

**Actuarial Valuation Report
for the Elected Officials'
Retirement System of the City
of Baltimore**

**as of June 30, 2016
Produced by Cheiron**

November 2016

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November 14, 2016

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

Dear Members of the Board:

We are pleased to submit the June 30, 2016 actuarial valuation of the Elected Officials' Retirement System of the City of Baltimore. This report contains information on System assets, liabilities, and contributions. Financial disclosures are provided in a separate Governmental Accounting Standards Board (GASB) Statements Nos. 67 and 68 report.

The purpose of this report is to present the annual actuarial valuation of the Elected Officials' Retirement System of the City of Baltimore. This report is for the use of the Elected Officials' Retirement Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

This report was prepared exclusively for the Elected Officials' Retirement System of the City of Baltimore for the purpose described herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

To the best of our knowledge, this report and its contents have been prepared in accordance with 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

A handwritten signature in blue ink, appearing to read "K.A. Kent".

Kenneth A. Kent, FSA, FCA, MAAA
Principal Consulting Actuary

A handwritten signature in blue ink, appearing to read "Anu Patel".

Anu Patel, FSA, MAAA
Principal Consulting Actuary

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

FOREWORD

Cheiron is pleased to provide the annual actuarial valuation report of the **Elected Officials' Retirement System of the City of Baltimore** as of June 30, 2016. The purpose of this report is to:

- 1) **measure and disclose**, as of the valuation date, the financial condition of the System,
- 2) **report** on past and expected financial trends,
- 3) **determine** the recommended contributions for FYE 2018, and
- 4) **provide specific information** and documentation required by the City and the auditors of the System.

An actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability gains and losses. This valuation report is organized as follows:

Section I presents a summary of the valuation and compares this year's results to last year's results.

Section II contains exhibits relating to the valuation of assets.

Section III shows the measure of liabilities and develops the City's required contributions.

The appendices to this report contain a summary of the System's membership at the valuation date, a summary of the major provisions of the System, and the actuarial methods and assumptions used in the valuation.

In preparing our report, we relied on information (some oral and some written) supplied by the Retirement System's Office. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

The actuarial assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Plan could vary from our results.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**SECTION I
SUMMARY**

The key results of the June 30, 2016 actuarial valuation are as follows:

- Investments earned 0.04% on a market value basis, compared to the assumed rate for the year ending June 30, 2016 of 7.25%.
- The City's funding obligation is based on an actuarial asset value developed in Section II that smooths the volatility of investment returns. The investment return on an actuarial valuation basis was 6.66%. Therefore, there was a net asset loss compared to the 7.25% expected return of \$134 thousand.
- The recommended total lump sum contribution continues to remain at \$0 for FYE 2017 and FYE 2018 as the Plan remains in a surplus position. The actuarial asset value was greater than the actuarial liability by \$9.7 million, and the amortization of the surplus is greater than the annual cost of the Plan resulting in a contribution of \$0.
- The Plan's funded position improved from a surplus of \$9,242,029 as of June 30, 2015 to a surplus of \$9,722,419 as of June 30, 2016 due to differences in expected future employment of a number of the active participants.
- Regular interest rate as defined in the code was reduced from 7.25% to 7.00% effective July 1, 2016. This change resulted in an increase in actuarial liability of \$315,330.
- As a relatively small membership subject to elected terms, the valuation results are expected to exhibit material volatility from year to year. However, there were no changes in the participant counts from 2015 to 2016.
- The funded ratio of actuarial asset value to actuarial liability increased from 167.6% to 169.4%. The surplus assets are used to offset the normal cost of benefits earned during the year. The funded ratio based on Market Value of Assets decreased from 171.3% to 162.5%.
- The funding policy adopted by the Board provides for the unfunded actuarial liability or surplus to be amortized over a decreasing period with 11 years remaining as of June 30, 2016, targeting 100% funding by the fiscal year ending 2027.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**SECTION I
SUMMARY**

The table below provides details on the development of the FYE 2018 contribution results, unfunded actuarial liabilities, and statistics on Plan membership.

