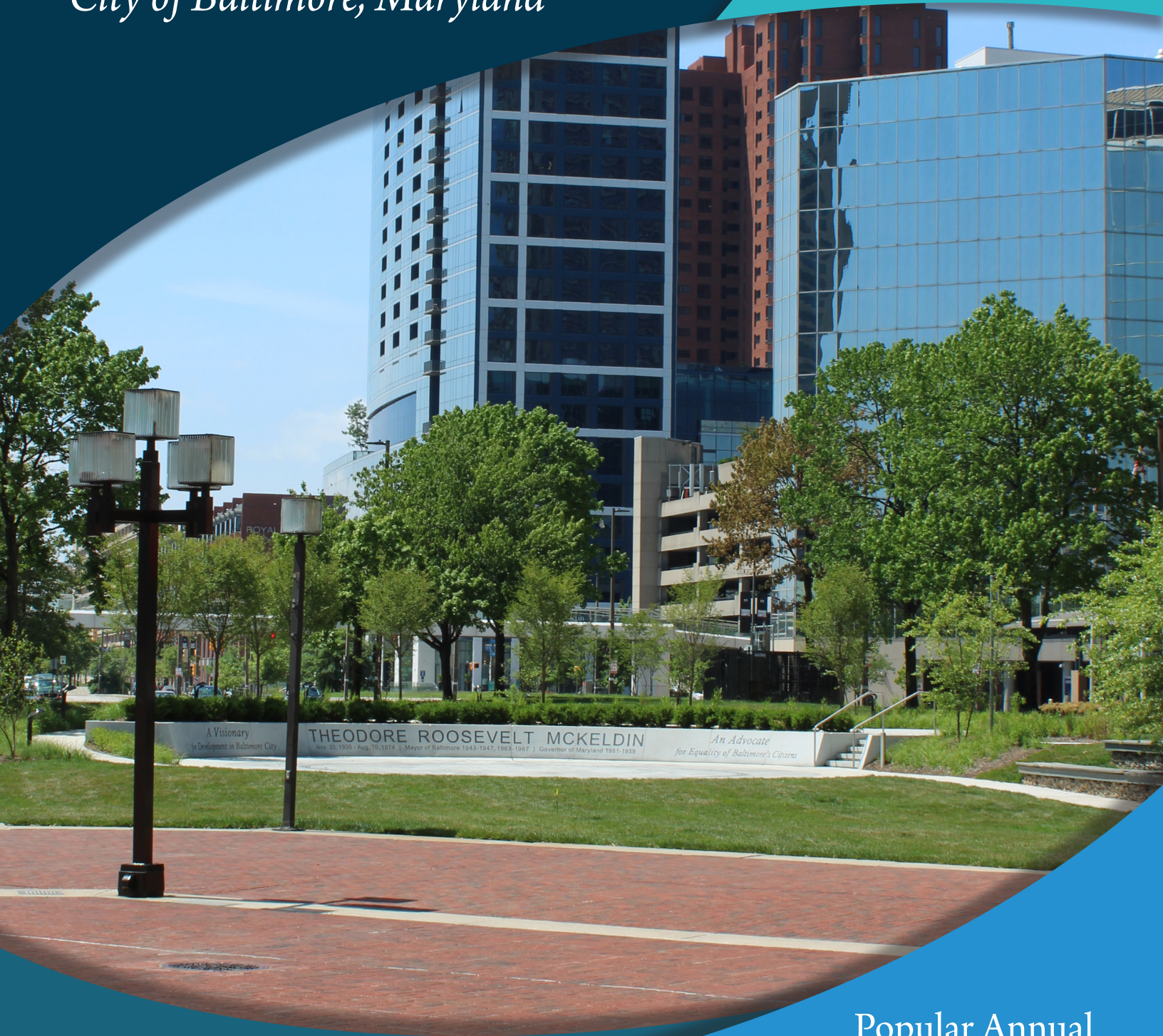
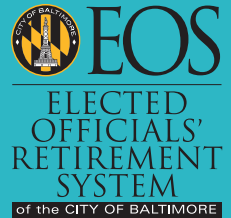


# Elected Officials' Retirement System

*City of Baltimore, Maryland*



Popular Annual  
Financial Report

*Year Ended June 30, 2020*

*Pension Trust of the City of Baltimore*

# INTRODUCTION

We are pleased to present The Popular Annual Financial Report (PAFR) of EOS (Elected Officials’ Retirement System of the City of Baltimore). This report is a summary of fiscal year 2020 CAFR (Comprehensive Annual Financial Report). The CAFR was prepared in conformity with GAAP but the PAFR includes only selected information from the CAFR. The PAFR has been mailed to all retirees, email blasted to all active members and available on our website at [www.bcers.org/elected-officials-retirement-system](http://www.bcers.org/elected-officials-retirement-system). For a detailed copy of our financials, please visit our website at [www.bcers.org/elected-officials-retirement-system](http://www.bcers.org/elected-officials-retirement-system).



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The staff of the Baltimore City Employees’ and Elected Officials’ Retirement System remains committed to serving all of our active members, retirees, and beneficiaries.

We continue to adjust our operations amid changes due to Covid-19 to ensure that our entire membership receives the same level of dedicated service that our agency has always provided.

