by the Barclays Capital Aggregate Bond Index. The best performing asset class for the year again was core real estate with a gain of 10.6% spurred by continued investor interest and consistent income.

Investment Performance

For the fiscal year ending June 30, 2016, the System posted a return of 0.4%, underperforming the policy benchmark. The System ranked in the median of the public fund universe, ranking in the 61st percentile. The System's greater exposure to small-cap within the U.S. equity portfolio detracted from returns. An allocation to bank loans also detracted from fixed income results as investors flocked to safe havens within the bond market. International equities outperformed their benchmark due to an exposure to small-cap international equity which unlike its domestic counterpart, added value to returns.

The market value of the EOS assets ended the 2016 fiscal year with $22.8 million in total assets. At the end of fiscal year 2016, the System's assets were allocated as follows:

			Fiscal Year Rate of Return	
	Fair Value (in millions)	Percent of Total	EOS	Benchmark
U.S. Equity	$10.2	44.7%	0.5%	2.1%
International Equity	$4.8	20.9%	-6.3%	-9.8%
U.S. Fixed Income	$5.5	24.1%	4.9%	6.0%
Real Estate*	$2.2	9.7%	---	---
Cash Equivalents	$0.1	0.6%	---	---
Total Fund	$22.8	100.0%	0.4%	1.1%

*Real estate was funded on July 1, 2016

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Prepared by Marquette Associates, Inc.

Investment Objectives

The primary investment objectives of the Elected Officials' Retirement System (the Plan) are set forth below. It is recognized that maximizing any one objective may compromise the achievement of other objectives. For example, maximizing liquidity may reduce investment return; seeking maximum investment return may subject capital preservation to higher risk. Accordingly, the investment objectives are given in descending order of priority:

1. To preserve the capital value of the Plan adjusted for inflation;
2. To ensure adequate Plan liquidity to meet benefit liabilities as they fall due;
3. To meet the actuarial interest rate assumptions; and
4. Without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of funds.

General Investment Policy

The Elected Officials' Retirement System must comply with investment restrictions imposed by the laws of the City of Baltimore and any other State or Federal laws dealing with investment of public retirement plan assets. The Plan investment managers are expected to familiarize themselves with these laws.

Investment policy for the Plan relates to the portfolio of all assets which comprise the total holdings of the Plan. The Board of Trustees (Board) recognizes that the objective of a sound and prudent policy is to produce investment results that will preserve the assets of the Plan, as well as, to maximize earnings of the Plan consistent with its long-term needs. These long-term needs have been ascertained through various studies performed on behalf of the Board by its actuary and its investment advisor. Investment policy and the long-term average allocation of Plan assets to which they refer are deemed to be consistent with the projected pattern of cash flows to the Plan and its projected benefit payments. Should the projected finances of the Plan change significantly, the applicable Federal or State statutes be amended, or changes in the Plan's asset valuation methods be adopted, these policies and average asset allocations will be reviewed and modified by the action of the Board, if appropriate.

In general, the Board recognizes that large pools of assets must be diversified over different asset classifications in order to reduce risk. The following asset allocation has been established as an overall objective for the total holdings of the Plan:

	% of Total Assets at Fair Value
Asset Category	Target
U.S. Fixed Income	25%
U.S. Equity	39%
Non- Us Equity	21%
Real Estate	10%
Hedge Funds	5%
Total	100%

Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to the Plan's investment managers. Subject to these objectives and guidelines, and the Plan's laws referenced herein, the investment managers shall have full discretion in investment decisions. Managers are advised to notify the Board in writing if these objectives cannot be met or if the guidelines constrict performance, and are encouraged to suggest changes in these guidelines at any time.