Table I-1 Valuation Summary				
	2015 Valuation		2016 Valuation	
	<u>Applies to FYE2017</u>		<u>Applies to FYE2018</u>	
Contributions	Amount	% of Pay	Amount	% of Pay
Normal Cost	\$ 253,374	19.51%	\$ 257,420	19.30%
Amortization of unfunded actuarial liability	(1,099,433)	-84.65%	(1,211,731)	-90.84%
Interest to beginning of next FY	<u>(61,339)</u>	-4.72%	<u>(66,802)</u>	-5.01%
Total lump sum cost	\$ 0	0.00%	\$ 0	0.00%
Total considered payroll	\$ 1,298,865		\$ 1,333,907	
Unfunded Liabilities				
Actuarial Liability (AL)				
Active	\$ 5,215,241		\$ 5,405,823	
Terminated vested	753,887		774,704	
Retirees and dependents	<u>7,711,397</u>		<u>7,821,820</u>	
Total	\$ 13,680,525		\$ 14,002,347	
Less: Actuarial value of assets (AVA)	\$ 22,922,554		\$ 23,724,767	
Unfunded actuarial liability	\$ (9,242,029)		\$ (9,722,420)	
Funded Ratio based on Actuarial Assets	167.6%		169.4%	
Funded Ratio based on Market Assets	171.3%		162.5%	

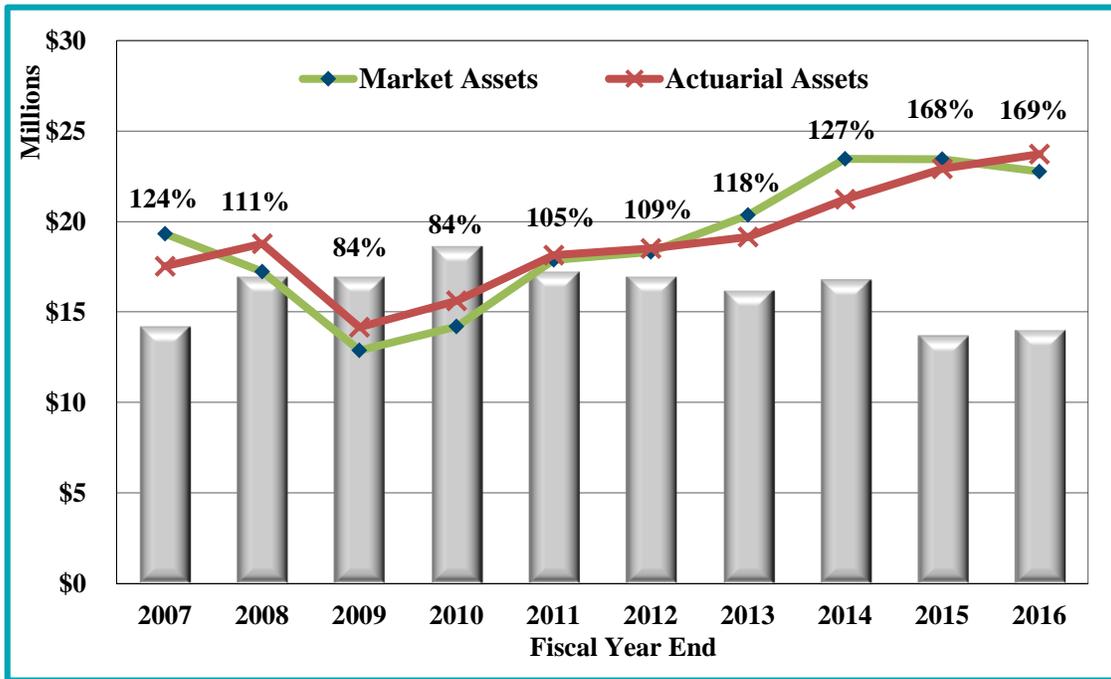
ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016

SECTION I
SUMMARY

Historical Trends

It is important to take a step back from these latest results and view them in the context of the System's recent history. Below, we present a series of charts which display key factors in the valuations of the last 10 years.

