

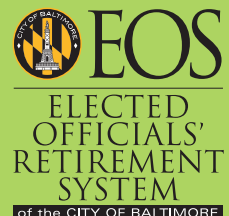
ELECTED OFFICIALS' RETIREMENT SYSTEM

CITY OF BALTIMORE,
MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended
June 30, 2019

A Pension Trust of the
City of Baltimore



ELECTED OFFICIALS' RETIREMENT SYSTEM

CITY OF BALTIMORE,
MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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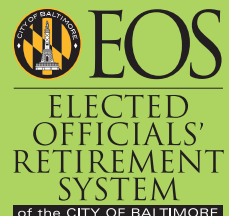
A Pension Trust of
the City of Baltimore

PREPARED BY

DAVID A. RANDALL
Executive Director

NICHELLE LASHLEY
Deputy Executive Director

ADETUTU TALABI
Accounting Manager



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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

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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, 2018

A handwritten signature in black ink that reads "Christopher P. Morill". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF BALTIMORE

BERNARD C. "JACK" YOUNG, Mayor



EMPLOYEE'S RETIREMENT SYSTEM, ELECTED OFFICIALS' RETIREMENT SYSTEM and RETIREMENT SAVINGS PLAN

DAVID A. RANDALL, Executive Director
7 E. Redwood Street
11th, 12th and 13th Floors
Baltimore, Maryland 21202

November 22, 2019

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

It is with great pleasure that we present the Comprehensive Annual Financial Report of the Elected Officials' Retirement System of the City of Baltimore, Maryland (EOS), a pension trust of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2019. 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 Governmental Accounting Standards 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 57 through 60. 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

Document Management System: The system's document management system was enhanced during the year. The new system is web-based, provides off-site back up, easier disaster recovery system and user-friendly interface. The document management system was extended to all the departments of the agency and is expected to substantially reduce storage space, provide easier retrieval of document and "peace of mind" for all stakeholders.

www.bcercs.org: The agency's website was recently revamped and now includes a news feature to keep our members informed of the activities within the agency and the economy at large. The new website was designed with our members in mind; boasts of a responsive design, visually appealing and generally user-friendly. The new website is also more streamlined as the documents are better organized and search engine optimized.

Recap of Legislative Mandate: Ordinance 16-488 was signed into law on June 21, 2016. The Bill changes the assumed interest rate for the Plan investments from the current 7.25% to 7.00% for fiscal years beginning July 1, 2016 and July 1, 2017. In fiscal year beginning on and after July 1, 2018, the assumed interest was changed 6.75%.

Investment Summary

The Board of Trustees (Board) is responsible for investment of the System's assets in accordance with the approved asset allocation comprised of: 25% fixed income, 39% US equity, 21% non-US equity, 5% defensive equity, and 10% real estate. Other duties of the Board include: establishing reasonable investment objectives and policy guidelines, selecting investment managers and evaluating performance results to ensure 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 6.75%, or to outperform its policy benchmark. For fiscal year 2019, the System met both objectives by posting an overall return of 4.5%. The performance is attributable to a broadly diversified asset allocation designed to capture gains from the strong financial markets. Long-term performance for the three and five year periods is still attractive, with annualized returns of 9.4% and 6.2%, respectively. For investment of the System's assets, the Board utilizes external portfolio managers in active and passive strategies. The managers are monitored and evaluated by the Board and its investment consultants, who provides the Board with monthly, quarterly and annual evaluation reports. A summary of their annual analysis and the target asset allocation is found on pages 37-46 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 apply appropriate assumptions and determine funding requirements. As of June 30, 2019, the System's market value of assets declined slightly from \$26.2 million to \$26.1 million or a 0.3% decrease over the 2018 value of assets. The assets were greater than the Total Pension Liability (TPL) of \$17.0 million as of June 30, 2019 resulting in surplus of \$9.1 million as provided on page 29.

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 provide six years of information as of June 30, 2019. It is expected to continue adding information until ten years of information is provided.

For funding purposes, the actuarial liability was \$17.0 million based on a discount rate assumption of 6.75%. The actuarial value of assets which is a smoothed asset value used for funding purposes was \$26.1 million as of June 30, 2019. When compared to the actuarial liability, there is a surplus of \$9.1 million. The system's funded ratio which is the ratio of actuarial assets to actuarial liability decreased from 168.6% to 153.8%.

The normal cost, which is the cost of earning an additional year of pension service also increased from 17.82% to 20.20%.

The required employer contribution is determined actuarially, based on the normal cost of accrual of benefits and amortization of the unfunded actuarial liability offset by employee contributions. Because the System is in a surplus position, and the amortization of the surplus is greater than the annual cost of accrual of benefits, there is no required employer contribution for fiscal year 2020.

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 46 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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the 33rd consecutive year (fiscal years 1986-2018) 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.

This report is a product of the combined effort of the System's staff with contributions from the investment consultants Marquette Associates, Inc., Meketa Investment group and actuary, Cheiron, Inc. We truly appreciate their constant assistance.

This report is made available 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 ERS website located at www.bcercs.org.

In closing, we would like to express our appreciation to the staff, actuary and consultant for their support and contributions in preparing this report. In addition, our thanks go to the Board of Trustees for their dedication to overseeing the administration of the EOS.

Respectfully submitted,

A handwritten signature in blue ink, reading "David A. Randall". The signature is fluid and cursive, with the first name "David" being the most prominent.

David A. Randall
Executive Director

CITY OF BALTIMORE

BERNARD C. "JACK" YOUNG, Mayor



EMPLOYEE'S RETIREMENT SYSTEM,
ELECTED OFFICIALS' RETIREMENT SYSTEM
and RETIREMENT SAVINGS PLAN

DAVID A. RANDALL, Executive Director
7 E. Redwood Street
11th, 12th and 13th Floors
Baltimore, Maryland 21202

December 31, 2019

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

The past year produced good news for the EOS. Investments for fiscal year ending June 30, 2019 returned 4.5%. The market value funded ratio is an incredible 153.8%.

Total membership is 44 this year. There were 16 active members, 27 retired and 1 disabled members. All eligible EOS retirees received their customary annual COLA of 2.5% which was applied January 1, 2018.

The EOS has implemented asset allocation initiatives over the years to increase diversification in the fixed income, defensive equity, and real estate strategies. We have employed both active and passive investment strategies to obtain the desired mix in the most cost effective and efficient manner. Our goal is to provide a favorable rate of return coupled with a cautious level of risk.

There was a change to the Board of Trustees membership for fiscal year 2019. In 2019, we added a new member to the Board of Trustees. Former State Senator Joan Carter Conway brings her substantial legislative and leadership skills to the board. Also, there were two key staff additions to the Board. Mr. David A. Randall was selected to serve as the Executive Director and Ms. Nichelle Lashley was selected to serve as Deputy Director.

I would also like to thank the entire Retirement System staff for their faithful commitment to servicing the Board and the Plan participants. Due to staff dedication and Board commitment, EOS will continue to be a preeminent plan in its sector and to sustain the needs of our Elected Officials and pensioners.

Sincerely,

Henry J. Raymond
Chair, Board of Trustees

Elected Officials' Retirement System
City of Baltimore, Maryland
BOARD OF TRUSTEES

Henry Raymond

Board Chair

Term as board chair expires on December 31, 2019

Finance Director of the City of Baltimore, and serves as an **Ex-Officio Member**.

Joan M. Pratt, CPA

Board Vice-Chair

Term as board vice-chair expires on December 31, 2020

Comptroller of the City of Baltimore, and serves as an **Ex-Officio Member**.

Rosemary H. Atkinson

Chair, Investment Committee

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

Helen Holton

Vice-Chair, Investment Committee

Term expires December 31, 2020

Retired, City Council member for the City of Baltimore. She is also a former financial advisor and has more than 30 years financial experience.

Appointed by Mayor, subject to City Council confirmation.

Deborah F. Moore-Carter

Chair, Personnel Committee

Term expires December 31, 2019

Labor Commissioner, City of Baltimore

She was elected by the active membership to serve a four-year term.

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.

Doris Y. Brightful

Term expired December 31, 2016 – Holdover from prior administration

Ms. Brightful is a retired Community Health Nurse II from the Health Department.

Appointed by Mayor.

John Beasley

Term expires December 31, 2020

Mr. Beasley has 20 years of experience supporting financial analysis for worldwide US Government operations, specializing in anti-money-laundering and anti-fraud.

Appointed by Mayor, subject to City Council confirmation.

Joan Carter Conway

Term expires December 31, 2020

Senator Carter-Conway was employed by the City of Baltimore for 21 years and a Maryland State Senator for 21 years. She was the first African American woman appointed Chairman of any standing committee.

Appointed by Mayor

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.

Elected Officials' Retirement System

City of Baltimore, Maryland

LEGAL COUNSEL, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
Andre M. Davis, Esq.

GENERAL COUNSEL

City of Baltimore
Employees' Retirement System
Ellen Williams, Esq.