As ERS employees have adopted a hybrid schedule to include working both onsite and remotely, we have continued to work on major system initiatives. These projects include enhancing our document management system, upgrading our website and integrating ERS systems with the City of Baltimore’s new cloud-based Workday program.

Finally, my appreciation goes to the Board of Trustees, employees of ERS and advisors for their significant contributions in overseeing the successful management of the System.

David A. Randall  
Executive Director



The global impact of COVID-19 caused significant shifts and changes in every area, including finance. In these unprecedented times, investments returned 1.4% and the market value funded ratio is now 145.7%.

We saw changes to our Board of Trustees this year. Board Vice-Chair Joan Pratt completed her time on the board. We said farewell to State Senator Joan Carter Conway and welcomed Ms. Patricia Roberts.

While this year has been one of great change, the Board remains committed to our objective of serving our members, retirees and beneficiaries and diligently protecting and growing the fund’s assets.

I would also like to thank the Retirement system staff for their continued hard work. Together with the Board, our system continues to remain dedicated to ensuring a secure retirement for our participants.

Henry J. Raymond  
Chair, Board of Trustees

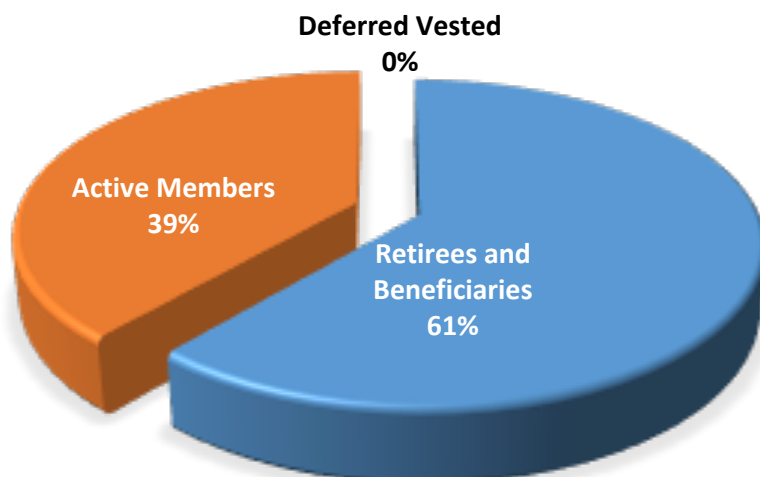


# THE PLAN

EOS plan was established effective December 5, 1983 by City Ordinance 1105. Any elected official who is not a member of the Employees' Retirement System of the City of Baltimore (ERS), upon taking the oath of office, automatically becomes a member. Any elected official who is a member of ERS has the option of electing, within 120 days of taking the oath of office, to become a member of EOS.

At June 30, 2020, the membership consisted of 27 retirees and beneficiaries, 17 active members and no deferred vested members.

## MEMBERSHIP



EOS members contribute 5% of their earnable compensation. However, no contribution is required after the member has attained age 60 and acquired 35 years of service. Earnable compensation is the annual salary authorized for the member not including overtime or other types of pay.

In 2016, member benefits were revised per Article 22 as follows:

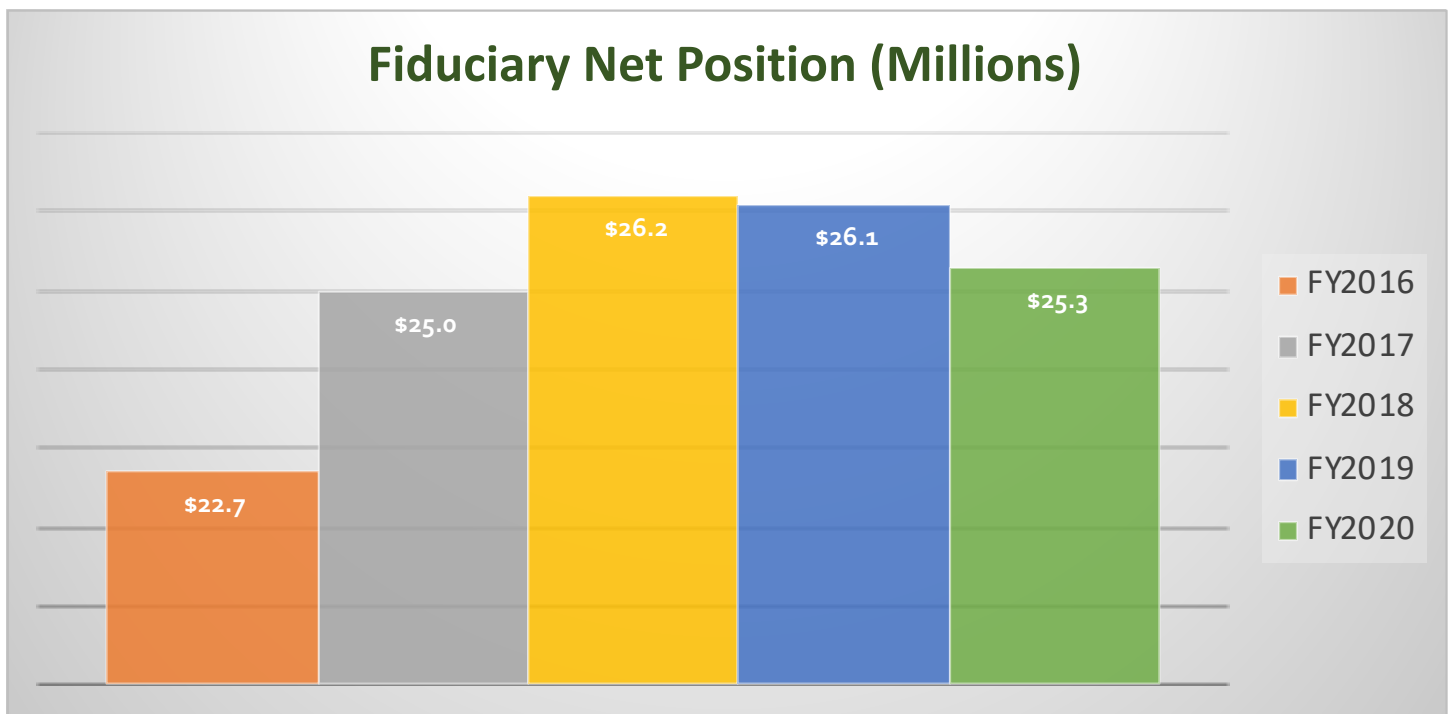
S/N	Criteria	Elected on/or before December 5, 2016	Elected after December 5, 2016
1	Retirement eligibility	Age 50	Age 55
2	Salary Increases	Indexed to compensation of the position held prior to retirement.	COLA – Higher of 1.5% and rates in effect for F&P retirement system; and waiting period of 1 year.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