Assets and Liabilities



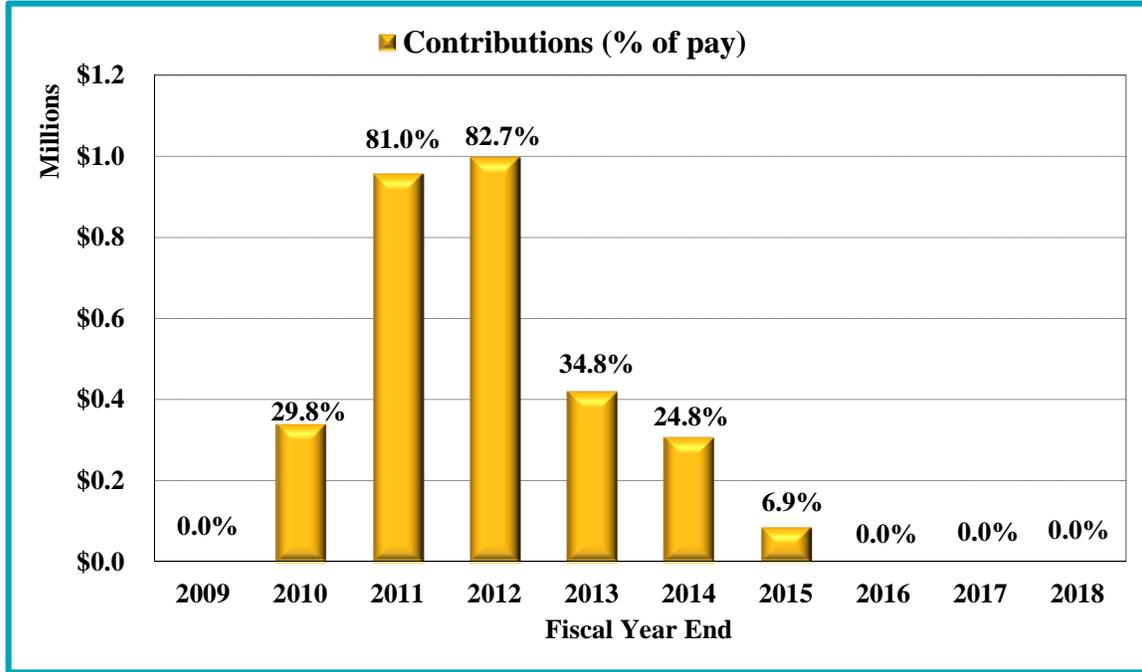
The bars represent the measure of liability used in this report, and the lines represent the asset values. We compare the actuarial asset value to the actuarial liability in developing the funded percentage. These are the percentages shown in the graph labels. The funded ratio continues to grow, and the System is currently at its highest funded percentage over this measurement period at 169.4% as of July 1, 2016. On a market value basis, the funded percentage during 2016 decreased from 171.3% to 162.5%.

ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016

SECTION I
SUMMARY

Contribution Rates

This graph shows the actuarially calculated City contribution rate, denominated in dollars and as a percent of payroll. The volatility in cost is a function of a plan covering a small number of participants, subject to election and appointment as well as a reflection of investment experience, plus salary growth that also drives cost-of-living adjustments for retirees.



The City's contribution requirement remains at \$0 for FYE 2018 due to the surplus position of the Plan.