ACTUARY

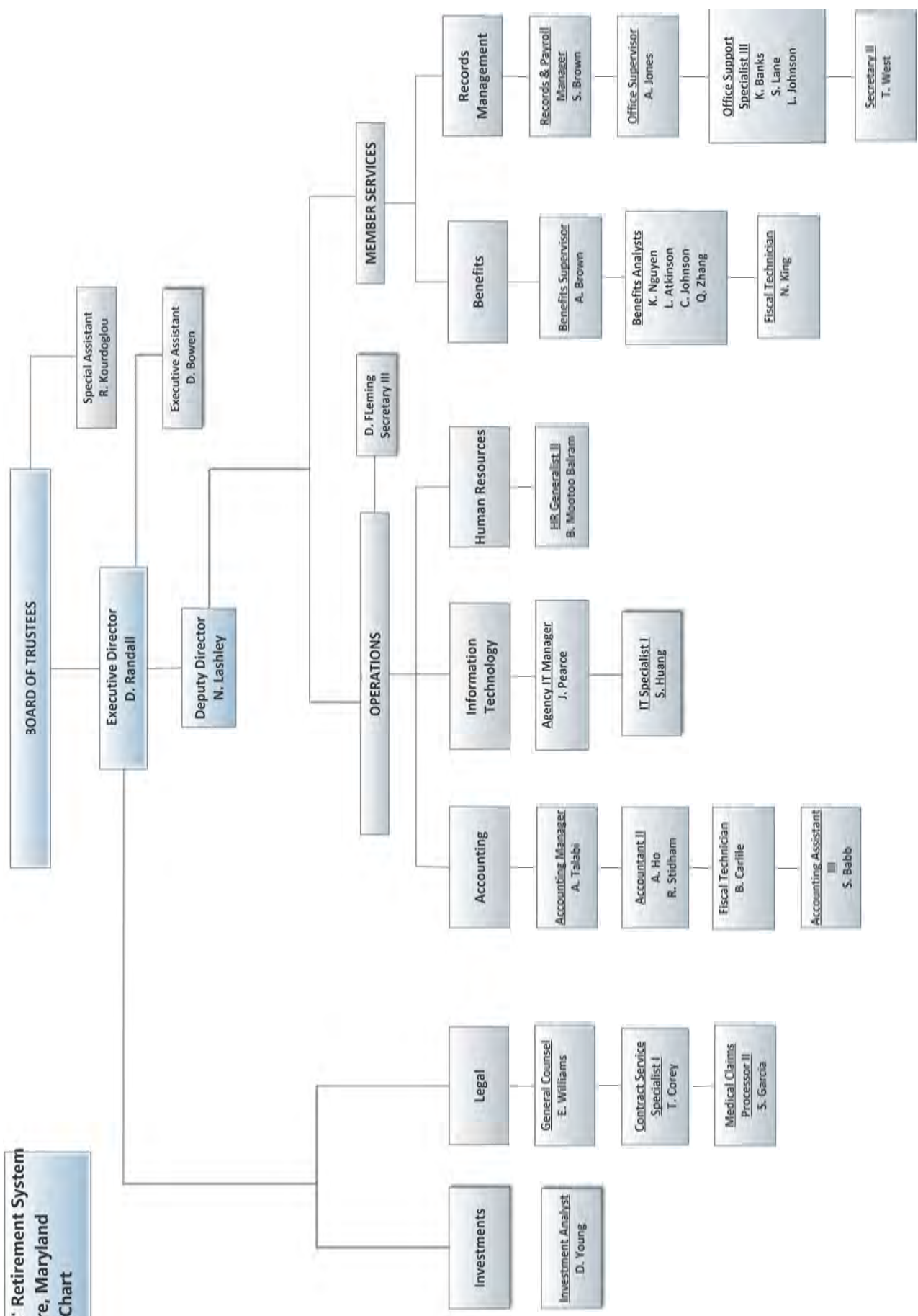
Cheiron, Inc.
Anu Patel, FSA, MAAA, EA
Matt Deveney, FSA, MAAA, EA
McLean, Virginia

INDEPENDENT AUDITOR

CliftonLarsonAllen, LLP
Jason Ostroski, CPA

See pages 56 to 57 in the Investment Section for a list of investment professionals.

**Elected Officials' Retirement System
City of Baltimore, Maryland
Organizational Chart**



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, 2019, 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 fiduciary net position of the System as of June 30, 2019, and the respective changes in its fiduciary net 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 assets 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 November 22, 2019 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 22, 2019

Elected Officials' Retirement System
City of Baltimore, Maryland
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, 2019 and 2018. EOS is the administrator of a single employer defined benefit local government retirement plan (the Plan). The Plan is administered by the same staff that administers the Employees' Retirement System. 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 2019 was \$26.1M. 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 \$75,192 or 0.3%, compared to last year's position of \$26.2M due to lower investment returns.
- Revenues (Additions to Fiduciary Net Position) for the year were \$1,126,497, a decrease of \$1,251,997 from the prior year due to lower investment returns. Revenues include plan members' contributions of \$70,259 and a net investment gain of \$1,056,238.
- Expenses (Deductions from Fiduciary Net Position) increased by \$54,430 to \$1,201,689 from the prior year expenses of \$1,147,259 due to an increase in retirement benefit allowances (cost of living adjustment). Expenses include retirement benefit allowances and administrative expenses of the System.
- The time weighted investment rate of return, gross of fees, for the fiscal year ended June 30, 2019 was 4.5%. All funds with the exception of fixed income and defensive equity performed lower than in fiscal year 2018. Real estate and defensive equity however outperformed their respective benchmarks.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the actuarial funded ratio is 153.8% while the market value of assets funded ratio is 153.6%. The Plan's net position as percentage of total pension liability of 153.6% indicates that the EOS has sufficient funds to cover every dollar of benefits due.

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, 2019. The assets comprise cash and cash equivalents, receivables, mainly from investments sold and fair value of investments while liabilities comprise payables (mainly management fees and administrative expenses).

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.

Elected Officials' Retirement System
City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, liabilities, revenues and expenses.

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

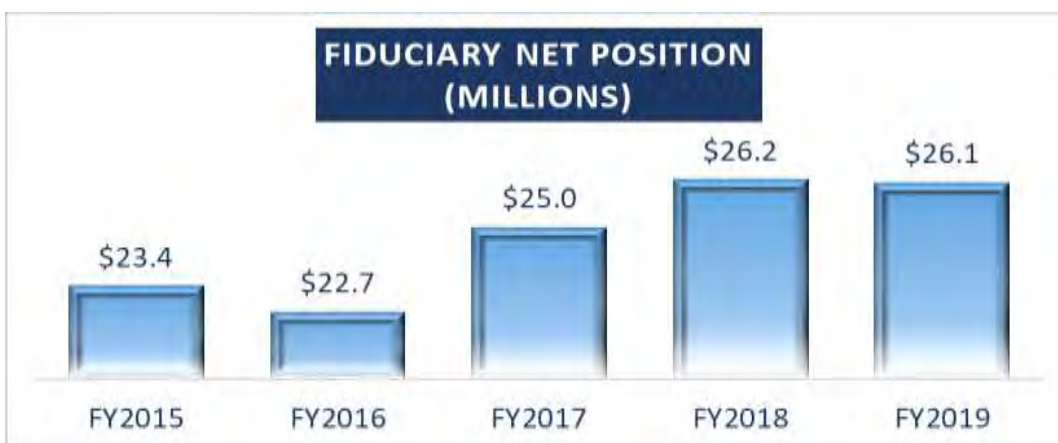
The **Required Supplementary Information** that follows immediately after the notes to the basic financial statements include the Schedules of Changes in Net Pension Asset and Related Ratios, Employer Contributions and Investment Returns and the Notes to Required Supplementary Information. See the Required Supplementary Information beginning on page 31 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, 2019 assets exceeded liabilities by \$26,122,264. All of the net position is available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2019, net position decreased by 0.3% compared to the prior year.

| Fiduciary Net Position | Fiscal Year 2019 | Fiscal Year 2018 | Increase / (Decrease) | Percentage Change |
|---------------------------|----------------------|----------------------|--------------------------|----------------------|
| Investments | \$ 25,847,420 | \$ 25,810,832 | \$ 36,588 | 0.1% |
| Other assets | 289,253 | 401,406 | (112,153) | -27.9% |
| Total assets | 26,136,673 | 26,212,238 | (75,565) | -0.3% |
| Total liabilities | 14,409 | 14,782 | (373) | -2.5% |
| Total net position | \$ 26,122,264 | \$ 26,197,456 | \$ (75,192) | -0.3% |



Elected Officials' Retirement System
City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Investment managers, who employ active and passive management strategies to take advantage of imbalances in the markets, currently manage the assets of the Plan. The target asset allocation consists of 39% invested in a domestic equity index, 21% in non-US equity, 25% in fixed income, 5% in defensive equity and 10% in real estate.

The Plan's investment performance for fiscal year 2019 was 4.5%, underperforming the policy benchmark of 6.7% by 2.2%. Domestic equity, domestic fixed income and international equity returns of 5.7%, 6.8% and -0.4% respectively; underperformed their respective benchmark returns of 9.0%, 7.9% and 1.8%. Defensive equity and real estate returns of 4.5% and 7.6% however outperformed the relative benchmarks returns.

Investments in this report are stated at fair value and include the recognition of unrealized gains and losses in the current period. The annualized rate of return for the three, five and ten year periods ending June 30, 2019 were 9.4%, 6.2% and 9.8%, respectively. The Plan's long-term actuarial investment return assumption is 6.75%.

The Investment Section beginning on page 37 provides detailed information on the Plan's investment policies. See page 44 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, 2019.