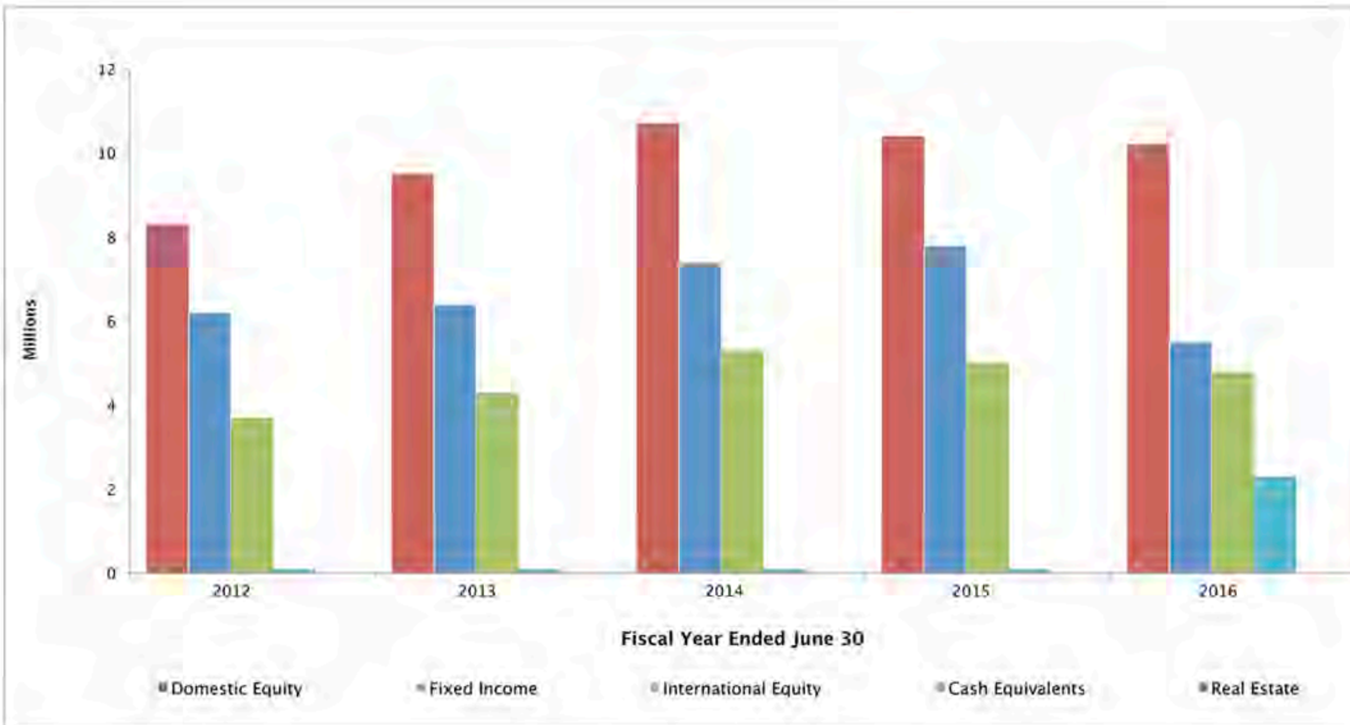
Proxy Voting

Pursuant to a U.S. Department of Labor directive, the Board of Trustees have a long standing policy that, when solicitations of proxies with respect to securities are received by an investment manager, the decisions as to whether and how to vote such proxies are delegated to that investment manager.

The Board also recognizes, however, that the investment manager's decisions must be made in accordance with applicable legal standards and that the Board has an obligation to ensure that those standards are being observed. Therefore, the Board requests that annually (June 30) each management firm furnish the Plan with a written statement of their policy and practices with respect to the voting of securities held in their employee benefit plan asset portfolios, together with their written assurance that such policies and practices are being followed. These statements and assurances will be included, and will be given appropriate weight, in the Board's continuing evaluation of each manager's overall investment performance.

Elected Officials' Retirement System
City of Baltimore, Maryland

PORTFOLIO COMPOSITION
FAIR VALUE OF INVESTMENTS



(amounts expressed in millions)

	2012		2012		2012		2012		2016	
Domestic Equity	$8.3	45.4%	$9.5	46.8%	$10.7	45.5%	$10.4	44.6%	$10.2	44.7%
Fixed Income	$6.2	33.9%	$6.4	31.5%	$7.4	31.5%	$7.8	33.5%	$5.5	24.1%
International Equity	$3.7	20.2%	$4.3	21.2%	$5.3	22.6%	$5.0	21.5%	$4.8	21.1%
Real Estate										
Cash Equivalents	$0.1	0.5%	$0.1	0.5%	$0.1	0.4%	$0.1	0.4%	$2.3	10.1%
Total	$18.3	100.0%	$20.3	100.0%	$23.5	100.0%	$23.3	100.0%	$22.8	100.0%