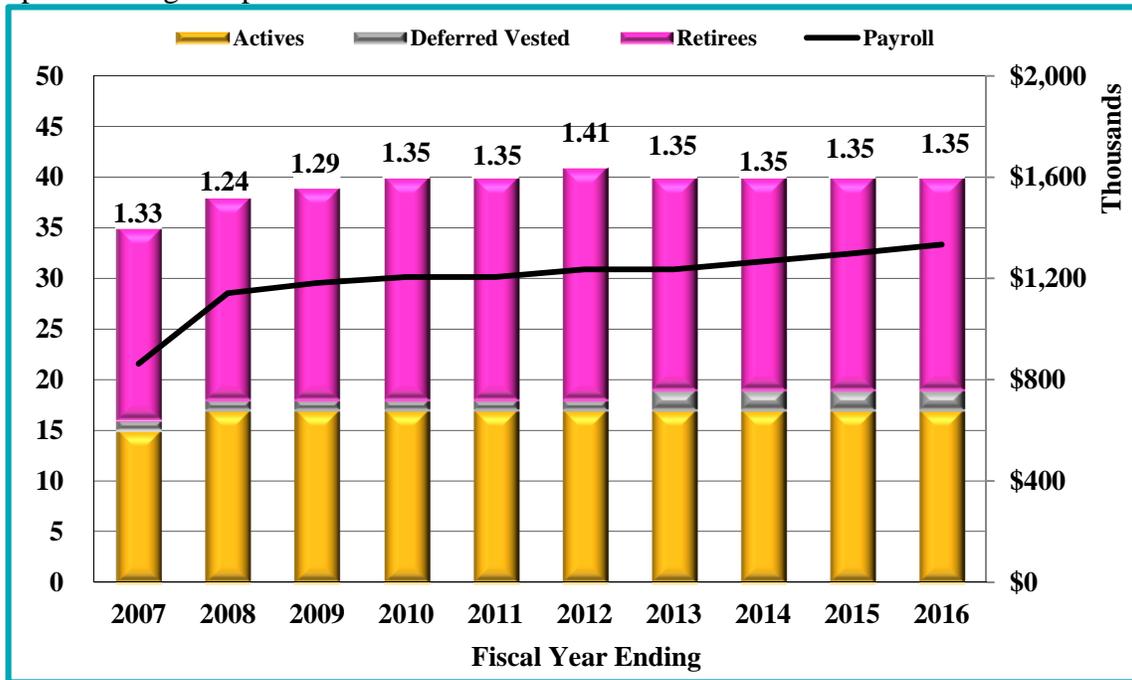
**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**SECTION I
SUMMARY**

Participant Trends

This chart shows the number of actives and non-actives covered by the Plan over the past 10-year period. The numbers which appear above each bar represent the ratio of the number of inactive members to active members at each valuation date. The implications of this ratio are related to the cost of the Plan as a percent of active participant payroll. If the Plan becomes underfunded, the future costs are measured as a percent of active payroll, while the asset loss is attributable to all assets including those assets supporting retired lives. Therefore, an increase in cost as a percent of payroll can be more volatile as the ratio of actives to inactive participants declines as shown in this graph.

The solid black line goes with the scale on the right, and it shows the total payroll of the active participants during this period.