Liabilities

The liabilities are payables due to retirement benefit expenses, investment management fees and administrative expenses of the EOS office.

| Changes in Fiduciary Net Position | Fiscal Year 2019 | Fiscal Year 2018 | Increase / (Decrease) | Percentage Change |
|-----------------------------------|---------------------|---------------------|--------------------------|----------------------|
| Additions | | | | |
| Net investment income | \$ 1,056,238 | \$ 2,309,415 | \$ (1,253,177) | -54% |
| Employee contribution | 70,259 | 69,079 | 1,180 | 2% |
| Total additions | 1,126,497 | 2,378,494 | (1,251,997) | -53% |
| Deductions | | | | |
| Retirement allowances | 1,165,567 | 1,110,338 | 55,229 | 5% |
| Administrative expenses | 36,122 | 36,921 | (799) | -2% |
| Total deductions | 1,201,689 | 1,147,259 | 54,430 | 5% |
| Net increases (decreases) | \$ (75,192) | \$ 1,231,235 | \$ (1,306,427) | -106% |

Elected Officials' Retirement System
City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

Contributions and Investment Income

The employer contribution is determined by an actuarial valuation, it could be zero when the actuarial value of assets is greater than the accrued liabilities and the amortization of the surplus is greater than the annual cost of the Plan. In fiscal year 2019, the employer contribution remained at zero because the actuarially determined employer contribution for fiscal year 2019 was set at \$0. Employee contributions increased slightly by 2%; and investments also produced a positive return, although, lower than fiscal year 2018.

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 2019 was for the payment of continuing retirement benefits totaling \$1,165,567, which increased by \$55,229 compared to fiscal year 2018. The increase was due to cost of living adjustments.

Requests for Information

This financial report is designed to provide a general overview of the Plan's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

David A. Randall
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
June 30, 2019

Assets

| | | | |
|---------------------------|--|----|---------|
| Cash and cash equivalents | | \$ | 286,517 |
|---------------------------|--|----|---------|

| | | | |
|-------------|--|--|--|
| Receivables | | | |
|-------------|--|--|--|

| | | | |
|----------------------|--|--|-------|
| Member Contributions | | | 2,736 |
|----------------------|--|--|-------|

Investments:

| | | | |
|-----------------|---------------|--|--|
| Domestic equity | \$ 10,377,105 | | |
|-----------------|---------------|--|--|

| | | | |
|-----------------------|-----------|--|--|
| Domestic fixed income | 6,021,986 | | |
|-----------------------|-----------|--|--|

| | | | |
|----------------------|-----------|--|--|
| International equity | 5,647,304 | | |
|----------------------|-----------|--|--|

| | | | |
|-------------|-----------|--|--|
| Real Estate | 2,674,299 | | |
|-------------|-----------|--|--|

| | | | |
|------------------|-----------|--|--|
| Defensive equity | 1,126,726 | | |
|------------------|-----------|--|--|

| | | | |
|-------------------|--|--|------------|
| Total investments | | | 25,847,420 |
|-------------------|--|--|------------|

| | | | |
|--------------|--|--|------------|
| Total assets | | | 26,136,673 |
|--------------|--|--|------------|

Liabilities

| | | | |
|------------------------------------|-------|--|--|
| Investment management fees payable | 7,189 | | |
|------------------------------------|-------|--|--|

| | | | |
|---------------------------------|-------|--|--|
| Administrative expenses payable | 6,278 | | |
|---------------------------------|-------|--|--|

| | | | |
|------------------------|-----|--|--|
| Other accounts payable | 942 | | |
|------------------------|-----|--|--|

| | | | |
|-------------------|--|--|--------|
| Total liabilities | | | 14,409 |
|-------------------|--|--|--------|

| | | | |
|---|--|----|-------------------|
| Net position restricted for pensions | | \$ | <u>26,122,264</u> |
|---|--|----|-------------------|

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

Elected Officials' Retirement System
City of Baltimore, Maryland
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

Additions

Contributions

| | | | |
|--------------|--|----|--------|
| Plan members | | \$ | 70,259 |
|--------------|--|----|--------|

Investment income

| | | | |
|--|-----------------|--|------------------|
| Net appreciation in value of investments | \$ 911,245 | | |
| Interest and dividend income | 159,595 | | |
| Defensive equity income | 45,646 | | |
| Less: Investment expenses | <u>(60,248)</u> | | |
| Net investment income | | | <u>1,056,238</u> |

| | | | |
|-----------------|--|--|-----------|
| Total additions | | | 1,126,497 |
|-----------------|--|--|-----------|

Deductions

| | |
|-------------------------|---------------|
| Retirement allowances | 1,165,567 |
| Administrative expenses | <u>36,122</u> |

| | | |
|------------------|--|------------------|
| Total deductions | | <u>1,201,689</u> |
|------------------|--|------------------|

| | | |
|--------------|--|----------|
| Net decrease | | (75,192) |
|--------------|--|----------|

Net position restricted for pensions

| | | |
|-------------------|--|-------------------|
| Beginning of year | | <u>26,197,456</u> |
|-------------------|--|-------------------|

| | | |
|-------------|--|-----------------------------|
| End of year | | <u><u>\$ 26,122,264</u></u> |
|-------------|--|-----------------------------|

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

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

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 Pension Trust 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, 2019, the EOS membership consisted of:

| | |
|---|-----------|
| Retirees and beneficiaries currently receiving benefits | 28 |
| Active plan members | 16 |
| Terminated vested member | <u>0</u> |
| Total | <u>44</u> |

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.

In 2016, the benefits of members per Article 22 was amended as follows:

| S/N | Criteria | Elected on/or before December 5, 2016 | Elected after December 5, 2016 |
|-----|------------------------|---|--|
| 1 | Retirement eligibility | Age 50 | Age 55 |
| 2 | Salary Increases | Indexed to compensation of the position held prior to retirement. | COLA – Higher of 1.5% and rates in effect for F&P retirement system; and waiting period of 1 year. |
| 3 | Cap | N/A | 60% of compensation at 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 Pension Trust 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.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

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 or even be zero when actuarial assets are greater than the actuarial liabilities 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 established the contribution requirements of the Plan members 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 covered up to statutory limits by the 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, 2019 are categorized, as indicated in the following schedule:

| Investment Type | Fair value |
|------------------------|----------------------|
| Domestic equities | \$ 10,377,105 |
| Domestic fixed income | 6,021,986 |
| International equities | 5,647,304 |
| Real estate | 2,674,299 |
| Defensive equities | 1,126,726 |
| | <u>\$ 25,847,420</u> |

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2019, 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 Plan does not have a formal policy to limit interest rate risk.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Duration (in years)</u> |
|---------------------------|---------------------|----------------------------|
| Debt Securities: | | |
| Aggregate Bond Index Fund | \$ 4,240,532 | 5.78 |
| US Senior Loan Fund | 1,781,454 | 0.44 |
| Total Debt Securities | <u>\$ 6,021,986</u> | |

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 a single issuer. As of June 30, 2019, 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, 2019:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|-----------------------|--------------------------|
| Domestic equity | 39% |
| Domestic fixed income | 25% |
| Non- US equity | 21% |
| Real Estate | 10% |
| Defensive equity | <u>5%</u> |
| Total | <u>100%</u> |

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2019 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|-----------------------|---|
| International Equity | 7.70% |
| Domestic Equity | 7.50% |
| Defensive Equity | 6.70% |
| Real Estate | 6.60% |
| Domestic Fixed Income | 2.60% |

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return of the Plan, was 4.3%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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,

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2019 are presented below:

| <u>Investments by fair value level</u> | <u>Base Amount</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|--------------------|---|--|--|
| Debt securities | | | | |
| Domestic Fixed Income | \$ 1,781,454 | 1,781,454 | | |
| Total investments by fair value level | \$ 1,781,454 | | | |
| <u>Investments measured at the net asset value (NAV)</u> | | | | |
| Domestic equities | \$ 10,377,105 | | | |
| International equities | 5,647,304 | | | |
| Domestic fixed income | 4,240,532 | | | |
| Real estate | 2,674,299 | | | |
| Defensive equities | 1,126,726 | | | |
| Total investments measured at the NAV | \$ 24,065,966 | | | |
| Total investments | \$ 25,847,420 | | | |

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

| <u>Investments at NAV</u> | <u>June 30, 2019</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---------------------------|----------------------|---------------------------------|---------------------------------|-------------------------------------|
| Domestic equities | \$ 10,377,105 | - | Daily, weekly & monthly | 0 - 30 days |
| International equities | 5,647,304 | - | Daily, weekly & monthly | 0 - 30 days |
| Domestic fixed income | 4,240,532 | - | Daily, weekly & monthly | 0 - 30 days |
| Real estate funds | 2,674,299 | - | Quarterly | 90-100 days |
| Defensive equities | 1,126,726 | - | Quarterly | 90-100 days |
| Total investments at NAV | \$ 24,065,966 | - | | |

(1). Domestic equity investments include 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.

(2). International equity investments also include 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 this investment are in funds, which employ a strategy that seeks to outperform the MSCI World Index (half-hedged) while maintaining a similar level of market risk over the long term.

(3). Domestic fixed income investments are 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.

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

(4). Real estate investment is a core real estate fund with an emphasis on long-term stabilized cash flow and market appreciation potential. The funds are liquid and the redemption frequency is quarterly. Eligible for redemption with a 90-100 days' notice period.

(5) Defensive equity investment is in a fund that seeks long-term growth of capital. The fund employs a strategy of writing collateralized put options on the S&P 500 Index. The collateral generally consists of short duration, high quality fixed income positions with a focus on U.S. Treasuries.

6. Net Pension Asset

The following schedules are the Net Pension Asset (NPA) as of June 30, 2019 and the sensitivity of the NPA to the discount rate.