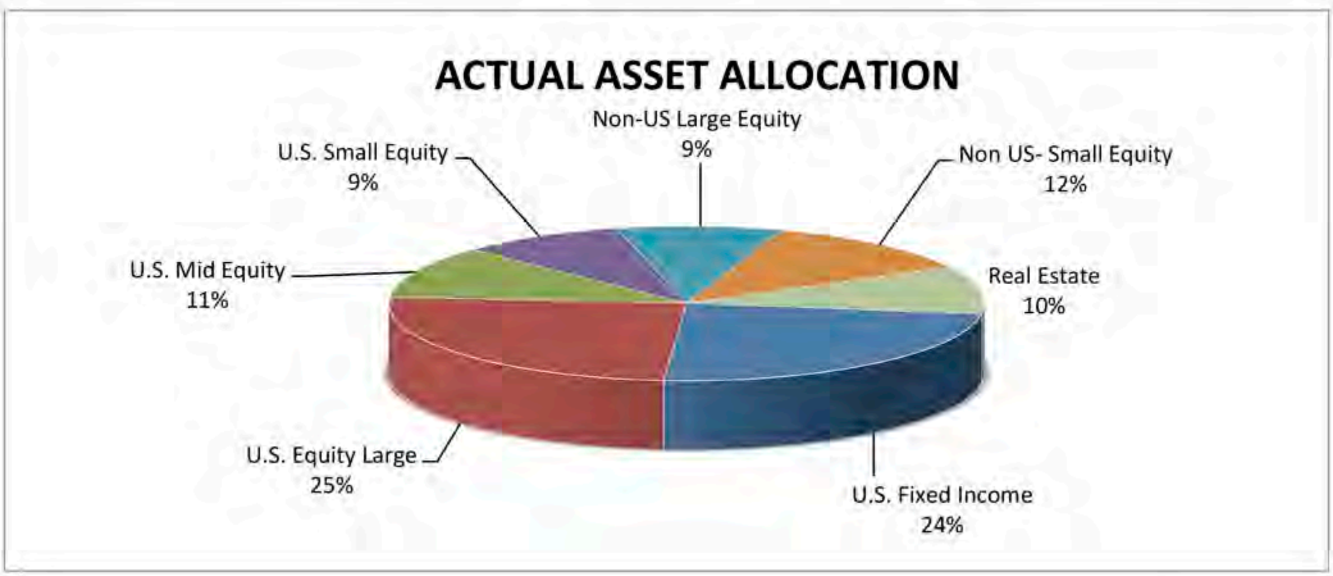
INVESTMENT RESULTS

Time Weighted Rate of Return, Current Value Basis

	FY 2016	Annualized 3 Years	5 Years
TOTAL PORTFOLIO	0.4 %	6.6 %	6.8 %
Median Public PensionFund	1.1	6.8	6.7
DOMESTIC EQUITIES	0.5	10.3	10.8
Russell 3000	2.1	11.1	11.6
FIXED INCOME	4.9	3.8	3.6
BarCap Aggregate	6.0	4.1	3.8
INTERNATIONAL EQUITIES	-6.3	3.3	2.6
MSCI ACWI ex-US	-9.8	1.6	0.2
REAL ESTATE*	---	---	---
NPI	---	---	---

*Real Estate was funded on July 1, 2016

ASSET ALLOCATION — ACTIVELY MANAGED ACCOUNTS
Year Ended June 30, 2016



Note: For asset allocation purposes, only actively managed accounts are included. Assets in the mutual funds are allocated between domestic equity and domestic fixed income based on the percentage held by the investment managers at June 30, 2016. Assets in the cash reserve are also excluded from this illustration. These assets are for the purpose of providing cash for the payment of benefit and administrative expenses.

INVESTMENT SUMMARY
TOP HOLDINGS
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
Year Ended June 30, 2016

Investment Summary

Investments:	Fair Value	Percent of Fair Value
Domestic Equity	$ 10,174,889	50%
Fixed Income	5,490,886	27
International Equity	4,761,294	23
Total Investments	$ 20,427,069	100%

Top Holdings

Investment:	Shares	Fair Value
Mondrian International Small Cap Equity	103,542	$ 2,618,432

Summary Schedule of Fees and Commissions

	Assets Under Management	Fees
Investment manager fees:		
	$ 20,427,069	$ 28,839
Other investment service fees:		
Custodial fees		3,450
Investment advisor fees		959
Total other investment service fees		4,409
Total investment service fees		$ 33,248

INVESTMENT PROFESSIONALS

INVESTMENT ADVISOR

Marquette Associates, Inc.
Nichole Roman-Bhatty
Chicago, Illinois

U.S. EQUITY

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

INTERNATIONAL EQUITY

Mondrian Investment Group, Inc.
Laura Conlon
Philadelphia, Pennsylvania

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

CORE PLUS FIXED INCOME (BANK LOANS)

Invesco
Dyice Ellis-Beckham
New York, New York

REAL ESTATE

American Realty Advisors
Stanley Iezman
Glendale, California

CUSTODIAN BANK

BNY Mellon Asset Servicing
Sarah Baulch
Pittsburgh, Pennsylvania

Actuarial Section

January 27, 2017

Board of Trustees
Elected Officials' Retirement System
of the City of Baltimore
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

Re: 2016 CAFR

Honorable Members of the Board of Trustees:

Cheiron, Inc. performs an actuarial valuation of the System at the end of each fiscal year. The most recent valuation was as of June 30, 2016, and it determined the employer's contribution for the plan year beginning July 1, 2016. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest will be made during the 2018 fiscal year.

The funding method used in the annual valuation is the Entry Age Normal Cost method. This method tends to produce a level normal cost (portion of the contribution) as a percentage of covered payroll as long as the average age of active members does not change significantly. The employer's contribution is increased or decreased to amortize the difference between the actuarial value of assets and the actuarial accrued liability as a level dollar amount over a fixed period targeting 100% funding by the fiscal year ending 2028. The plan was fully funded as of July 1, 2016.

Contributions have not consistently reflected level percent of pay because of:

- Volatility in the investment returns of the System
- Differences between actual and assumed pay increases; and,
- Sensitivity to elected officials terms of office.

The annual recommended contributions have varied from 0% to 83% of covered payroll.

The valuation is based on actuarial assumptions recommended by the actuary and approved by the Board of Trustees. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 67. The spread between the interest rate and the salary scale recommended by the actuary has been incorporated into Article 22 of the Baltimore City Code. A review of the actuarial assumptions was completed in 2014 by Cheiron with changes incorporated in the June 30, 2015 valuation.

The valuation is based on a closed group of members; no new hires are assumed. The actuarial value of assets equals the market value, adjusted for investment performance above or below the assumed rate of return. Such gains or losses are recognized over a five-year period. The unrecognized gain or loss is limited to 10% of the market value of assets. In preparing our report, we relied on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, 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 Standards of Practice No. 23.

The assumptions and methods used in determining the assets, liabilities, and the annual required contributions of the employer as defined by the Governmental Accounting Standards Board meet the parameters set by GASB Statement No. 67, *Financial Reporting for Pension Plans*. All supporting schedules in the Actuarial Section and the Schedule of Employer Contributions and the Schedule of Funding Progress in the Financial Section have been prepared by the System and reviewed by Cheiron.