# FINANCIALS

The statement of fiduciary net position presents the plan's assets and liabilities and the net position restricted for pensions at June 30, 2020. 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).

At June 30, 2020, the fiduciary net position restricted for pensions was \$25.3M. The fiduciary net position restricted for pension decreased by \$0.8M or 3.0% when compared with fiscal year 2019's net position of \$26.1M. The reduction is from market volatility due to the global health pandemic.

Fiduciary Net Position	Fiscal Year 2020	Fiscal Year 2019	Increase / (Decrease)	Percentage Increase
Investments	\$ 25,116,902	\$ 25,847,420	\$ (730,518)	-2.8%
Other Assets	225,601	289,253	(63,652)	-22%
Total assets	25,342,503	26,136,673	(794,170)	-3.0%
Total liabilities	13,081	14,409	(1,328)	-9.2%
<b>Total net position</b>	<b>\$ 25,329,422</b>	<b>\$ 26,122,264</b>	<b>\$ (792,842)</b>	<b>-3.0%</b>



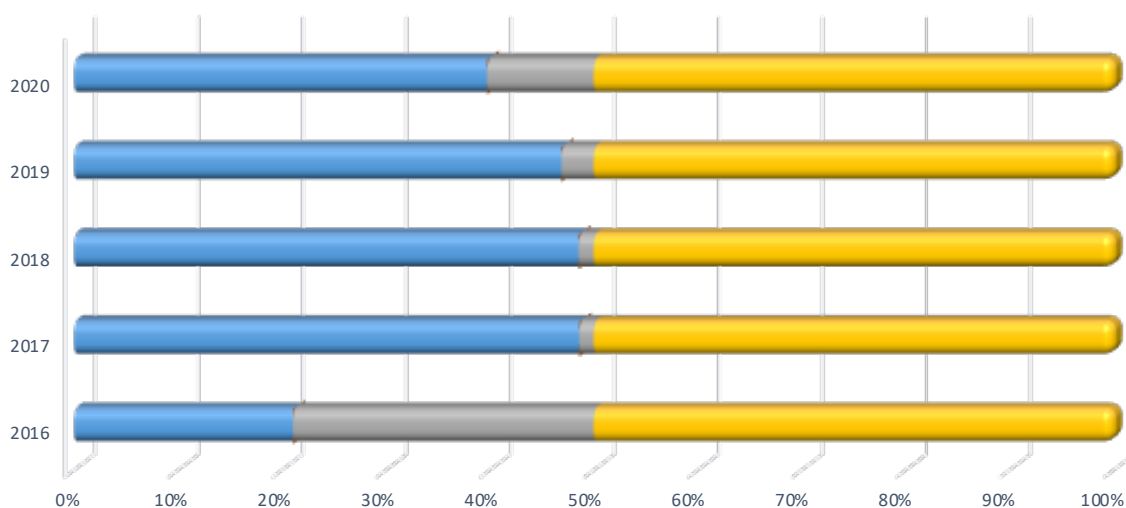
# FINANCIALS

The statement of changes in fiduciary net position presents information on how the plan's net position changed during the year. In fiscal year 2020, the fiduciary net position decreased by \$0.8M. When compared with the fiscal year 2019 decrease of \$75K, this was a decrease of 954% as highlighted below.

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.