The components of the net pension asset of the Plan at June 30, 2019 were as follows:

| | |
|-----------------------------------|-----------------------|
| Total Pension Liability | \$ 17,001,212 |
| Less: Plan Fiduciary Net Position | 26,122,264 |
| Net pension Liability (Asset) | <u>\$ (9,121,052)</u> |

| | |
|--|--------|
| Plan Fiduciary net position as a percentage of Total Pension Liability | 153.6% |
|--|--------|

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the 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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-------------|--------------------------|--------------|
| Discount Rate - Active Participants | 5.75% | 6.75% | 7.75% |
| Plan's Net Pension Assets | \$7,381,376 | \$9,121,052 | \$10,595,490 |
| Plan Fiduciary Net Position as a Percentage of Total pension Asset | 139.4% | 153.6% | 168.2% |

Elected Officials' Retirement System
City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

The last actuarial experience study covered the period July 1, 2014 through June 30, 2018. Generally, an experience study is conducted every four years, unless requested by the EOS Board of Trustees.

The amortization method and the actuarial assumptions presented on the following page were used in actuarial valuation dated June 30, 2019. The information presented below is in the required supplementary schedules of this report on page 31.

Actuarial methods and assumptions:

| | |
|-----------------------------------|--|
| Actuarial cost method: | Entry age normal method |
| Asset Valuation: | Fair value plus accrued contributions minus/plus the unrecognized gain/loss. Each year gain/loss is recognized over 5 years. |
| Investment rate of return: | 6.75% |
| Salary scale (effective 6/30/15): | 2.5% compounded annually. |
| Post retirement increase | 2.5% compounded annually for members who joined on or prior to December 5, 2016 and 1.5% until age 65 and 2.0% thereafter, compounded for all others. |
| Pre-retirement Mortality: | None |
| Post-retirement Mortality: | Pub-2010 General Retiree Below-Median Weighted mortality tables adjusted by 115% for males and 125% for females with future mortality improvement through 2022 using SOA's Scale MP-2018 |

REQUIRED
SUPPLEMENTARY
INFORMATION
AND SUPPORTING
SCHEDULES



Mark L. Dennis

SCHEDULE OF CHANGES IN NET PENSION ASSETS AND RELATED RATIOS
For the year ended June 30

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | |
| Service cost (MOY) | \$ 242,812 | \$ 220,744 | \$ 250,272 | \$ 260,210 | \$ 409,788 | \$ 398,617 |
| Interest (includes interest on service cost) | 1,045,161 | 1,023,495 | 965,558 | 983,528 | 1,219,029 | 1,176,509 |
| Changes of benefit terms | - | (63,844) | - | - | - | - |
| Difference between expected and actual experience | 776,605 | 244,529 | 661,872 | (474,228) | (440,458) | (255,687) |
| Changes of assumptions | 841,216 | - | - | 315,330 | (3,523,408) | - |
| Benefit payments, including refund of members contributions | (1,165,567) | (1,110,338) | (933,650) | (763,018) | (764,278) | (724,679) |
| Net change in pension liability | 1,740,227 | 314,586 | 944,052 | 321,822 | (3,099,327) | 594,760 |
| Total pension liability - beginning | 15,260,985 | 14,946,399 | 14,002,347 | 13,680,525 | 16,779,852 | 16,185,092 |
| Total pension liability - ending | \$ 17,001,212 | \$ 15,260,985 | \$ 14,946,399 | \$ 14,002,347 | \$ 13,680,525 | \$ 16,779,852 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ - | \$ - | \$ - | \$ - | \$ 84,986 | \$ 306,606 |
| Contributions - members | 70,259 | 69,079 | 89,620 | 62,485 | 60,667 | 56,903 |
| Net investment income | 1,056,238 | 2,309,415 | 3,115,997 | 45,430 | 629,349 | 3,508,186 |
| Benefit payments, including refund of member contributions | (1,165,567) | (1,110,338) | (933,650) | (763,018) | (764,278) | (724,679) |
| Administrative expense | (36,122) | (36,921) | (55,028) | (35,576) | (33,366) | (32,996) |
| Net change in plan fiduciary net position | \$ (75,192) | \$ 1,231,235 | \$ 2,216,939 | \$ (690,679) | \$ (22,642) | \$ 3,114,020 |
| Plan fiduciary net position - beginning | 26,197,456 | 24,966,221 | 22,749,282 | 23,439,961 | 23,462,603 | 20,348,583 |
| Plan fiduciary net position - ending | \$ 26,122,264 | \$ 26,197,456 | \$ 24,966,221 | \$ 22,749,282 | \$ 23,439,961 | \$ 23,462,603 |
| Net pension liability / (assets) - ending | \$ (9,121,052) | \$ (10,936,471) | \$ (10,019,822) | \$ (8,746,935) | \$ (9,759,436) | \$ (6,682,751) |
| Plan fiduciary net position as a percentage of the total pension liability | 153.7% | 171.7% | 167.0% | 162.5% | 171.3% | 139.8% |
| Covered payroll | \$ 1,362,517 | \$ 1,398,738 | \$ 1,296,866 | \$ 1,333,907 | \$ 1,298,865 | \$ 1,267,185 |
| Net pension asset as a percentage of covered payroll | -669.43% | -781.88% | -772.62% | -655.74% | -751.38% | -527.37% |

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
Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
For the year ended June 30

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarial determined contribution | \$ - | \$ - | \$ - | \$ - | \$ 84,986 | \$ 306,606 | \$ 419,459 | \$ 997,685 | \$ 957,220 | \$ 339,830 |
| Contributions in relations to actuarially determined contribution | - | - | - | - | 84,986 | 306,606 | 419,459 | 997,685 | 957,220 | 339,830 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 1,362,517 | \$ 1,398,738 | \$ 1,296,866 | \$ 1,333,907 | \$ 1,298,865 | \$ 1,267,185 | \$ 1,236,273 | \$ 1,236,273 | \$ 1,206,122 | \$ 1,206,122 |
| Contributions as a percentage of payroll | 0.00% | 0.00% | 0.00% | 0.00% | 6.54% | 24.20% | 33.93% | 80.70% | 79.36% | 28.18% |
| | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 4.3% | 9.4% | 14.1% | 0.4% | 2.9% | 17.2% | 12.8% | 1.3% | 23.2% | 13.3% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. 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.
2. 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.
3. 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 for 2015 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.
4. 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
5. The actuarial liability for 2015 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
6. 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.
7. The following plan changes came into effect for members elected on or after December 6, 2016
 - Eligibility for service retirement was updated from age 50 with 12 years of service or any age with 16 years of service to age 55 with 12 years of service.
 - Eligibility for deferred vested benefits payable at age 50 changed to payable at age 55.
 - Post-retirement benefit increases were updated from the salary index of active council members to the greater of 1.5% and the rates in effect for the Fire and Police Employees Retirement System.
 - Annual service retirement benefit is limited to 60% of salary at retirement.
8. The recommended total lump sum contribution continues to remain at \$0 for FYE 2019 and FYE2020 as the plan remains in a surplus position. The actuarial asset value was greater than the actuarial liability by \$10.5 million, and the amortization of the surplus is greater than the annual cost of the plan resulting in a contribution of \$0.
9. The recommended total lump sum contribution continues to remain at \$0 for FYE 2020 and FYE 2021 as the plan remains in a surplus position. The actuarial asset value was greater than the actuarial liability by \$9.1 million, and the amortization of the surplus is greater than the normal cost of the plan resulting in a contribution of \$0.

10. The notes below summarize the key methods and assumptions used to determine the actuarially determined contributions for fiscal year end 2019.

| | |
|----------------|--|
| Valuation Date | June 30, 2017 |
| 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 | Fair value plus accrued contributions minus/plus the unrecognized gain/loss. |
| Amortization method | Level percent of pay closed period with 12 years remaining as of July 1, 2017 |
| Discount rate | 7.00% |
| Investment return | 7.00%, which is net of all expenses. While this is the same rate used for funding purposes, which includes administrative expenses, for consistency in measurement, we have used the same rate for the expected future asset return. |
| Salary increases | 2.50% |
| Mortality | RP 2000 Combined Mortality Table set forward 2 years with projections using 50% of the AA scale projected 15 years for healthy lives. RP 2000 Combined Mortality Table set forward 4 years with projections using 50% of the AA scale projected 15 years for disabled lives. |

A complete description of the method and assumptions used to determine contribution rates for the fiscal year ending June 30, 2019 can be found in June 30, 2017 actuarial valuation report.

Elected Officials' Retirement System

City of Baltimore, Maryland

SCHEDULE OF ADMINISTRATIVE EXPENSES

SCHEDULE OF INVESTMENT EXPENSES

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the Year Ended June 30, 2019

Schedule of Administrative Expenses

| | <u>Fees</u> |
|--------------------------------------|-------------------------|
| Administrative expenses | |
| Actuarial fees | \$ 24,488 |
| Audit fees | 5,400 |
| Printing | 4,613 |
| Retirement payroll processing | 866 |
| Dues and membership fees | 755 |
| | <hr/> |
| Total administrative expenses | <u>\$ 36,122</u> |

Schedule of Investment Expenses

| | <u>Fees</u> |
|----------------------------------|-------------------------|
| Investment expenses | |
| Investment management fees | \$ 53,078 |
| Investment advisor fees | 5,476 |
| Custodial fees | 1,694 |
| | <hr/> |
| Total investment expenses | <u>\$ 60,248</u> |

Schedule of Payments to Consultants

| <u>Firm</u> | <u>Nature of Service</u> | <u>Fees</u> |
|--------------------------------------|---------------------------------|-------------------------|
| Cherion | Actuarial Services | \$ 24,488 |
| CliftonLarsonAllen | Financial Audit | 5,400 |
| | | <hr/> |
| Total payments to consultants | | <u>\$ 29,888</u> |

INVESTMENT SECTION



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 comparisons 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