These results were prepared exclusively for the Elected Officials' Retirement System of the City of Baltimore for the purpose described herein. Other users of these results are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

To the best of our knowledge, the exhibits that make up the actuarial section of this report and its contents when taken in context with our full valuation report as of July 1, 2016 have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kenneth A. Kent, FSA, FCA. EA, MAAA	Anu Patel, FSA, EA, MAAA
Principal Consulting Actuary	Principal Consulting Actuary

Attachments

CHEIRON

ACTUARIAL FUNDING METHODS AND ACTUARIAL ASSUMPTIONS

Method of Funding: (Effective 7/1/2013)	Liabilities and contributions shown in this report are computed using the Entry Age Normal Cost Method. The current Unfunded Actuarial Liability is amortized as a level dollar over 16 years beginning June 30, 2011. The 16-year period is decreased each year. As of June 30, 2016 the unfunded liability/(surplus) is amortized over 11 years.
Asset Valuation: (Effective 1996)	The actuarial value of assets is equal to market value plus accrued contributions minus/plus the unrecognized gain/loss as of the valuation date. Each year's gain/loss is recognized over 5 years. Investment gains/losses are defined as earnings in excess of 7.25% of the value of the Pension Accumulation Fund at the beginning of the year. The absolute value of the total unrecognized gain/loss is limited to not more or less than 10% of the market value of assets.

Actuarial Assumptions

Interest: (Effective 7/1/2016)	7.00% compounded annually.
Expenses: (Effective 1984)	Expenses are paid from the funds except investment management expenses that are paid from investment earnings. It is assumed that the fund will have sufficient earnings to pay these expenses and meet the interest assumption.
Salary Scale: (Effective 7/1/2015)	2.5% compounded annually.

ACTUARIAL FUNDING METHODS AND ACTUARIAL ASSUMPTIONS

Additional Assumptions:
(Effective 1984, Revised 7/1/2015)

Post Retirement Increase:	2.5% compounded annually.
Pre-retirement Mortality:	None
Post-retirement Mortality:	RP 2000 Healthy Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females
Withdrawal:	None
Retirement Age:	The later of (i) completion of current term or, (ii) end of term when first eligible for retirement (16 years of service or age 50 with 12 years of service).
Percentage Married:	Males: 80%; Females: 80%
Spouse Age:	A husband is assumed to be 4 years older than his wife.
New Entrants:	No future entrants are assumed.
Election Year:	The next election year is assumed to occur in 2016. Elections are then assumed to be held every four years thereafter.

ACTUARIAL FUNDING METHODS AND ACTUARIAL ASSUMPTIONS

Age	Withdrawal	Non-Line-of Duty Disability	Line of Duty Disability	Service Retirement
25	0	0.0008	0.0002	*
30	0	0.0008	0.0002	*
35	0	0.0012	0.0002	*
40	0	0.0023	0.0003	*
45	0	0.0035	0.0005	*
50	0	0.0057	0.0005	*
55	0	0.0080	0.0008	*
60	0	0.0013	0.0012	*
65	0	0.0014	0.0014	*
69	0	0.0015	0.0015	*

* Retirement eligibility is based on age and service. Assumed to retire on the later of: (i) completion of current term; or (ii) end of term when first eligible for retirement (16 years of service credit or age 50 with 12 years of service credit).

Mortality Rates for Retired and Disabled Members and Beneficiaries

	Retirees and Beneficiaries		Disabled Members	
Age*	Male	Female	Male	Female
55	0.004067	0.003275	0.035243	0.019556
60	0.007763	0.006412	0.042824	0.025620
65	0.014467	0.011715	0.053651	0.034033
70	0.024368	0.019903	0.069235	0.047093
75	0.042215	0.032115	0.093052	0.063837
80	0.074656	0.053410	0.125150	0.088989

** Rates for individuals who are the age shown as of June 30, 2015*

RP-2000 Healthy Lives Mortality table (set forward 2 years) with projected 15 years using 50% of Scale AA
RP-2000 Disabled Lives Mortality table (set forward 4 years) with projected 15 years using 50% of Scale AA

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase/ (Decrease) in Average Pay
6/30/2006	17	$958,000	$56,353	0.0
6/30/2007	15	863,000	57,533	2.1
6/30/2008	17	1,142,000	67,176	16.8
6/30/2009	17	1,182,300	69,547	3.5
6/30/2010	17	1,206,122	70,948	2.0
6/30/2011	17	1,206,122	70,948	0.0
6/30/2012	17	1,236,273	72,722	2.5
6/30/2013	17	1,236,273	72,722	0.0
6/30/2014	17	1,267,185	74,540	2.5
6/30/2015	17	1,298,865	76,404	2.5
6/30/2016	17	1,333,907	78,465	2.7

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in	Average
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances*	Annual Allowances	Annual Allowances
6/30/2006					18	$ 489,658	0.0	$ 27,203
6/30/2007	1	$ 14,357			19	504,015	2.9	26,527
6/30/2008	1	173,121			20	677,136	34.3	33,857
6/30/2009	1	17,094			21	694,230	2.5	33,059
6/30/2010	1	120,069			22	814,299	17.3	37,014
6/30/2011	1	40,419	1	106,833	22	747,885	(8.2)	33,995
6/30/2012	1	57,166			23	805,051	7.6	35,002
6/30/2013			2	52,748	21	752,303	(6.6)	35,824
6/30/2014					21	770,689	2.4	36,699
6/30/2015					21	790,409	2.6	37,639
6/30/2016					21	809,262	2.4	38,536

* Includes post-retirement adjustments.