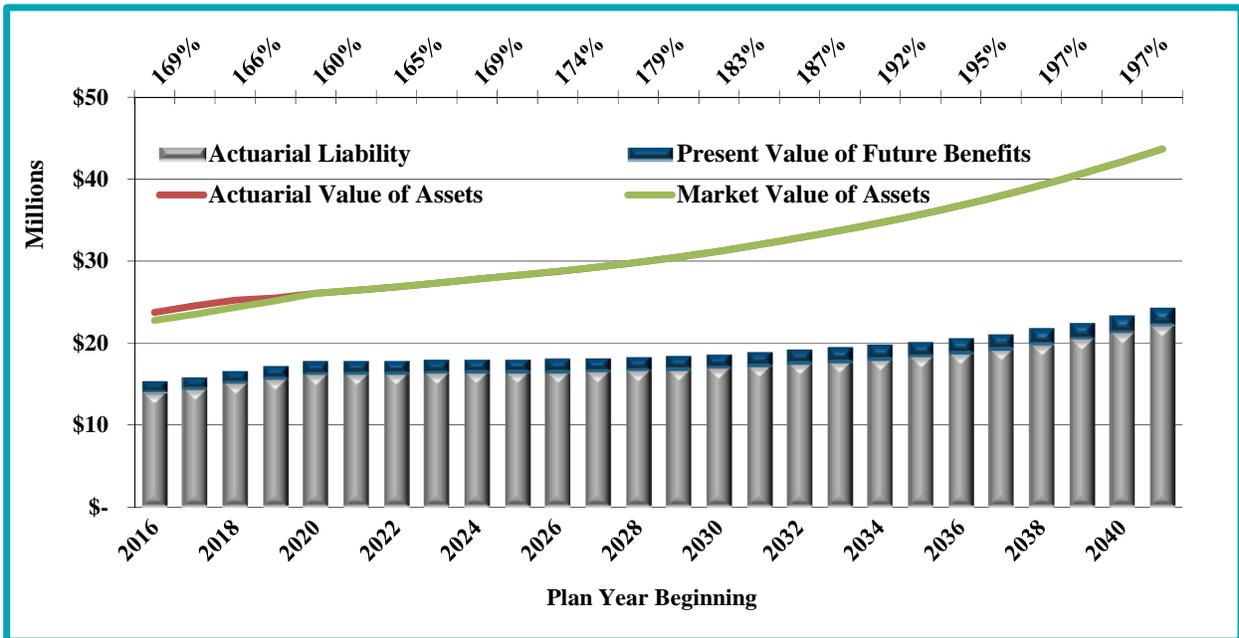


**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**SECTION I
SUMMARY**

Base Line Projections

The chart below shows the expected progress of the System's funded status over the next 25 years measured in terms of the City's funded ratio. The chart compares assets and liabilities and shows that if all actuarial assumptions are met, the Plan is expected to remain fully funded. The funding percentage continues to increase fully covering the annual cost of benefits as they are projected to be earned. These projections are highly dependent on future investment returns and salary increases. The funded ratio is based on the actuarial assets divided by the actuarial liabilities. The graph also shows the present value of benefits which is a measure of all the benefits, past and future, that are expected to be earned by the current participants. The graph also reflects the change in Regular interest rate from 7.00% to 6.75% effective July 1, 2018 and after.



Given that the Plan is expected to be fully funded if all actuarial assumptions are met, the City's composite contribution rate will remain at 0% due to surplus (assets are greater than liabilities) throughout the projection period. The Board's policy is to amortize the unfunded liability or surplus over a fixed period beginning in 2011 of 16 years.

While this chart demonstrates the projected future funded status and based on this the projected future cost is expected to be zero, as mentioned earlier, because the Plan covers a relatively small number of participants, these results could vary widely on a projected basis from year to year.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
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**SECTION II
ASSETS**

The statement of assets below is based on unaudited financial data furnished by the Retirement System's Office. The change in market value of assets during the valuation year ending June 30, 2016 is summarized below.

Table II-1 Market Value of Assets as of June 30, 2016	
	Market Value
Fund Balance on June 30, 2015	\$ 23,439,960
Contributions	
Member	\$ 62,485
City/State	0
Total Contributions	\$ 62,485
Investment Income	
Interest, Dividends, and Realized Capital Gains	\$ 78,680
Unrealized Gains (Losses)	0
Investment Expenses	(33,248)
Administrative Expenses	(35,577)
Net Investment Income	\$ 9,855
Payments of Benefits & Refunds	(763,018)
Fund Balance on June 30, 2016	\$ 22,749,282

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
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**SECTION II
ASSETS**

This next table shows the calculation of investment gains and losses and application of the asset smoothing method to arrive at the actuarial asset value. The System's investment experience was less than expected, resulting in a 0.04% return, which in turn resulted in an investment loss of \$1,664,593 during FYE 2015-2016. This loss is spread over a five-year period and recognized in the actuarial value of assets until it is fully recognized. The absolute value of the total unrecognized gain/loss is limited by a corridor of not more or less than 10% of the market value of assets. This corridor does not apply for the 2016 Plan year.

**Table II-2
Development of Actuarial Value of Assets**

					<u>June 30, 2016</u>
Investment Gain (Loss)					
1. Beginning of year market value of assets					\$ 23,439,960
2. Net cash flow					(700,533)
3. Actual investment earnings during FY					9,855
4. Anticipated earnings at 7.25% per annum during FY					<u>1,674,447</u>
5. Investment Gain/(Loss) (3. - 4.)					\$ (1,664,592)
Recognized and Unrecognized Gain/(Loss)					
<u>Valuation</u>	<u>Investment</u>	<u>Percent</u>	<u>Recognized as of</u>	<u>Unrecognized as of</u>	
<u>Year</u>	<u>Gain/(Loss)</u>	<u>Recognized</u>	<u>June 30, 2016</u>	<u>June 30, 2016</u>	
2012 *	\$ (1,128,125)	100%	\$ (1,128,125)	\$ 0	
2013	1,004,453	80%	803,562	200,891	
2014	2,012,781	60%	1,207,669	805,112	
2015	(1,083,024)	40%	(433,210)	(649,814)	
2016	(1,664,592)	20%	(332,918)	<u>(1,331,674)</u>	
				\$ (975,485)	
					Maximum of 10% of assets at June 30, 2016
					\$ 2,274,928
Actuarial Value of Assets					<u>June 30, 2016</u>
1. Market value as of June 30, 2016					\$ 22,749,282
2. Investment (Gain) Loss not yet recognized					<u>975,485</u>
3. Actuarial value of assets					\$ 23,724,767
4. Ratio of actuarial asset value to market asset value					104.29%