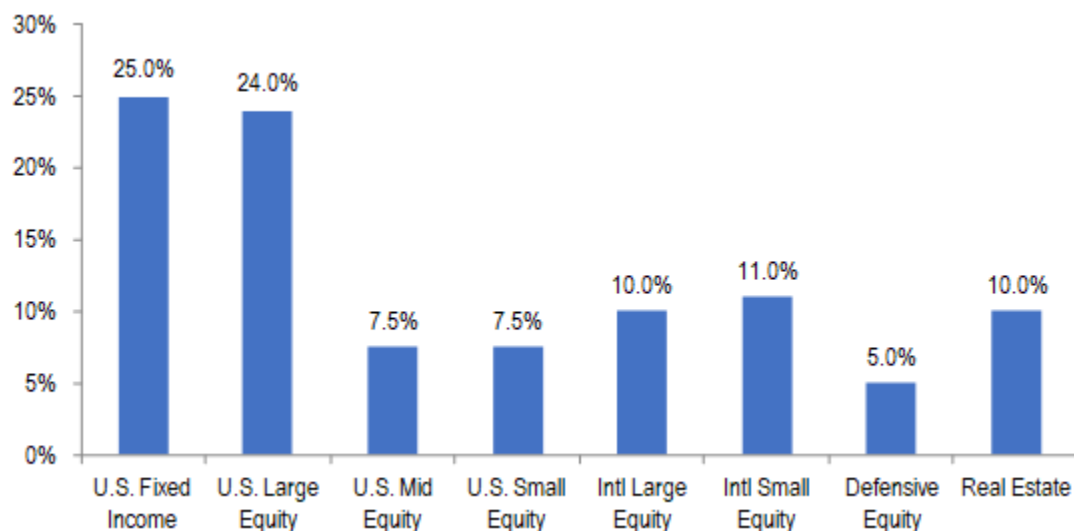
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 has implemented asset allocation initiatives over recent periods to increase diversification in the fixed income, defensive equity, and real estate programs. The following table outlines the EOS's investment policy targets:



The asset allocation structure is diversified along 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 investment return is evaluated against a policy benchmark consisting a pro rata representation of the asset allocation utilizing indices outlined in the Investment Policy. The EOS's investment objective is to outperform the return of a policy portfolio. In addition, the EOS's performance is evaluated relative to the Investment Metrics Public Fund Universe, a universe representing the performance of 249 Public Funds. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of over 40 different investment consulting firms located throughout the United States.

Market Overview

The overall markets experienced increased volatility over the past fiscal year but strong economic growth and a healthy job market resulted in gains for both fixed income and equities. The stock market, as proxied by the Russell 3000 Index, posted a return of 9.0%. A more risk averse market resulted in large-cap outpacing small-cap across both domestic and international markets. As bond yields fell at the end of the fiscal year, the bond market posted a strong gain of 7.9%. Real estate performed in line with expectations with a solid return of 6.5% mostly generated from income.

Investment Performance

For the fiscal year ending June 30, 2019, the System posted a return of 4.5%, lagging the policy benchmark of 6.7%. The fixed income portfolio's exposure to floating rate issues detracted from bond market returns as yields fell significantly at the end of the quarter. Within the domestic equity portfolio, an overweight position in small cap issues also negatively impacted returns as small company stocks lagged their larger counterparts. The real estate portfolio outpaced its respective benchmark due to an emphasis on the strong performing industrial sector as well as a focus on high quality retail properties.

The market value of the EOS assets ended the 2019 fiscal year with \$26.1 million in total assets. At the end of fiscal year 2019, the System's assets were allocated as follows:

| | Fair Value (in millions) | Percent of Total | Fiscal Year Rate of Return | |
|----------------------|-----------------------------|---------------------|----------------------------|-----------|
| | | | EOS | Benchmark |
| U.S. Equity | \$10.4 | 39.7% | 5.7% | 9.0% |
| International Equity | \$5.6 | 21.6% | -0.4% | 1.8% |
| U.S. Fixed Income | \$6.0 | 23.0% | 6.8% | 7.9% |
| Defensive Equity | \$1.1 | 4.3% | 4.5% | 0.1% |
| Real Estate | \$2.7 | 10.2% | 7.6% | 6.5% |
| Cash Equivalents | \$0.3 | 1.1% | --- | --- |
| Total Fund | \$26.1 | 100.0% | 4.5% | 6.7% |

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Elected Officials' Retirement System
City of Baltimore, Maryland
OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

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:

| <u>Asset Category</u> | <u>Target</u> |
|-----------------------|---------------|
| U.S. Equity | 39% |
| U.S. Fixed Income | 25% |
| Non- US Equity | 21% |
| Real Estate | 10% |
| Defensive Equity | 5% |
| Total | <u>100%</u> |

OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

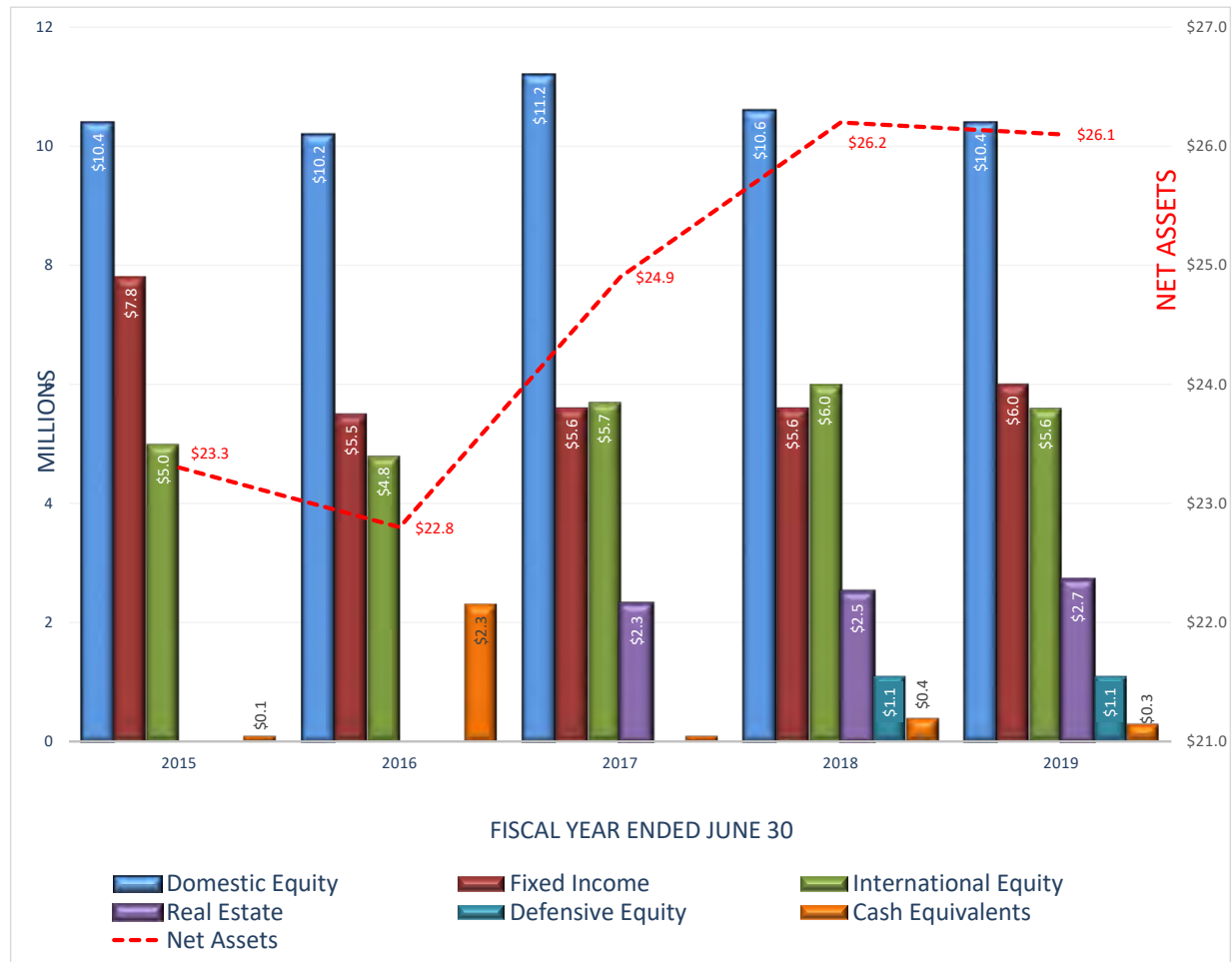
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to the Plan's investment managers. Subject to these objectives and guidelines, 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 2019
City of Baltimore, Maryland
PORTFOLIO COMPOSITION
FAIR VALUE OF INVESTMENTS



(amounts expressed in millions)

| | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Domestic Equity | \$10.4 | 44.6% | \$10.2 | 44.7% | \$11.2 | 45.0% | \$10.6 | 40.5% | \$10.4 | 39.8% |
| Fixed Income | \$7.8 | 33.5% | \$5.5 | 24.1% | \$5.6 | 22.5% | \$5.6 | 21.4% | \$6.0 | 23.0% |
| International Equity | \$5.0 | 21.5% | \$4.8 | 21.1% | \$5.7 | 22.9% | \$6.0 | 22.9% | \$5.6 | 21.5% |
| Real Estate | | | | | \$2.3 | 9.2% | \$2.5 | 9.5% | \$2.7 | 10.3% |
| Defensive Equity | | | | | | | \$1.1 | 4.2% | \$1.1 | 4.2% |
| Cash Equivalents | \$0.1 | 0.4% | \$2.3 | 10.1% | \$0.1 | 0.4% | \$0.4 | 1.5% | \$0.3 | 1.1% |
| Total | \$23.3 | 100.0% | \$22.8 | 100.0% | \$24.9 | 100.0% | \$26.2 | 100.0% | \$26.1 | 100.0% |