SOLVENCY TEST

The Elected Officials' Retirement System's funding objective is to meet long-term benefit promises through contributions which spread the cost over the employees' service base. If the contributions to the System are soundly executed, the System will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of examining a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with: 1) Active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; 3) the liabilities for future benefits to terminated vested members; and 4) the liabilities for service already rendered by active members. In a system which has been following the discipline of allocating cost on a consistent basis to valuation years, the liabilities for future active member contributions on deposit (liability 1), the liabilities for future benefits to present retired lives (liability 2), and the liabilities for future benefits to terminated vested members (liability 3) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of the present assets. Generally, the funded portion of liability will increase over time. Liability 4 being fully funded is rare.

The schedule below illustrates the System's history of liabilities 1 through 4.

	Aggregate Accrued Liabilities For								
	(1)	(2)	(3)	(4)		Portion of Accrued Liabilities Covered by Report Assets			
Valuation Date	Active Member Contributions	Retirees and Beneficiaries	Terminated Vested Members	Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)
6/30/2006	$ 701,887	$ 7,135,209		$ 5,709,514	$ 15,940,948	100	100		141.9
6/30/2007	633,314	7,156,086	$ 1,126,466	5,273,171	17,524,104	100	100	100%	163.2
6/30/2008	660,277	10,406,449	337,457	5,549,093	18,272,591	100	100	100	123.8
6/30/2009	750,094	9,488,629	312,704	6,405,110	14,160,551	100	100	100	56.3
6/30/2010	733,536	11,658,750	317,461	5,926,106	15,614,728	100	100	100	49.0
6/30/2011	789,516	10,336,701	277,246	5,839,836	18,143,097	100	100	100	115.4
6/30/2012	760,599	11,010,110	283,545	4,896,801	18,502,805	100	100	100	131.7
6/30/2013	861,865	9,624,888	1,007,160	4,691,179	19,136,283	100	100	100	162.9
6/30/2014	969,373	9,535,771	995,637	5,279,071	21,230,077	100	100	100	184.3
6/30/2015	1,061,413	7,711,397	753,887	4,153,828	22,922,554	100	100	100	322.5
6/30/2016	1,176,425	7,821,820	774,704	4,229,398	23,724,766	100	100	100	329.9

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Losses in Accrued Liabilities During Fiscal Year Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	Gain or (Loss) for Year 2015	Gain or (Loss) for Year 2016
Age and Service Retirements If members retire at older ages or with lower final average pay than assumed there is a gain. If younger ages or higher pays, a loss.	$ 0	$ 0
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	5,567	651
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	0	0
Withdrawal from Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	215,180	0
Pay Increases and Retiree COLAs If there are smaller pay increases or retiree COLAs than assumed, there is a gain. If greater increases, a loss.	333,390	7,397
Investment Income If there is greater investment income than assumed, there is a gain. If less, a loss.	(1,083,024)	(1,664,593)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	(203,535)	(183,618)
New Entrants New entrants create a loss because they were not assumed in the previous valuation.	(18,528)	0
Assumption and Method Changes Changes due to assumption changes and/or changes in accounting and liability.	3,523,408	(315,330)
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	108,384	641,557
Gain or (Loss) During Year from Financial Experience	$ 2,880,842	$ (1,513,026)

1. **EFFECTIVE DATE:**

The Elected Officials' Retirement System (EOS) was established by City Ordinance effective December 5, 1983, and has been amended periodically.

2. **MEMBERSHIP AND SERVICE CREDIT:**

(A) An elected official, who is not a member of the Employees' Retirement System of the City of Baltimore, automatically becomes a member of the EOS upon taking the oath of office.
(B) An elected official, who is a member of the Employees' Retirement System of the City of Baltimore, has the option within 120 days of taking the oath of office, to become a member of the EOS.
(C) Provided a claim is filed with the Board of Trustees within six months after becoming a member, the member is eligible to receive credit for all previous service as an elected official of Baltimore City, as a member of a Maryland State retirement system, or as a member of a Baltimore City retirement system.

3. **CONTINUED MEMBERSHIP:**

A member of the EOS has the option to continue membership in the System following his leaving office or the end of the term of office for which he was last elected, provided he continues to contribute both the employer and member contributions.

4. **MEMBER CONTRIBUTIONS:**

Members are required to contribute 5% of their salary. However, no contributions shall be made after the member has attained age 60 and has acquired 35 years of service credit in the EOS.

If a member transfers prior City service or State service, he must pay the equivalent of such past member contributions.

5. **MILITARY SERVICE CREDIT:**

(A) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided:
(1) the member retires; and
(2) benefits due to military service credit have not been or will not be received from any other retirement system, except social security benefits and certain military benefits.

(B) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, shall receive service for the period of absence as provided by the Veterans' Re-employment Rights Act and the Uniformed Services Employment and Reemployment Rights Act of 1994.

6. **SERVICE RETIREMENT:**

(A) **Eligibility Requirements:**
(1) Acquired 12 or more years of service and attained age 50; or
(2) Acquired 16 years of service, regardless of age.

(B) **Benefit Amount:** An annual maximum service allowance equaling 2.5% of the current annual earnable compensation of the position held by the member multiplied by the number of years of the member's service credit. The allowance will consist of:

(1) an annuity equal to the actuarial equivalent of the member's accumulated contributions at the time of retirement; and
(2) a pension, equal to the maximum allowance less the annuity described in (1) above.

7. **NON-LINE-OF-DUTY DISABILITY RETIREMENT BENEFIT:**

(A) **Eligibility Requirements:** Five years of service, and determination by a hearing examiner to be mentally or physically incapacitated for the performance of duties as an elected official, and that such incapacity is likely to be permanent.