Changes in Fiduciary Net Position	Fiscal Year 2020	Fiscal Year 2019	Increase / (Decrease)	Percentage Change
Net Investment Income	\$ 293,606	\$ 1,056,238	\$ (762,632)	-72%
Employee contribution	75,939	70,259	5,680	8%
Total additions	369,545	1,126,497	(756,952)	-67%
Retirement allowances	1,125,136	1,165,567	(40,431)	-3%
Administrative expenses	37,251	36,122	1,129	3%
Total deductions	1,162,387	1,201,689	(39,302)	-3%
<b>Net increases (decreases)</b>	<b>\$ (792,842)</b>	<b>\$ (75,192)</b>	<b>\$ (717,650)</b>	<b>954%</b>

## Revenues by Source



	2016	2017	2018	2019	2020
Net Investment Income (Loss)	\$45,430	\$3,115,997	\$2,309,415	\$1,056,238	\$293,606
Employer Contributions	\$0	\$0	\$0	\$0	\$0
Member Contributions	\$62,485	\$89,620	\$69,079	\$70,259	\$75,939
Total Income (Loss)	\$107,915	\$3,205,617	\$2,378,494	\$1,126,497	\$369,545

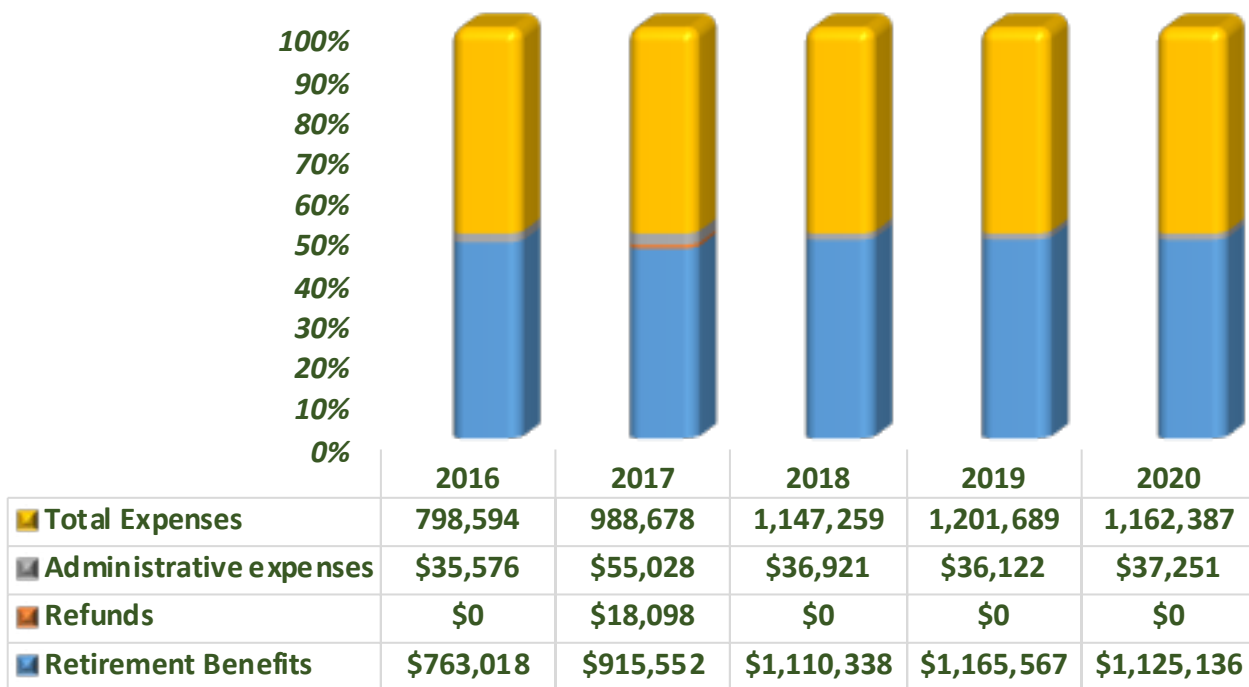
# FINANCIALS

Revenues (Additions to Fiduciary Net Position) for the year were \$369,545, a decrease of \$756,952 from the prior year due to lower investment returns. Revenues include plan members' contributions of \$75,939 and a net investment gain of \$293,606.

The employer contribution is determined by an actuarial valuation. This contribution 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 2020, the employer contribution remained at zero because the actuarially determined employer contribution was set at \$0 while employee contributions increased slightly by 8%. Investments also produced positive return of \$293,606, which is 72% lower than the \$1,056,238 return of fiscal year 2019.

## Expenses by type



Expenses (Deductions from Fiduciary Net Position) decreased by \$39,302 to \$1,162,387 from the prior year expenses of \$1,201,689 due to an increase in retirement benefit allowances (cost of living adjustment). The decrease in expenses is attributable to lower retirement benefits as a result of death. Expenses include retirement benefit allowances, refunds and administrative expenses of the System.

# INVESTMENTS

The primary investment objectives of EOS are to preserve the capital value of the plan assets adjusted for inflation, ensure adequate plan liquidity, and to meet and/or exceed both actuarial interest rate assumptions and investment return benchmark as determined by the Board of Trustees. It is recognized that maximizing any one objective may compromise the achievement of other objectives, for example, maximizing liquidity may reduce investment return. The objectives are thus considered and adhered to in descending order of priority.

The overall market experienced significant unpredictable change over the past fiscal year driven primarily by the global health pandemic and its impact on economic growth. The stock market entered into a prolonged price decline territory during the first few months of 2020 and then reversed in the second quarter. This was due to an unprecedented increase in government spending as well as low interest rates. The stock market, represented by the Russell 3000 Index, reported a return of 6.5%. The five largest stocks in the market continued to dominate returns as growth outperformed value stocks and large outpaced small company stocks. As bond yields fell dramatically during the end of the fiscal year, the bond market posted a strong gain of 8.7%. Real estate returned 2.7% as income was positive but appreciation was negative. International stocks posted a return of -4.4%, represented by the MSCI ACWI ex U.S. Index, as the slowdown in economic activity due to the pandemic impacted returns.