Elected Officials' Retirement System
City of Baltimore, Maryland

INVESTMENT RESULTS

TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

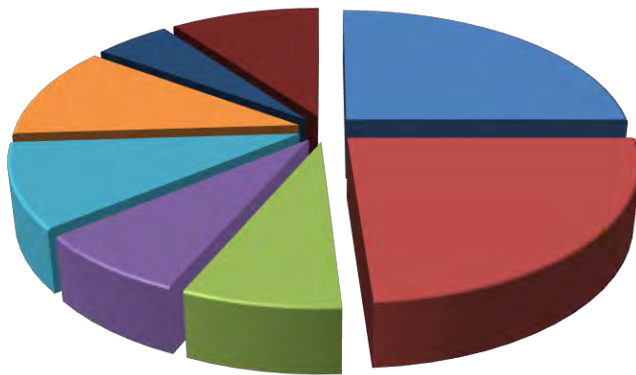
| | <u>FY 2019</u> | <u>Annualized 3 Years</u> | <u>5 Years</u> |
|-------------------------------|-----------------------|--------------------------------------|-----------------------|
| TOTAL PORTFOLIO | 4.5 % | 9.4 % | 6.2 % |
| Median Public PensionFund | 6.7 | 9.2 | 6.3 |
| DOMESTIC EQUITIES | 5.7 | 13.4 | 9.4 |
| Russell 3000 | 9.0 | 14.0 | 10.2 |
| FIXED INCOME | 6.8 | 3.3 | 3.4 |
| BBgBarc US Aggregate TR | 7.9 | 2.3 | 2.9 |
| INTERNATIONAL EQUITIES | -0.4 | 9.8 | 3.7 |
| MSCI ACWI ex-USA Gross | 1.8 | 9.9 | 2.6 |
| DEFENSIVE EQUITY* | 4.5 | --- | --- |
| CBOE Put Write Index | 0.1 | 5.9 | 5.4 |
| 50% S&P 500/50% 91 Day T-Bill | 6.7 | 7.8 | 5.9 |
| REAL ESTATE* | 7.6 | --- | --- |
| NPI | 4.9 | 6.4 | 8.5 |

*Real Estate was funded on July 1, 2016

*Defensive Equity was funded on February 1, 2017

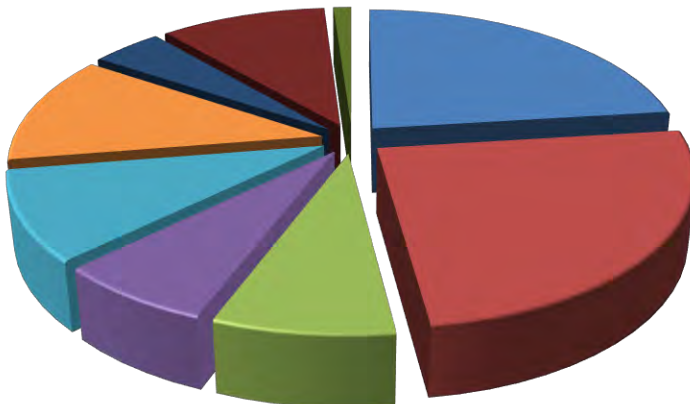
Elected Officials' Retirement System
City of Baltimore, Maryland
ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS
June 30, 2019

TARGET ASSET ALLOCATION



| | |
|---------------------|------|
| U.S. Fixed Income | 25% |
| U.S. Large Equity | 24% |
| U.S. Mid Equity | 7.5% |
| U.S. Small Equity | 7.5% |
| Non-US Large Equity | 10% |
| Non-US Small Equity | 11% |
| Defensive Equity | 5% |
| Real Estate | 10% |

ACTUAL ASSET ALLOCATION



| | |
|-------------------------|-----|
| U.S. Fixed Income | 23% |
| U.S. Large Equity | 25% |
| U.S. Mid Equity | 8% |
| U.S. Small Equity | 7% |
| Non-US Large Equity | 10% |
| Non-US Small Equity | 12% |
| Defensive Equity | 4% |
| Real Estate | 10% |
| Cash & Cash Equivalents | 1% |

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, 2019. 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

For the Year Ended June 30, 2019

Investment Summary

| Investments: | <u>Fair Value</u> | <u>Percent of Fair Value</u> |
|-----------------------|--------------------------|---|
| Domestic equity | \$ 10,377,105 | 40 |
| Domestic fixed income | 6,021,986 | 22 |
| International equity | 5,647,304 | 23 |
| Real Estate | 2,674,299 | 10 |
| Defensive equity | 1,126,726 | 5 |
| Total Investments | <u>\$ 25,847,420</u> | <u>100</u> |

Top Holdings

| Investment: | <u>Shares</u> | <u>Fair Value</u> |
|--|----------------------|--------------------------|
| Mondrian International Small Cap Equity | 103,542 | \$ 3,108,007 |
| American Core Realty Fund | 20 | 2,674,299 |
| Neuberger Berman U.S. Equity Index PutWrite Fund LLC | 1,126,726 | 1,126,726 |

Summary Schedule of Fees and Commissions

| | <u>Assets Under Management</u> | <u>Fees</u> |
|---------------------------------------|---|--------------------|
| Investment manager fees: | <u>\$ 25,847,420</u> | \$ 53,078 |
| Other investment service fees: | | |
| Custodial fees | | 1,694 |
| Investment advisor fees | | 5,476 |
| Total investment service fees | | <u>\$ 60,248</u> |

Brokerage Commissions

Because of the highly visible nature of the Elected Officials' Retirement System, it is important that the investment managers have as a primary objective to obtain the best execution in all investment transactions. While the managers are permitted to direct a portion of brokerage commissions for research, it is expected that each manager will receive commission discounts which are commensurate with current discount practice. Investment managers are expected to give first preference whenever possible to brokerage firms with offices located in the Baltimore City Metropolitan Area. However, the managers are expected to negotiate commission rates, and local brokerage firms should be given preference only when commission rates and transaction services are competitive with those available from other firms.

Notes:

A complete list of portfolio holdings is available upon request.

No broker fees are reported due to the nature of the investments of the EOS.

Elected Officials' Retirement System
City of Baltimore, Maryland
INVESTMENT PROFESSIONALS

U.S. EQUITY

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

INTERNATIONAL EQUITY

Mondrian Investment Group, Inc.
Laura Conlon
Philadelphia, Pennsylvania

DEFENSIVE EQUITY

Neuberger Berman
Carter Reynolds
New York, New York

FIXED INCOME

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

PASSIVE MANAGEMENT

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

INVESTMENT ADVISORS

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

Meketa Investment Group
Judy Chambers
New York

ACTUARIAL SECTION



October 25, 2019

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

Re: 2019 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, 2019, and it determined the employer's contribution for the plan year beginning July 1, 2020. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest will be made during the fiscal year ending 2021.

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 June 30, 2019.

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 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.

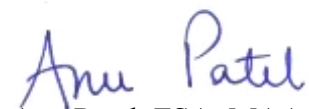
The valuation is based on actuarial assumptions recommended by the actuary and approved by the Board of Trustees. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 67 and the Actuarial Standards of Practice. 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 2019 by Cheiron with changes incorporated in the June 30, 2019 valuation.

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*. The supporting schedules that were prepared by Cheiron and reviewed by the System include Actuarial Funding Methods and Actuarial Assumptions, Schedule of Active Member Valuation Data, Schedule of Retirees and Beneficiaries Removed from Rolls, Solvency Test, Analysis of Financial Experience in the Actuarial Section and the Schedule of Employer Contributions and the Schedule of Funding Progress in the Financial Section.

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.

The exhibits that make up the actuarial section of this report and its contents, including the methods and assumptions used for funding purposes, when taken in context with our full valuation report as of June 30, 2019 have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. 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



Anu Patel, FSA, MAAA, EA
Principal Consulting Actuary



Matt Deveney, FSA, MAAA, EA
Consulting Actuary

Method of Funding:
(Effective 6/30/2013)

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, 2019 the unfunded liability/(surplus) is amortized over 8 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 7.00% 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 6/30/2019)

6.75% 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 6/30/2015)

2.5% compounded annually.

Elected Officials' Retirement System
City of Baltimore, Maryland
ACTUARIAL FUNDING METHODS AND ASSUMPTIONS
June 30, 2019

Additional Assumptions:

(Effective 1984, Revised 6/30/2019)

Post Retirement Increase: 2.5% compounded annually for members who joined on or prior to December 5, 2016 and 1.5% until age 65 and 2.0% thereafter, compounded for all others.

Members who retire on or after March 1, 2017 must be in payment for at least twelve months before COLA increases apply.

Pre-retirement Mortality: None

Post-retirement Mortality: Pub-2010 General Retiree Below-Median Weighted mortality tables adjusted by 115% for males and 125% for females with future mortality improvement through 2022 using SOA's Scale MP-2018

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 for members who joined before December 6, 2016; age 55 with 12 years of service for all others).

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 2020. Elections are then assumed to be held every four years thereafter.