* Reflects the asset method change to aggregate all separate accounts.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
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**SECTION III
LIABILITIES AND CONTRIBUTIONS**

The table below discloses the actuarial liabilities by membership status and compares them to the actuarial value of assets to define the unfunded actuarial liability. The liabilities are for funding purposes and are not appropriate for measuring the cost of settling System's liabilities by purchasing annuities or paying lump sums. The overfunded amount of assets less liabilities is amortized over a fixed period ending in 2027, and that amount is then added (or subtracted if a surplus) to the Normal Cost (cost to cover the upcoming year's expected accruals less member contributions) to produce the recommended employer contributions. Because of the size of this year's surplus, this amount fully offsets the normal cost.

**Table III-1
Valuation Summary**

	<u>As of June 30, 2015</u> (7.25% Discount Rate)	<u>As of June 30, 2016</u> (7.00% Discount Rate)
Number of Participants		
Active	17	17
Terminated vested	2	2
Retired	21	21
Total Participants	40	40
Annual compensation of active participants	\$ 1,298,865	\$ 1,333,907
Average Age	56.80	57.80
Average Service (not including service to be purchased)	14.46	15.50
Development of Unfunded Actuarial Liability		
1. Actuarial Liability		
Active	\$ 5,215,241	\$ 5,405,823
Terminated vested	753,887	774,704
Retirees and dependents	7,711,397	7,821,820
Total	\$ 13,680,525	\$ 14,002,347
2. Actuarial value of assets	22,922,554	23,724,767
3. Unfunded actuarial liability (1. - 2.)	\$ (9,242,029)	\$ (9,722,420)
4. 12-year amortization payment at 7.25% for 2015 11-year amortization payment at 7.00% for 2016	\$ (1,099,433)	\$ (1,211,731)
5. Normal Cost	253,374	257,420
6. Interest on (4.) and (5.) to beginning of next FY	(61,339)	(66,802)
7. Total City Contribution if paid at beginning of next FY (4. + 5. + 6.), but not less than zero	\$ 0	\$ 0

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**APPENDIX A
PLAN MEMBERSHIP**

The data for this valuation was provided electronically by the Retirement System Office. Cheiron did not audit the data. However, the data was reviewed to ensure that it complies with generally accepted actuarial standards. The data for active and inactive participants is as of June 30, 2016. Where data elements were missing, date of hire, date of birth, and benefit accrual level assumptions were made to fill in the blanks. The assumptions made on missing data, if any, are included in Appendix B.

The table below contains a summary of the data provided as of June 30, 2016.

Reconciliation of all EOS Members				
	<u>Active</u>	<u>TV</u>	<u>Retired</u>	<u>Total</u>
1. Membership as of June 30, 2015	17	2	21	40
2. New Entrants	0	0	0	0
3. Retired	0	0	0	0
4. Terminated Vested	0	0	0	0
5. Terminated Non-Vested	0	0	0	0
6. Transfer to ERS	0	0	0	0
7. Stopped Payment	0	0	0	0
8. Died	0	0	0	0
9. Beneficiary	0	0	0	0
10. Rehired	0	0	0	0
11. Data Correction	0	0	0	0
12. Membership as of June 30, 2016	17	2	21	40
Current Annual Payroll	\$ 1,333,907			
Average Age	57.80			
Average Service	15.50			
Expected Annual Benefit Payments	\$ 796,732			

ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

1. Actuarial Cost Method

Method of Funding: Entry Age Normal Cost Method was approved by the Board of Trustees effective date of 7/1/2013.

Amortization Period: The unfunded actuarial liability, including actuarial gains and losses, 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 is amortized over 11 years.