(B) **Benefit Amount:** An annual maximum retirement allowance equal to the greater of:
(1) the member's annual maximum service retirement allowance; or
(2) a retirement allowance totaling 25% of the member's current annual earnable compensation.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation received on account of the same disability.

8. **LINE-OF-DUTY DISABILITY BENEFIT:**

(A) **Eligibility Requirements**: Immediate eligibility upon membership in the System and determination by a hearing examiner to be totally and permanently incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of such duty at definite time and place without willful negligence.

(B) **Benefit Amount:** An annual maximum retirement allowance consisting of:
(1) an annuity equal to the actuarial equivalent of the member's accumulated contributions; plus
(2) a pension equaling 66.667% of the member's current annual earnable compensation.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation received on account of the same disability.

9. **DEFERRED VESTED RETIREMENT BENEFIT:**

(A) **Eligibility Requirements:** A member who has:
(1) Acquired 12 or more years of service, but less than 16 years of service, and
(2) Left office and has not attained age 50; and
(3) Elected to leave his or her accumulated contributions with the System.

(B) **Benefit Amount:** Upon attaining age 50, the member is entitled to receive an annual maximum service allowance equaling 2.5% of the member's current annual earnable compensation multiplied by the number of years of the member's service credit. The allowance will consist of:
(1) an annuity equal to the actuarial equivalent of the member's accumulated contributions at the time of retirement; and
(2) a pension, equal to the maximum service allowance less the annuity described in (1) above.

10. **MAXIMUM ALLOWANCE AND OPTIONAL METHODS OF RECEIVING BENEFIT PAYMENTS:**

(A) **Maximum Allowance**: Upon retiree's death, 40% of retiree's maximum allowance to unremarried spouse or dependent children until the last dies or attains age 18 (age 22 if full time student). All other options result in a lesser amount paid.

(B) **Reserve Guarantee Option**: Upon retiree's death, cash refund to retiree's designated beneficiary based on present value of allowance at retirement less payments made.

(C) **100% Joint and Survivor Option**: Upon retiree's death, 100% of member's allowance to continue to designated beneficiary.

(D) **50% Joint and Survivor Option**: Upon retiree's death, 50% of member's allowance to continue to designated beneficiary.

(E) **100% Joint and Survivor "Pop-Up" Option:** Upon retiree's death, 100% of member's allowance continues to the designated beneficiary. However, should the designated beneficiary predecease the retired member, the retiree immediately begins to receive the maximum retirement allowance; the retiree may not designate another beneficiary and no survivorship benefits are paid on the death of the retiree.

(F) **50% Joint and Survivor "Pop-Up" Option:** Upon retiree's death, 50% of member's allowance continues to the designated beneficiary. However, should the designated beneficiary predecease the retired member, the retiree immediately begins to receive the maximum retirement allowance; the retiree may not designate another beneficiary and no survivorship benefits are paid on the death of the retiree.

(G) **Specific Benefit Option:** Upon the retiree's death and subject to the approval of the Board of Trustees, the member's designated beneficiary will receive:

- (1) a specific lump sum amount; or
- (2) a specific periodic allowance.

These options are available for service, non-line of duty disability, and line-of-duty disability retirement. Within 30 days after retirement, the retired member may change any option and/or the designated beneficiary.

11. **NON-LINE-OF-DUTY DEATH BENEFIT:**

(A) **Eligibility Requirements:**

- (1) Member dies while serving as an elected official for Baltimore City; or
- (2) Retiree dies within 30 days after retiring on account of service, non-line-of-duty disability, or line-of-duty disability; or
- (3) Retiree who postpones receipt of a retirement allowance until reaching age 50 and dies within 30 days after reaching age 50.

(B) **Benefit Amount:**

- (1) 100% Joint and Survivor benefit:
  Provided the member was eligible for a service retirement at the time of death, the 100% Joint and Survivor Option shall be paid to:
  - (a) The member's designated beneficiary spouse to whom the member was married for at least one year immediately prior to the date of death; or
  - (b) The member's parent(s).

- (2) Lump Sum Benefit:
  If not eligible under (1) above, a lump sum benefit consisting of the member's accumulated contributions, and if the member has acquired more than one year of service, 50% of the member's current annual earnable compensation, payable to:
  - (a) the member's designated beneficiary; or
  - (b) a beneficiary as specified by the plan provisions.

(C) **Offset to Retirement Allowance:** This benefit is offset by:

- (1) workers' compensation received on account of the same disability or death; and
- (2) any allowance paid by this System and received by the retired member or former member before the date of death.

12. **LINE-OF-DUTY DEATH BENEFIT:**

(A) **Eligibility Requirements:**

(1) A determination by a hearing examiner, that the member's death occurred from the natural and proximate result of the actual performance of duty and without willful negligence on the part of the member; or

(2) A member has been granted a line-of-duty disability and dies from injuries that caused or contributed to the member being awarded the line-of-duty disability.

(B) **Benefit Amount:** The benefit consists of:

(1) a refund of the member's accumulated contributions and interest payable to the member's designated beneficiary or the beneficiary specified by the plan provisions; and

(2) an annual pension of 100% of the member's current annual earnable compensation payable to:

(a) the member's surviving spouse, to continue for life or remarriage;

(b) if there is no surviving spouse, or if the spouse dies or remarries, then to the member's child or children, equally, until age 18 (age 22 if a full-time student); or

(c) if there is no surviving spouse or minor child surviving, then to the member's dependent father and mother, who are designated beneficiaries, to continue for life, in the percentages designated by the member.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation received on account of the same disability or death.