Elected Officials' Retirement System
City of Baltimore, Maryland
ACTUARIAL FUNDING METHODS AND ASSUMPTIONS
June 30, 2019

| <u>Age</u> | <u>Withdrawal</u> | <u>Non-Line-of</u> | | <u>Service</u> <u>Retirement</u> |
|------------|-------------------|----------------------------------|--|-------------------------------------|
| | | <u>Duty</u> <u>Disability</u> | <u>Line of Duty</u> <u>Disability</u> | |
| 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. Members hired before December 6, 2016 are 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). Members hired on or after December 6, 2016 are assumed to retire on the later of: (i) completion of current term; or (ii) end of term when first eligible for retirement (50 with 12 years of service credit)

Mortality Rates for Retired and Disabled Members and Beneficiaries

| <u>Age*</u> | <u>Retirees and Beneficiaries</u> | | <u>Disabled Members</u> | |
|-------------|-----------------------------------|---------------|-------------------------|---------------|
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 55 | 0.010045 | 0.005765 | 0.033406 | 0.024785 |
| 60 | 0.012233 | 0.006648 | 0.040073 | 0.028299 |
| 65 | 0.014949 | 0.008659 | 0.049310 | 0.032604 |
| 70 | 0.023702 | 0.014508 | 0.062827 | 0.040508 |
| 75 | 0.038893 | 0.025035 | 0.082293 | 0.055942 |
| 80 | 0.065591 | 0.044199 | 0.115647 | 0.084194 |

* Rates for individuals who are the age shown as of June 30, 2019

Pub-2010 General Retiree Below-Median Weighted mortality tables adjusted by 115% for males and 125% for females with future mortality improvement through 2022 using SOA's Scale MP-2018

Pub-2010 General Disabled Annuitant mortality tables adjusted by 163% for males and 145% for females with future mortality improvement through 2022 using SOA's Scale MP-2018

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| <u>Valuation Date</u> | <u>Number</u> | <u>Annual Payroll</u> | <u>Annual</u> <u>Average Pay</u> | <u>% Increase/</u> <u>(Decrease) in</u> <u>Average Pay</u> |
|-----------------------|---------------|-----------------------|-------------------------------------|--|
| 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 |
| 6/30/2017 | 16 | 1,296,866 | 81,054 | 3.3 |
| 6/30/2018 | 17 | 1,398,738 | 82,279 | 1.5 |
| 6/30/2019 | 16 | 1,362,517 | 85,157 | 3.5 |

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

| <u>Year Ended</u> | <u>Added to Rolls</u> | | <u>Removed from Rolls</u> | | <u>Rolls - End of Year</u> | | <u>% Increase in</u> | | <u>Average</u> | |
|-------------------|-----------------------|--------------------------|---------------------------|--------------------------|----------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>No.</u> | <u>Annual Allowances</u> | <u>No.</u> | <u>Annual Allowances</u> | <u>No.</u> | <u>Annual Allowances*</u> | <u>Annual Allowances</u> | <u>Annual Allowances</u> | <u>Annual Allowances</u> | <u>Annual Allowances</u> |
| 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 | |
| 6/30/2017 | 7 | 277,391 | | | 28 | 1,086,653 | 34.3 | | 38,809 | |
| 6/30/2018 | 2 | 87,896 | 1 | 34,256 | 29 | 1,140,293 | 4.9 | | 39,320 | |
| 6/30/2019 | | | 1 | 54,412 | 28 | 1,120,170 | (1.8) | | 40,006 | |

* Includes post-retirement adjustments.

SCHEDULE OF FUNDED LIABILITIES BY TYPE

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.

| Valuation Date | Aggregate Accrued Liabilities For | | | | Portion of Accrued Liabilities Covered by Report Assets | | | |
|-------------------|-----------------------------------|-------------------------------|------------------------------|--|--|------|------|------|
| | (1) | | (2) | | (3) | | (4) | |
| | Active Member Contributions | Retirees and Beneficiaries | Terminated Vested Members | Active Members (Employer Financed Portion) | Valuation Assets | (1) | (2) | (3) |
| 06/30/2008 | \$ 660,277 | \$ 10,406,449 | \$ 337,457 | \$ 5,549,093 | \$ 18,272,591 | 100% | 100% | 100% |
| 06/30/2009 | 750,094 | 9,488,629 | 312,704 | 6,405,110 | 14,160,551 | 100 | 100 | 100 |
| 06/30/2010 | 733,536 | 11,658,750 | 317,461 | 5,926,106 | 15,614,728 | 100 | 100 | 100 |
| 06/30/2011 | 789,516 | 10,336,701 | 277,246 | 5,839,836 | 18,143,097 | 100 | 100 | 100 |
| 06/30/2012 | 760,599 | 11,010,110 | 283,545 | 4,896,801 | 18,502,805 | 100 | 100 | 100 |
| 06/30/2013 | 861,865 | 9,624,888 | 1,007,160 | 4,691,179 | 19,136,283 | 100 | 100 | 100 |
| 06/30/2014 | 969,373 | 9,535,771 | 995,637 | 5,279,071 | 21,230,077 | 100 | 100 | 100 |
| 06/30/2015 | 1,061,413 | 7,711,397 | 753,887 | 4,153,828 | 22,922,554 | 100 | 100 | 100 |
| 06/30/2016 | 1,176,425 | 7,821,820 | 774,704 | 4,229,398 | 23,724,767 | 100 | 100 | 100 |
| 06/30/2017 | 585,462 | 11,621,255 | 773,812 | 1,965,870 | 24,797,581 | 100 | 100 | 100 |
| 06/30/2018 | 684,987 | 12,334,030 | 0 | 2,241,968 | 25,732,812 | 100 | 100 | 100 |
| 06/30/2019 | 742,069 | 12,751,513 | 0 | 3,507,630 | 26,140,561 | 100 | 100 | 100 |

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 2018 | Gain/(Loss) for Year 2019 |
|---|---------------------------------|------------------------------|
| 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. | 2,609 | 2,063 |
| 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. | 0 | 41,992 |
| 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. | (128) | (619,898) |
| Investment Income If there is greater investment income than assumed, there is a gain. If less, a loss. | 560,686 | (776,019) |
| Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. | (85,168) | 42,244 |
| New Entrants New entrants create a loss because they were not assumed in the previous valuation. | (14,594) | 0 |
| Assumption and Method Changes Changes due to assumption changes and/or changes in accounting and liability. | 0 | (841,216) |
| Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc. | (100,606) | (236,099) |
| Gain or (Loss) During Year from Financial Experience | \$ 362,799 | \$ (2,386,933) |

Elected Officials' Retirement System
City of Baltimore, Maryland
SUMMARY OF PLAN PROVISIONS
June 30, 2019

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 automatically becomes a member of the EOS upon taking the oath of office.
- (B) A member may be 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. **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 or she may be required to pay for such service..

4. **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 such military service 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 Uniformed Services Employment and Reemployment Rights Act of 1994.

5. **SERVICE RETIREMENT:**

- (A) **Eligibility Requirements for Elected Officials Who First Became Members on or Before December 5, 2016:**

- (1) Acquired 12 or more years of service and attained age 50; or
 - (2) Acquired 16 years of service, regardless of age.

Eligibility Requirements for Elected Officials Who First Became Members on or After December 6, 2016:

Acquired 12 or more years of service and attained age 55.

- (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. For an elected official who first becomes a member on or after December 6, 2016, the annual maximum service allowance may not exceed 60% of the member's annual earnable compensation. 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.

6. 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.

7. 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.

8. DEFERRED VESTED RETIREMENT BENEFIT:

- (A) **Eligibility Requirements for Elected Officials Who First Became Members On or Before December 5, 2016 :** 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.

Eligibility Requirements for Elected Officials Who First Became Members On or After December 6, 2016 : A member who has:

- (1) Acquired 12 or more years of service, and
 - (2) Left office and has not attained age 55; 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. For an elected official who first becomes a member on or after December 6, 2016, the annual maximum service allowance may not exceed 60% of the member's annual earnable compensation. 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.

9. 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.

10. 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.

11. 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.

12. POST-RETIREMENT BENEFIT INCREASES:

(A) Amount:

- (1) For Elected Officials Who First Became Members On or Before December 5, 2016: The post-retirement benefit increase equals the percentage increase in the current annual earnable compensation authorized for the highest-paying elected position held by the retiree while a member.
- (2) For Elected Officials Who First Became Members On or After December 6, 2016: The post-retirement benefit increase equals 1.5% for retirees under age 65 and 2.0% for retirees age 65 and older.

(B) Eligibility:

- (1) For Elected Officials Who First Began Receiving Benefits On or Before February 1, 2017: The post-retirement benefit increase begins in January after retirement benefits begin.
- (2) For Elected Officials Who First Began Receiving Benefits On or After March 1, 2017: The post-retirement benefit increase begins in January after the first June 30th by which at least 12 months of retirement benefits have been paid.

13. 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.

14. 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.