	FY 2020	3 Years	5 Years	10 Years
<b>TOTAL PORTFOLIO</b>	1.4%	5.2%	5.9%	8.6%
Median Public Pension Fund	2.9%	6.0%	6.3%	8.5%
<b>DOMESTIC EQUITIES</b>	2.1%	7.4%	8.4%	12.9%
Russell 3000	6.5%	10.0%	10.0%	13.7%
<b>DEFENSIVE EQUITIES</b>	3.4%	3.9%	-	-
CBOE Put Write Index	-7.0%	-0.1%	3.1%	7.1%
50% S&P 500/50% 91 Day T-Bill	5.0%	6.5%	6.1%	7.3%
<b>INTERNATIONAL EQUITIES</b>	-5.5%	1.5%	3.2%	6.7%
MSCI ACWI ex-US	-4.4%	1.6%	2.7%	5.5%
<b>FIXED INCOME</b>	4.9%	4.3%	3.9%	3.7%
Barclays Aggregate	8.7%	5.3%	4.3%	3.8%
<b>REAL ESTATE</b>	3.2%	6.3%	-	-
NPI	2.7%	5.4%	6.8%	9.7%

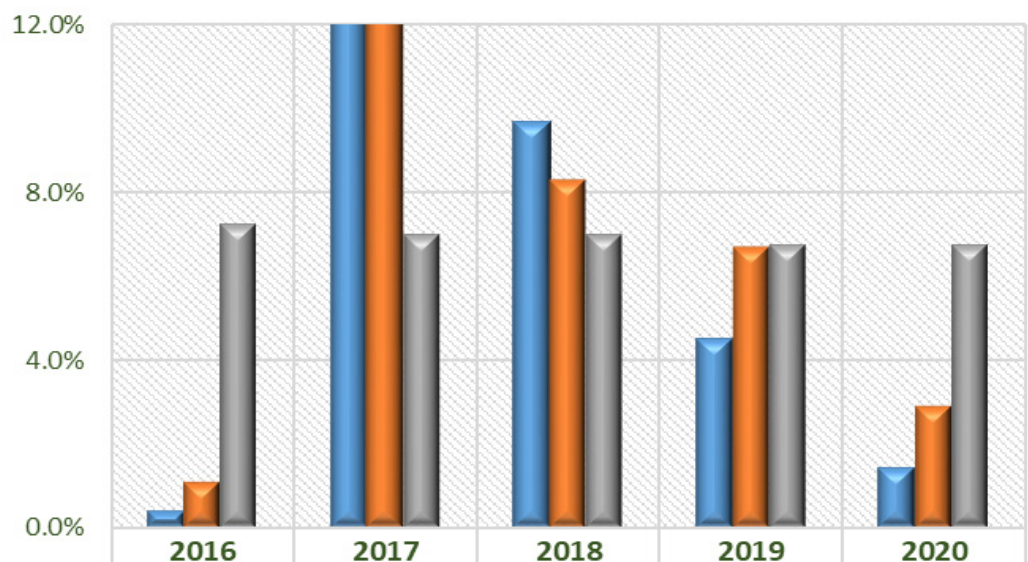
# INVESTMENTS

For the fiscal year ending June 30, 2020, the System posted a return of 1.4%, underperforming the policy benchmark of 2.9%. 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 underperformed their larger counterparts. The real estate portfolio outperformed its respective benchmark due to an emphasis on the strong performing industrial sector as well as a focus on high quality properties.

On June 21, 2016, Ordinance 16-488 was signed into law. The Bill changed the assumed interest rate for the Plan investments from 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%.

The EOS Plan is well positioned to achieve the investment objectives as outlined by the Board of Trustees. In the last five years, EOS outperformed both the benchmark and actuarial assumption two times but lagged three years.

## EOS Investment Returns, Median Public Pension Fund Returns and Actuarial Assumption



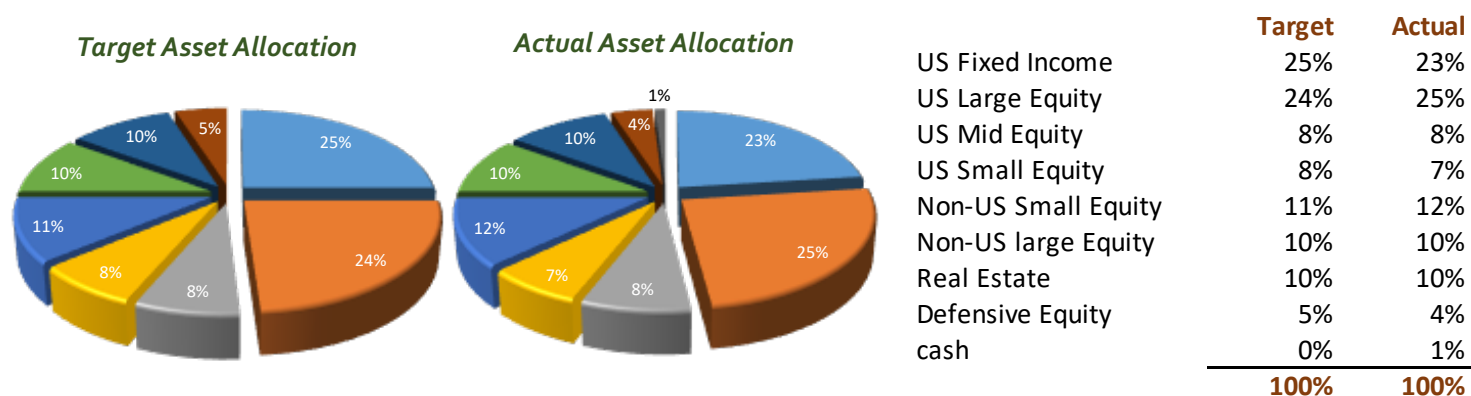
EOS Rate of Return	0.4%	14.2%	9.7%	4.5%	1.4%
Median Public Pension Fund	1.1%	12.8%	8.3%	6.7%	2.9%
Actuarial Assumption	7.25%	7.00%	7.00%	6.75%	6.75%