13. **CURRENT ANNUAL EARNABLE COMPENSATION AND POST-RETIREMENT BENEFIT INCREASES:**

Retirement allowances are based upon the current annual earnable compensation authorized for that elected position and shall include any future increases occurring after the retirement of the official, which shall, after retirement, index benefits paid under the EOS subject to applicable reduction for any optional retirement allowance selection.

14. **REFUND OF MEMBER CONTRIBUTIONS:**

The member upon leaving office for any reason is entitled to a refund of the member's accumulated contributions and interest, if not eligible for any other benefits.

15. **FORFEITURE OF BENEFITS:**

If a member should be convicted of a job-related offense committed in the performance of his duties as an elected official of the City of Baltimore and committed against the City of Baltimore, no benefits provided by the EOS shall be paid to the member or his beneficiary. If the member or his beneficiary is receiving any benefits at the time of conviction, all benefit payments will cease. The member or his beneficiary shall only be entitled to the return of the member's accumulated contributions and interest less any benefit payments made.

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Statistical Section

STATISTICL SECTION SUMMARY

The statistical section of the Elected Officials' Retirement System's (System) comprehensive annual financial report presents detailed information as a context for helping the readers understand the information in the financial statements, notes disclosures, required supplementary information and the System's overall financial health for the last ten fiscal years. The information presented in this section is listed below.

Financial Trends

Changes of Plan Net Position schedules detail the System's financial performance from year to year.

Revenue Capacity

The Revenue by Source schedule list the different income streams of the System.

Expenses Capacity

The Expense by Type schedule contains information about the major costs of the System.

Demographic Information

The demographic schedules consist of various membership information used by the Actuary to determine or monitor the demographic assumptions. The tables which are used to compare current assumptions with actual experience to determine recommended assumption changes include:

- The Schedule of Active Members by Years of Service, which provides active membership information including the average service credit and member's age for each fiscal year;
- The Schedule of Retirees by Attained Age and Type of Retirement, provides the number of retirees by age and the type of retirement, and
- The Schedule of Beneficiaries By attained Age and Type of Retirement provides membership information on beneficiaries by age and type of the member's retirement.

Benefit Expenses by Type: is a report of benefit related expenses by the type of retirement and payment for each year of service.

Average Monthly Benefit Payments: is a schedule of monthly benefit payments based on years of credited service. For each year, the schedule provides the average monthly benefit payment, average final compensation and number of retirees grouped in years of credited service.

Elected Officials' Retirement System
City of Baltimore, Maryland

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Last Ten Fiscal Years

Additions	**2007**	**2008**	**2009**	**2010**	**2011**
Contributions					
Employer	$ 381,524	$ 143,521		$ 339,830	$ 957,220
Plan members	46,197	103,757	$ 58,617	59,358	100,523
Total contributions	427,721	247,278	58,617	399,188	1,057,743
Investment Income					
Net appreciation in fair value of investments	3,075,073	(1,588,540)	(3,656,082)	1,691,314	3,510,101
Interest, dividends, and real estate income	29,617	25,680	2,030	352	826
Less: investment expenses	(24,959)	(25,160)	(19,314)	(4,806)	(20,999)
Net investment income	3,079,731	(1,588,020)	(3,673,366)	1,686,860	3,489,928
Total additions	3,507,452	(1,340,742)	(3,614,749)	2,086,048	4,547,671
Deductions					
Retirement allowances	501,041	689,232	685,848	736,426	816,690
Adminstrative expenses	25,800	25,618	30,849	27,719	55,088
Refund of Contributions		24,193	27,298		
Total outflows	526,841	739,043	743,995	764,145	871,778
Net increase (decrease)	2,980,611	(2,079,785)	(4,358,744)	1,321,903	3,675,893
Net assets held in trust for pension benefits					
Beginning Balance	16,331,148	19,311,759	17,231,974	12,873,230	14,195,133
Ending Balance	$ 19,311,759	$ 17,231,974	$ 12,873,230	$ 14,195,133	$ 17,871,026

Elected Officials' Retirement System
City of Baltimore, Maryland

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Last Ten Fiscal Years

Additions	**2012**	**2013**	**2014**	**2015**	**2016**
Contributions					
Employer	$ 997,685	$ 419,459	$ 306,606	$ 84,986	$ -
Plan members	63,234	61,033	56,903	60,667	62,485
Total contributions	1,060,919	480,492	363,509	145,653	62,485
Investment Income					
Net appreciation in fair value of investments	225,022	2,384,186	2,993,149	(223,320)	(895,444)
Interest, dividends, and real estate income	301	216	541,457	883,837	974,122
Less: investment expenses	(20,217)	(22,948)	(26,419)	(31,168)	(33,248)
Net investment income	205,106	2,361,454	3,508,187	629,349	45,430
Total additions	1,266,025	2,841,946	3,871,696	775,002	107,915
Deductions					
Retirement allowances	775,678	763,865	724,679	744,046	763,018
Adminstrative expenses	28,242	39,609	32,996	33,366	35,576
Refund of Contributions	23,020			20,232	-
Total outflows	826,940	803,474	757,675	797,644	798,594
Net increase (decrease)	439,085	2,038,472	3,114,021	(22,642)	(690,679)
Net assets held in trust for pension benefits					
Beginning Balance	17,871,026	18,310,111	20,348,583	23,462,603	23,439,961
Ending Balance	$ 18,310,111	$ 20,348,583	$ 23,462,603	$ 23,439,961	$ 22,749,282