STATISTICAL SECTION



Elected Officials' Retirement System
City of Baltimore, Maryland
STATISTICAL 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 lists 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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Additions | | | | | |
| Contributions | | | | | |
| Employer | \$ 339,830 | \$ 957,220 | \$ 997,685 | \$ 419,459 | \$ 306,606 |
| Plan members | 59,358 | 100,523 | 63,234 | 61,033 | 56,903 |
| Total contributions | <u>399,188</u> | <u>1,057,743</u> | <u>1,060,919</u> | <u>480,492</u> | <u>363,509</u> |
| Investment Income | | | | | |
| Net appreciation in fair value of investments | 1,691,314 | 3,510,101 | 225,022 | 2,384,186 | 2,993,149 |
| Interest, dividends, and real estate income | 352 | 826 | 301 | 216 | 541,457 |
| Less: investment expenses | <u>(4,806)</u> | <u>(20,999)</u> | <u>(20,217)</u> | <u>(22,948)</u> | <u>(26,419)</u> |
| Net investment income | <u>1,686,860</u> | <u>3,489,928</u> | <u>205,106</u> | <u>2,361,454</u> | <u>3,508,187</u> |
| Total additions | <u>2,086,048</u> | <u>4,547,671</u> | <u>1,266,025</u> | <u>2,841,946</u> | <u>3,871,696</u> |
| Deductions | | | | | |
| Retirement allowances | 736,426 | 816,690 | 775,678 | 763,865 | 724,679 |
| Administrative expenses | 27,719 | 55,088 | 28,242 | 39,609 | 32,996 |
| Refund of Contributions | | | 23,020 | | |
| Total deductions | <u>764,145</u> | <u>871,778</u> | <u>826,940</u> | <u>803,474</u> | <u>757,675</u> |
| Net increase (decrease) | <u>1,321,903</u> | <u>3,675,893</u> | <u>439,085</u> | <u>2,038,472</u> | <u>3,114,021</u> |
| Net position held in trust for pension benefits | | | | | |
| Beginning Balance | <u>12,873,230</u> | <u>14,195,133</u> | <u>17,871,026</u> | <u>18,310,111</u> | <u>20,348,583</u> |
| Ending Balance | <u>\$ 14,195,133</u> | <u>\$ 17,871,026</u> | <u>\$ 18,310,111</u> | <u>\$ 20,348,583</u> | <u>\$ 23,462,603</u> |

Elected Officials' Retirement System
City of Baltimore, Maryland
Statement of Changes in Fiduciary Net Position

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Additions | | | | | |
| Contributions | | | | | |
| Employer | \$ 84,986 | \$ - | \$ - | \$ - | \$ - |
| Plan members | 60,667 | 62,485 | 89,620 | 69,079 | 70,259 |
| Total contributions | <u>145,653</u> | <u>62,485</u> | <u>89,620</u> | <u>69,079</u> | <u>70,259</u> |
| Investment Income | | | | | |
| Net appreciation in fair value of investments | (223,320) | (895,444) | 1,801,078 | 1,313,790 | 911,245 |
| Interest, dividends, and real estate income | 883,837 | 974,122 | 1,362,935 | 1,054,526 | 205,241 |
| Less: investment expenses | (31,168) | (33,248) | (48,016) | (58,901) | (60,248) |
| Net investment income | <u>629,349</u> | <u>45,430</u> | <u>3,115,997</u> | <u>2,309,415</u> | <u>1,056,238</u> |
| Total additions | <u>775,002</u> | <u>107,915</u> | <u>3,205,617</u> | <u>2,378,494</u> | <u>1,126,497</u> |
| Deductions | | | | | |
| Retirement allowances | 744,046 | 763,018 | 915,552 | 1,110,338 | 1,165,567 |
| Administrative expenses | 33,366 | 35,576 | 55,028 | 36,921 | 36,122 |
| Refund of Contributions | 20,232 | - | 18,098 | - | - |
| Total deductions | <u>797,644</u> | <u>798,594</u> | <u>988,678</u> | <u>1,147,259</u> | <u>1,201,689</u> |
| Net increase (decrease) | (22,642) | (690,679) | 2,216,939 | 1,231,235 | (75,192) |
| Net position held in trust for pension benefits | | | | | |
| Beginning Balance | 23,462,603 | 23,439,961 | 22,749,282 | 24,966,221 | 26,197,456 |
| Ending Balance | <u>\$ 23,439,961</u> | <u>\$ 22,749,282</u> | <u>\$ 24,966,221</u> | <u>\$ 26,197,456</u> | <u>\$ 26,122,264</u> |

Elected Officials' Retirement System
City of Baltimore, Maryland
REVENUES BY SOURCE

| Fiscal Year | Net Investment Income | Employer Contributions: | | Member Contributions | Total |
|-------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------|
| | | Amount | % of Covered Payroll | | |
| 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 | 0 | 0 | 62,485 | 107,915 |
| 2017 | 3,115,997 | 0 | 0 | 89,620 | 3,205,617 |
| 2018 | 2,309,415 | 0 | 0 | 69,079 | 2,378,494 |
| 2019 | 1,056,238 | 0 | 0 | 70,259 | 1,126,497 |

Elected Officials' Retirement System
City of Baltimore, Maryland
EXPENSES BY TYPE

| <u>Fiscal Year</u> | <u>Benefits</u> | <u>Refunds</u> | <u>Administrative Expenses</u> | <u>Total</u> |
|------------------------|-----------------|----------------|------------------------------------|--------------|
| 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 |
| 2017 | 915,552 | 18,098 | 55,028 | 988,678 |
| 2018 | 1,110,338 | - | 36,921 | 1,147,259 |
| 2019 | 1,165,567 | - | 36,122 | 1,201,689 |

Elected Officials' Retirement System
City of Baltimore, Maryland

SCHEDULE OF BENEFIT RECIPIENTS BY ATTAINED 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*

| Age | Number of Recipients | Retirees | | | Beneficiaries | |
|--------------------------|-------------------------|----------|----------|----------|---------------|---|
| | | 0 | 1 | 3 | 0 | 5 |
| 45-49 | 1 | 1 | 0 | 0 | 0 | 0 |
| 50-54 | 1 | 0 | 1 | 0 | 0 | 0 |
| 55-59 | 3 | 2 | 0 | 1 | 0 | 0 |
| 60-64 | 1 | 1 | 0 | 0 | 0 | 0 |
| 65-69 | 9 | 8 | 0 | 0 | 1 | 0 |
| 70-74 | 6 | 6 | 0 | 0 | 0 | 0 |
| 75 and up | 7 | 6 | 0 | 0 | 1 | 0 |
| Totals | 28 | 24 | 1 | 1 | 2 | 0 |
| Retired/Disabled Members | 26 | 24 | 1 | 1 | | |
| Average Annual Benefit | \$41,697 | \$43,583 | \$20,327 | \$17,796 | | |
| Beneficiaries | 2 | | | | 2 | |
| Average Annual Benefit | \$18,022 | | | | \$18,022 | |

***Type of Retirement**

0 - Normal retirement for age and service

1 - Early retirement

3 - Non-line of duty disability

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 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 0-1 | 1 | 0 | 2 | 2 | 0 | 1 | 1 | 8 | 9 | 0 |
| 2-4 | 4 | 5 | 5 | 1 | 3 | 2 | 2 | 1 | 1 | 9 |
| 5-9 | 2 | 2 | 1 | 5 | 5 | 4 | 4 | 3 | 1 | 1 |
| 10-14 | 5 | 2 | 1 | 1 | 0 | 1 | 1 | 0 | 2 | 1 |
| 15-19 | 1 | 5 | 6 | 6 | 6 | 6 | 2 | 0 | 0 | 1 |
| 20-24 | 2 | 2 | 0 | 0 | 1 | 1 | 5 | 3 | 2 | 2 |
| 25+ | 2 | 1 | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 2 |
| Total Members | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 16 | 17 | 16 |
| Average Service Credit | 12.66 | 12.77 | 11.95 | 12.86 | 13.87 | 14.46 | 15.50 | 7.93 | 8.49 | 10.32 |
| Average Age | 56.15 | 55.48 | 54.27 | 55.27 | 56.27 | 56.80 | 57.80 | 48.91 | 49.95 | 49.81 |

Elected Officials' Retirement System
City of Baltimore, Maryland
BENEFIT EXPENSES BY TYPE

| Fiscal Year Ending | Age and Service Benefits: | | Death Benefits | Termination | Total |
|-----------------------|---------------------------|---------------|----------------|-------------|-----------|
| | Retirees | Beneficiaries | | | |
| 2010 | 578,534 | 157,892 | 0 | 0 | 736,426 |
| 2011 | 658,798 | 157,892 | 0 | 0 | 816,690 |
| 2012 | 589,657 | 186,021 | 0 | 0 | 775,678 |
| 2013 | 653,657 | 79,174 | 0 | 31,034 | 763,865 |
| 2014 | 611,717 | 81,152 | 0 | 31,810 | 724,679 |
| 2015 | 654,760 | 89,286 | 0 | 20,232 | 764,278 |
| 2016 | 644,338 | 85,260 | 0 | 33,420 | 763,018 |
| 2017 | 793,904 | 87,392 | 34,256 | 18,098 | 933,650 |
| 2018 | 1,020,762 | 89,576 | 0 | 0 | 1,110,338 |
| 2019 | 1,145,360 | 20,207 | 0 | 0 | 1,165,567 |

Elected Officials' Retirement System
City of Baltimore, Maryland
AVERAGE MONTHLY BENEFIT PAYMENTS

| Retirement Effective Dates From July 1, 2008 to June 30, 2018 | Years of Credited Service | | | | | |
|--|---------------------------|--------------|--------------------------------|--------------|--------------|------------|
| | <u>5-10</u> | <u>11-15</u> | <u>16-20</u> | <u>21-25</u> | <u>26-30</u> | <u>31+</u> |
| 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 | | | |
| Period 7/1/16 to 6/30/17 | | | | | | |
| Average Monthly Benefit | \$ 1,381 | \$ 1,658 | \$ 4,020 | | | \$ 5,454 |
| Average-Average Final Compensation | 66,301 | 66,301 | 92,635 | | | 66,301 |
| Number of Active Retirees | 1 | 1 | 4 | | | 1 |
| Period 7/1/17 to 6/30/18 | | | No retirements for this period | | | |
| Period 7/1/18 to 6/30/19 | | | No retirements for this period | | | |

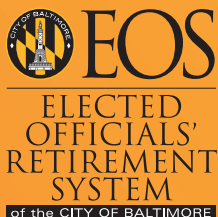
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ELECTED OFFICIALS' RETIREMENT SYSTEM

CITY OF BALTIMORE,
MARYLAND

7 E. Redwood Street
12th Floor
Baltimore, Maryland 21202

443-984-3180
www.bcers.org



Photos: Mark Dennis
City of Baltimore
Mayor's Office