Asset Valuation: 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 five years. Investment gains/losses are defined as earnings in excess of expected earnings (7.25% for FYE 2016) of the market asset value 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.

2. Actuarial Assumptions

All actuarial assumptions are subject to Board of Trustees' approval, with changes typically addressed following each five-year experience study and following the recommendation of the actuary. The last experience study was performed in 2015 based on 2010 through 2014 experience analysis. The rationale for the actuarial assumptions is provided within the experience study report.

Investment Return: 7.00% compounded annually, net of all expenses. This assumption is defined by City Code based on the definition of *Regular Interest*, which has been amended from time to time based on the advice of the actuary and investment consultant and recommendation of the Board of Trustees in the form of an amendment to the City Code from time to time.

Salary Increases: 2.5% compounded annually based on our understanding of the compensation capped growth rate for Elected Officials.

Post-Retirement Increase: 2.5% compounded annually

Pre-Retirement Mortality: None - given the small covered population and the nature of the pre-retirement death benefits providing return of most or more than

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
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**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

the benefit value at death, the best assumption to fit these circumstances is to assume no discount of benefits for pre-retirement mortality.

***Post-Retirement
Mortality:***

1. Retirees and Beneficiaries:
Males and Females - RP2000 Combined Mortality Table set forward two years with projections using 50% of the AA scale projected 15 years. Given the requirement for periodic experience analysis this projection period is reasonable to span the expectations until the next study will be performed

2. Disabled members:
 RP2000 Disabled Mortality Table set forward four years with projections using 50% of the AA scale projected 15 years.

AGE	Retirees and Beneficiaries *		Disabled Members	
	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 the valuation date.

Disability:

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

Withdrawal:

None, since future service credit may be purchased.

ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

<i>Retirement Age:</i>	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).
<i>Percentage Married:</i>	Males: 80%; Females: 80%
<i>Age Difference:</i>	A husband is assumed to be four years older than his wife.
<i>Expenses:</i>	Administration and investment expenses are assumed to be covered by the investment earnings. It is assumed that the Fund will have sufficient earnings to pay these expenses and meet the interest assumption.
<i>Benefit Offsets:</i>	None
<i>New Entrants:</i>	No future entrants are assumed.
<i>Election Year:</i>	The next election year is assumed to occur in 2016. Elections are then assumed to be held every four years thereafter.
<i>Employee Contributions:</i>	Employee contributions are assumed to completely cover the cost of the active service retirement annuity and are therefore not included in the active liabilities shown above. Nor are they used to offset the normal cost of the service retirement pension.
<i>Data Assumptions:</i>	There were no data assumptions applied in the preparation of this valuation, as all data for active and nonactive participants was supplied by the Retirement System Office.
<i>Justification for Assumptions:</i>	The actuarial assumptions were adopted by the Retirement Board, based upon the alternatives presented in the 2014 experience study report conducted on the System's experience from the 2010-2014 valuations.
<i>Changes Since Last Valuation:</i>	The discount rate decreased from 7.25% to 7.00%

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

In this section, the basis of the valuation is presented and described. This information – the provisions of the Plan and the census of participants – is the foundation of the valuation, because these are the present facts upon which benefit payments will depend.

The valuation is based upon the premise that the Plan will continue to be in existence, so future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the Fund, the number of participants who will remain to retirement, their ages at retirement, and expected benefits.

Effective Date

The Plan was established by City Ordinance 1105 effective December 5, 1983 and has been amended periodically.

Membership

Any elected official who is not a class A, B, C, or D member of the Employees' Retirement System of Baltimore City, upon taking the oath of office, shall automatically become a member of this system.

Any elected official who is a class A, B, C, or D member of the Employees' Retirement System shall have the option, within 120 days of taking the oath of office, to become a member of this retirement system.

Current Annual Earnable Compensation

The current annual Compensation authorized for an elected position, including any future increases occurring after the retirement of the official, which shall, after retirement, index benefits paid under this system subject to applicable reduction for any optional retirement allowance selection.