Diversification is the most important component of reaching long-range financial goals. To assist in meeting the overall objectives, the Board of Trustees approved an asset allocation guideline. The asset allocation guideline enables the plan to diversify its assets and maximize returns by investing in different areas that would each react differently to the same event.

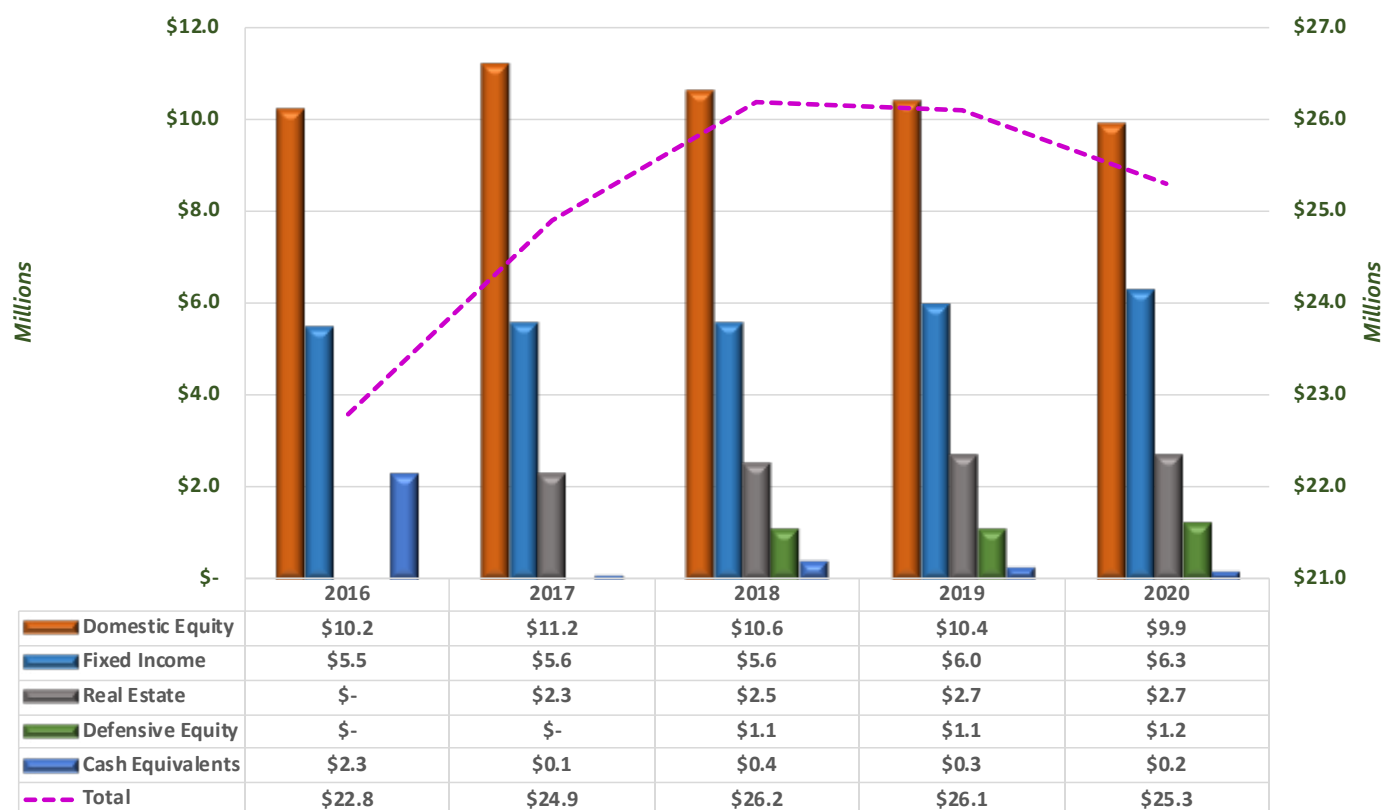


# INVESTMENTS

The current ERS asset allocation policy and actual allocation is as stated below.