REVENUES BY SOURCE

		Employer Contributions			
Fiscal Year	Net Investment Income	Amount	% of Covered Payroll	Member Contributions	Total
2006	$ 1,721,385	$ 516,665	53.9%	$ 47,951	$ 2,286,001
2007	3,079,731	381,524	44.2	46,197	3,507,452
2008	(1,588,020)	143,521	12.6	103,757	(1,340,742)
2009	(3,673,366)		n/a	58,617	(3,614,749)
2010	1,686,860	339,830	28.2	59,358	2,086,048
2011	3,489,928	957,220	377.0	100,523	4,547,671
2012	205,106	997,685	80.7	63,234	1,266,025
2013	2,361,454	419,459	33.9	61,033	2,841,946
2014	3,508,187	306,606	24.2	56,902	3,871,695
2015	629,349	84,986	6.5	60,667	775,002
2016	45,430	-	-	62,485	107,915

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Total
2007	501,041		25,800	526,841
2008	689,232	24,193	25,618	739,043
2009	685,848	27,298	30,849	743,995
2010	736,426		27,719	764,145
2011	816,690		55,088	871,778
2012	775,678	23,020	28,242	826,940
2013	763,865		39,609	803,474
2014	724,679		32,996	757,675
2015	744,046	20,232	33,366	797,644
2016	763,018	-	35,576	798,594

SCHEDULE OF BENEFIT RECIPIENTS BY ATTENDANCE AGE AND TYPE OF RETIREMENT
SCHEDULE OF ACTIVE MEMBERS BY YEARS OF SERVICE

Schedule of Benefit Recipients by Attained Age and Type of Retirement

		Type of Retirement*		
	Recipients	Retirees	Beneficiaries	
Age		0	0	5
45-49	0	0		
50-54	1	1		
55-59	0	0		
60-64	1	1		
65-69	10	9	1	
70-74	2	1	1	
75 and up	7	5	1	1
Totals	21	17	3	1
Retired Members	17	17		
Average Annual Benefit	$38,457	$38,457		
Beneficiaries	4		3	1
Average Annual Benefit	$29,670		$28,420	$33,420

*Type of Retirement:
- 0 - Normal retirement for age and service
- 5 - Non-line of duty death, member eligible for service retirement at death

Schedule of Active Members by Years of Service

Years of Credited Service	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
0-1		4	4	1		2	2	0	1	1
2-4	3	3	2	4	5	5	1	3	2	2
5-9	1			2	2	1	5	5	4	4
10-14	7	6	5	5	2	1	1	0	1	1
15-19	1		1	1	5	6	6	6	6	2
20-24	2	3	2	2	2			1	1	5
25+	1	1	3	2	1	2	2	2	2	2
Total Members	15	17	17	17	17	17	17	17	17	17
Average Service Credit	14.92	11.12	13.20	12.66	12.77	11.95	12.86	13.87	14.46	15.50
Average Age	54.03	53.94	54.94	56.15	55.48	54.27	55.27	56.27	56.80	57.80

Elected Officials' Retirement System
City of Baltimore, Maryland

BENEFIT EXPENSES BY TYPE

Fiscal Year Ending	Age and Service Benefits: Retirees	Beneficiaries	Death Benefits	Termination	Total
2007	385,352	115,689			501,041
2008	543,705	145,527			689,232
2009	533,779	152,069		$ 27,298	713,146
2010	578,534	157,892			736,426
2011	658,798	157,892			816,690
2012	589,657	186,021			775,678
2013	653,657	79,174		31,034	763,865
2014	611,717	81,152		31,810	724,679
2015	654,760	89,286		20,232	764,278
2016	644,338	85,260		33,420	763,018

AVERAGE MONTHLY BENEFIT PAYMENTS

Retirement Effective Dates From July 1, 2005 to June 30, 2015	Years of Credited Service 5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/05 to 6/30/06:			No retirements for this period.			
Period 7/1/06 to 6/30/07:						
Average Monthly Benefit				$ 2,395		
Average Current Compensation				28,735		
Number of Active Retirees				1		
Period 7/1/07 to 6/30/08:						
Average Monthly Benefit		$ 4,933				
Average Current Compensation		59,196				
Number of Active Retirees		1				
Period 7/1/08 to 6/30/09:						
Average Monthly Benefit		$ 956				
Average Current Compensation		11,468				
Number of Active Retirees		1				
*QDRO						
Period 7/1/09 to 6/30/10:						
Average Monthly Benefit					$ 8,324	
Average Current Compensation					151,700	
Number of Active Retirees					1	
Period 7/1/10 to 6/30/11:						
Average Monthly Benefit		$ 3,368				
Average Current Compensation		59,886				
Number of Active Retirees		1				
Period 7/1/11 to 6/30/12:						
Average Monthly Benefit				$ 3,068		
Average Current Compensation				59,886		
Number of Active Retirees				1		
Period 7/1/12 to 6/30/13:			No retirements for this period.			
Period 7/1/13 to 6/30/14:			No retirements for this period.			
Period 7/1/14 to 6/30/15:			No retirements for this period.			
Period 7/1/15 to 6/30/16:			No retirements for this period.			

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Elected Officials' Retirement System

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