Retirement Date

1. Service Retirement – A member is eligible to retire after the earlier of (1) acquiring at least 16 years of service credit or (2) attaining age 50 with at least 12 years of service credit.
2. Non-Line-of-Duty Disability – A member may retire with a Non-Line-of-Duty Disability pension, if the member has five years of service and is determined to be mentally or physically incapacitated for the further performance of the duties as an elected official and such incapacity is likely to be permanent.
3. Line-of-Duty Disability – A member may retire with a Line-of-Duty Disability pension if the member is totally and permanently incapacitated for the further performance of his / her duties as the result of an accident occurring while in the actual performance of such duties without willful negligence on his / her part.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

Service Retirement Benefit

Upon retirement from service, a member shall be entitled to receive a maximum service retirement allowance which shall consist of:

- An annuity which shall be the actuarial equivalent of accumulated contributions at the time of retirement; and
- A pension, in addition to the annuity, which together shall be equal to 2.5% of the current annual earnable compensation applicable to that office multiplied by the number of years of membership credit.

The maximum allowance shall be payable in the form of a life annuity with 40% continuing to the unmarried spouse or minor children upon a member's death. There is no reduction in benefit for this annuity form.

Non-Line-of-Duty Disability Retirement Benefit

The greater of:

1. An annuity, which shall be the actuarial equivalent of accumulated contributions at the time of retirement and a pension, which, together with this annuity, shall be equal to the annual amount of accrued service retirement allowance; or
2. A total retirement allowance consisting of 25% of the current annual earnable compensation applicable to that office.

This benefit will be offset by workers' compensation received on account of the same disability.

Line-of-Duty Disability Benefit

1. An annuity which shall be the actuarial equivalent of accumulated contributions at the time of retirement; and
2. A pension, in addition to the annuity, of 66-2/3% of the current annual compensation applicable to that office.

This benefit will be offset by workers' compensation received on account of the same disability.

Non-Line-of-Duty Death Benefit

The beneficiary of a member who dies while serving as an elected official or retires and dies within 30 days of service will receive either:

1. A lump sum equal to 50% of his/her current annual earnable compensation at the time of death plus return of the member's contributions; or
2. If the member was eligible to retire, the beneficiary will receive the 100% Joint and Survivor benefit described in option 2 (see Optional Retirement Allowances). To receive this death benefit, the beneficiary must be designated to be the spouse who has been married to the participant for at least one year immediately prior to death or a parent.

This benefit will be offset by workers' compensation benefits and benefits paid by the System before the date of death.

**ELECTED OFFICIALS' RETIREMENT SYSTEM OF THE CITY OF BALTIMORE
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

Line-of-Duty Death Benefit

A pension shall be paid if a hearing examiner determines that a member's death occurred in the actual performance of duty and without willful negligence. The benefit equals a refund of accumulated contributions and interest plus a pension of 100% of the current annual earnable compensation applicable to that office as of the date of death.

This benefit will be offset by workers' compensation benefits.

Optional Retirement Allowances

The benefit will be reduced if a member elects to receive the benefit in one of the following forms:

1. A cash refund annuity providing the lump-sum balance of the reserve at retirement to beneficiary;
2. Joint and Survivor: life annuity with 100% or 50% continuing to beneficiary upon death of the member;
3. Pop-up Joint and Survivor: life annuity with 100% or 50% continuing to beneficiary upon death of the member. If the beneficiary predeceases the member, the member's benefit increases to the pre-reduction amount; or
4. Specific Benefit Option: upon the member's death, the beneficiary will receive either a specific lump sum amount or a specific periodic allowance for life.

Termination of Employment

Members with 12 years of service are vested. A benefit equal to the Service Retirement Benefit is payable at age 50 if a member does not withdraw his/her contributions.

A member terminating employment may withdraw his/her contributions from the System.

Continued Membership

An elected official, who is a member of this Retirement System, shall have the right at his/her option to continue membership in this Retirement System provided that he/she contributes both City and member contributions.

Member Contributions

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

Member contributions are accumulated at 5.5% interest, per annum.

If a member transfers prior City service (such as ERS service), he/she must pay back the equivalent of such past member contributions.

Retirement Benefit Increases

Benefits are indexed to the current salaries of elected officials.

Note: The above is only a summary. The provisions of the law will govern the System.