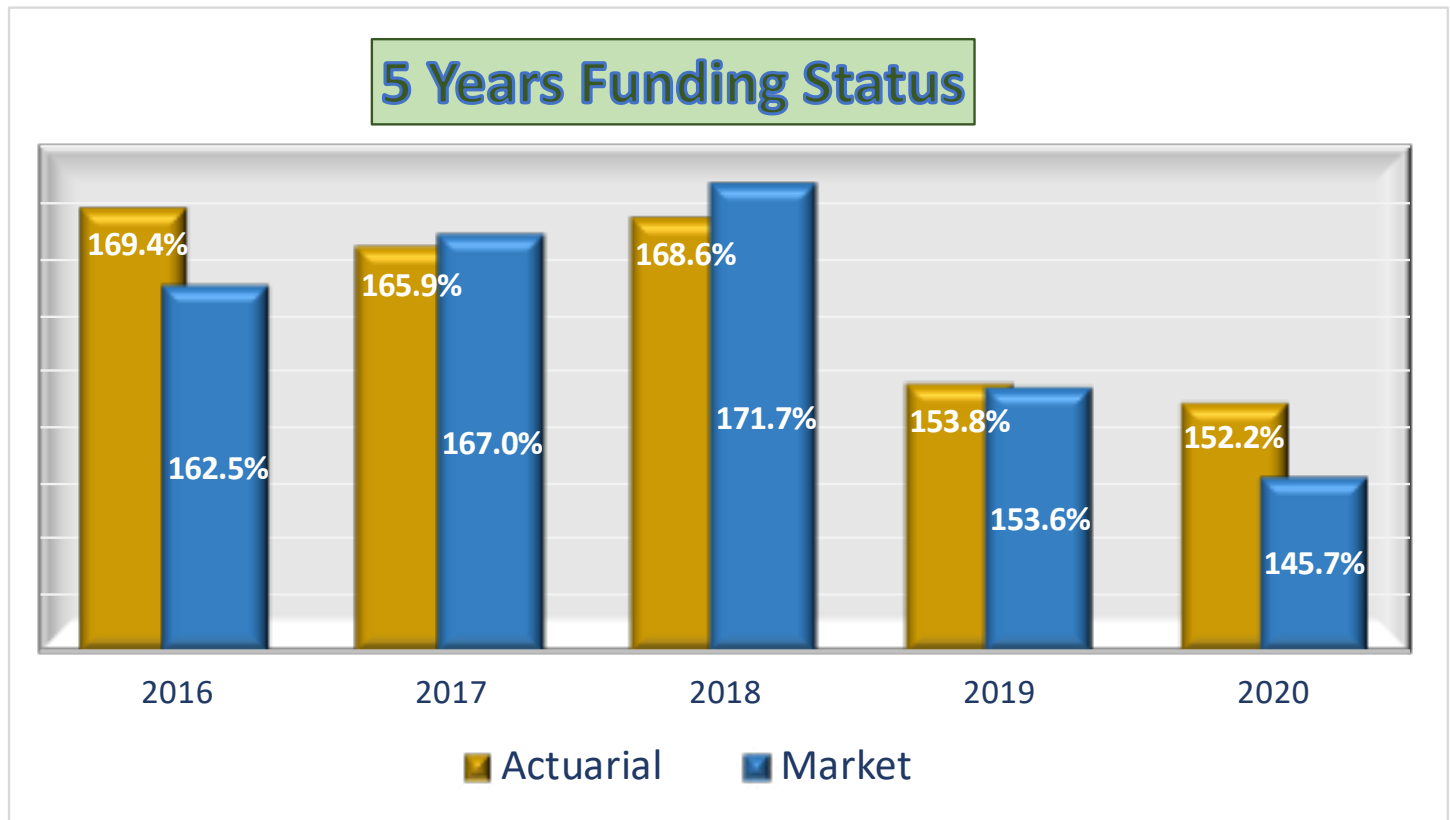
## Fair Value of Investments



# ACTUARIAL

The Plan's funding objective is to meet long-term benefit obligations through investment income and contributions, which spread the cost over the employees' service base. EOS' funding status is a key indicator of its financial health because it reflects the percentage of benefits due that the plan's assets can cover.

As of June 30, 2020, the System's funded ratios were 152.2% and 145.7% based on actuarial and market values of asset respectively. Both funded ratios decreased by 1.6% and 7.9% respectively when compared with their June 30, 2019 values of 153.8% and 153.6%.

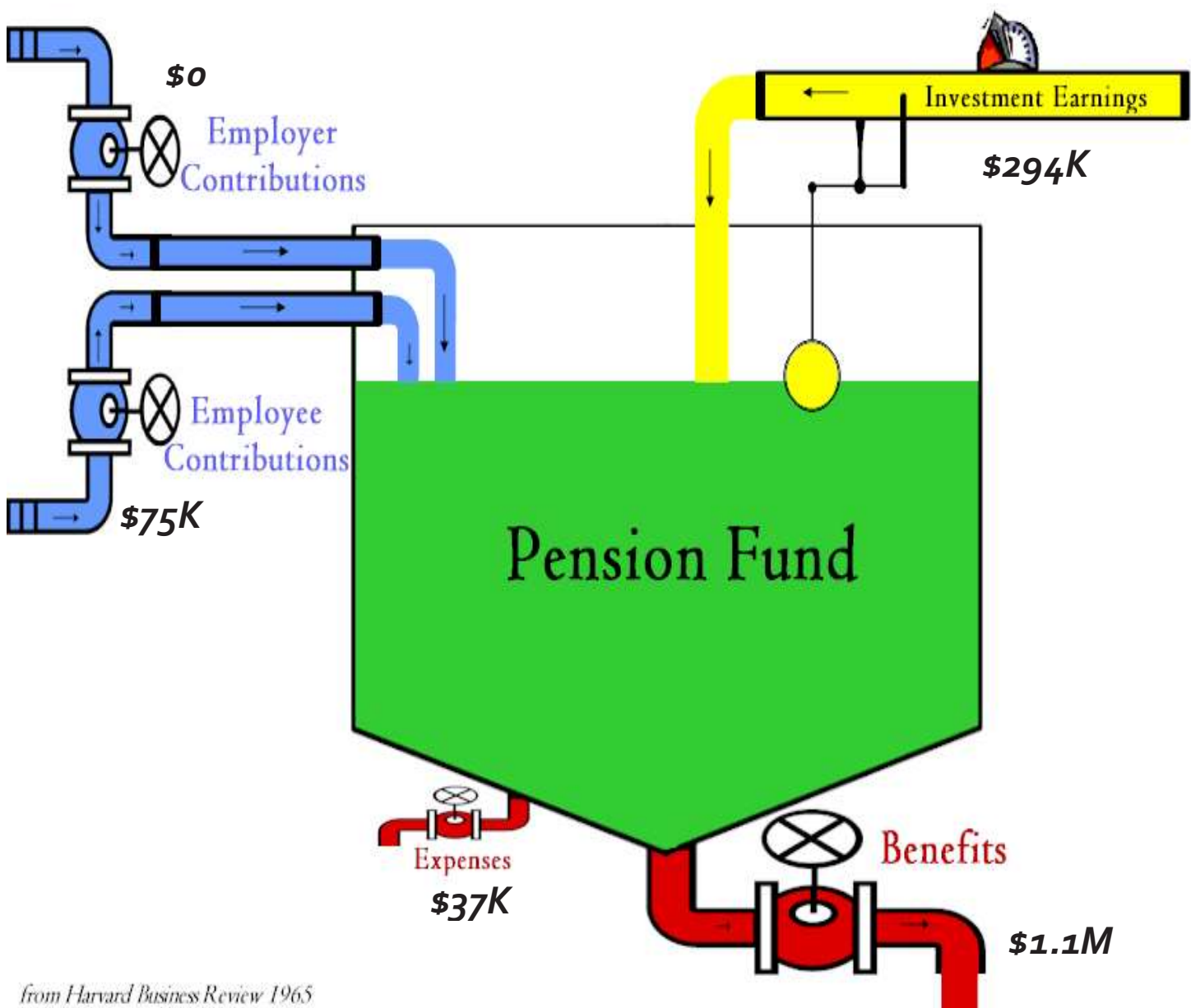


The reduction in funded status as of June 30, 2020 is attributable to lower than expected investment returns. Experience study is conducted by the system every four years. The study compares actual experience to assumptions of both demographic and economic assumptions to determine whether adjustments are required. The demographic changes adopted in 2019 includes rates of retirement, termination rates, disability rates, post-retirement mortality as well as survivor data drop-offs while economic assumption changes includes discount rate, inflation and salary increases.

	2016	2017	2018	2019	2020
Total Pension Liability	\$ 14,002,347	\$ 14,946,399	\$ 15,260,985	\$ 17,001,212	\$ 17,382,855
Plan Fiduciary Net Position	22,749,282	24,966,221	26,197,456	26,122,264	25,329,422
Net Pension Assets	\$ 8,746,935	\$ 10,019,822	\$ 10,936,471	\$ 9,121,052	\$ 7,946,567

# ACTUARIAL

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Actual employer Contributions	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,469,551	\$ 1,362,517	\$ 1,398,738	\$ 1,296,866	\$ 1,333,907
Contributions as a percentage of payroll	0.00%	0.00%	0.00%	0.00%	0.00%



*from Harvard Business Review 1965*



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Popular Annual  
Financial Reporting

Presented to  
**Elected Officials' Retirement System**  
City of Baltimore, Maryland

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morrell*

Executive Director/CEO

**CITY OF BALTIMORE**  
**Employees' Retirement Systems**  
7 East Redwood Street,  
11th, 12th & 13th Floor  
Baltimore, MD 21202

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## TRUSTEES

### Henry Raymond

Chair of the Board  
City of Baltimore  
Finance Director  
Ex-officio Member

### Helen Holton

Retired  
Appointed by  
Mayor/Baltimore City  
Council

### Joan M. Pratt, CPA

Vice Chair of the Board  
City of Baltimore  
Comptroller Ex-officio  
Member

### Rosemary H. Atkinson

Retired  
HOPE VI Community  
Builder  
Elected by Retired  
Members

### Deborah F. Moore-Carter

City of Baltimore Labor  
Commissioner  
Elected by Active  
Members

### John Beasley

Deloitte Appointed  
by Mayor/Baltimore  
City Council

### Patricia Roberts

Retired  
Appointed by Mayor

### Dorothy L. Bryant

Phlebotomist  
City of Baltimore Health  
Department Elected by  
Active Members



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*This Popular Annual Report (PAFR) is a summary presentation of the Employees Retirement System of the City of Baltimore's audited financial state-ments and other information contained in the Comprehensive Annual Financial Report (CAFR). The PAFR provides an overview of the System's financial and operating results. The complete audited financial statements and pertinent notes to the financial statements can be found in the 2020 CAFR.*