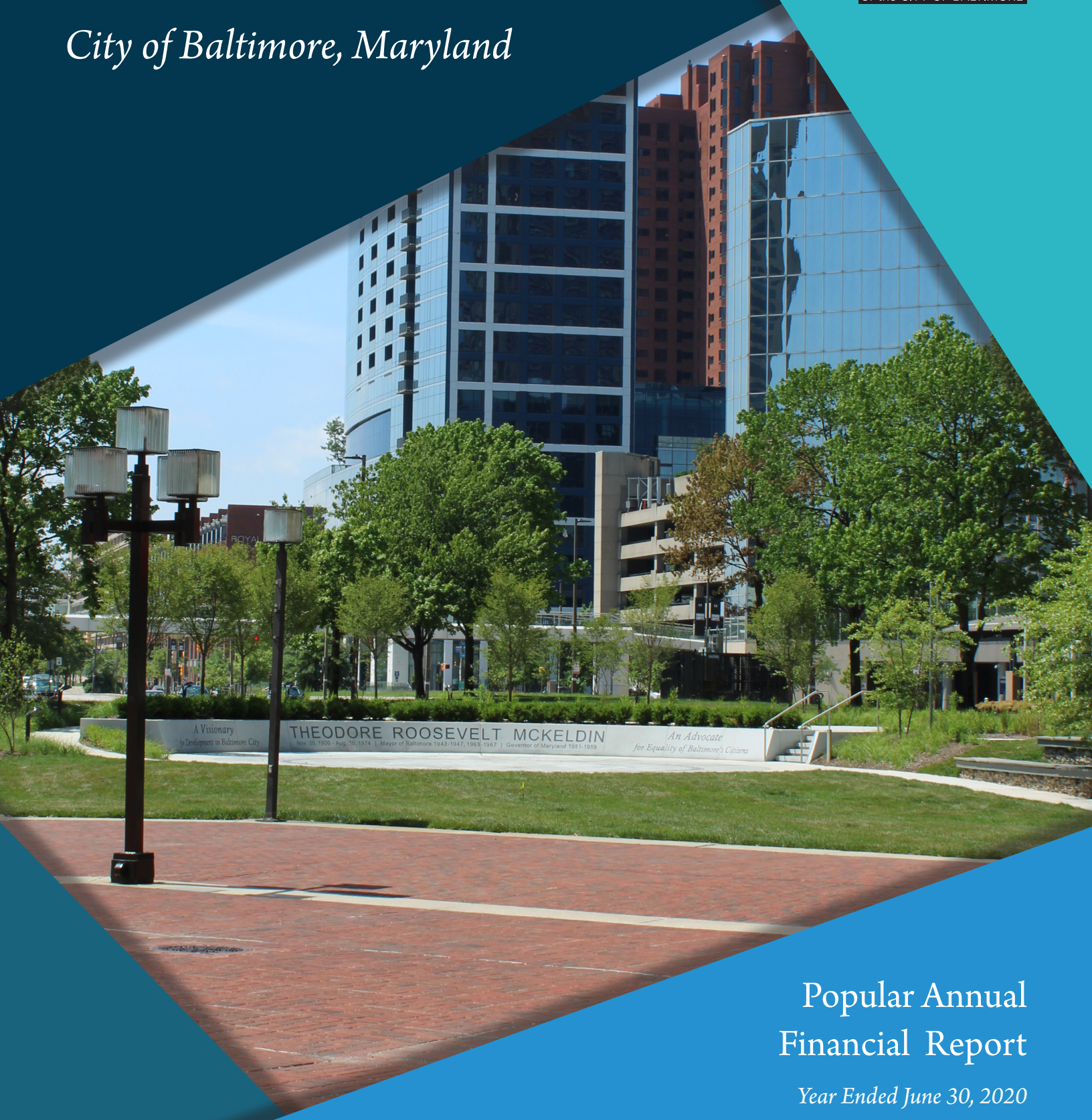
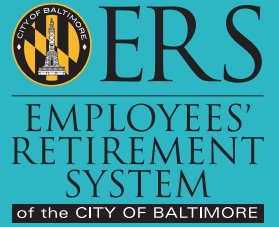


Employees' Retirement System

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 ERS (Employees' 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 is available on our website at www.bcera.org/publications. For a detailed copy of our financials, please visit our website at www.bcera.org/publications.



Introduction.....	1
Plan Description.....	2
Financials.....	3-5
Investments.....	6-8
Actuarial.....	9-10



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 1.3% and the market value funded ratio is now 66.6%.

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.

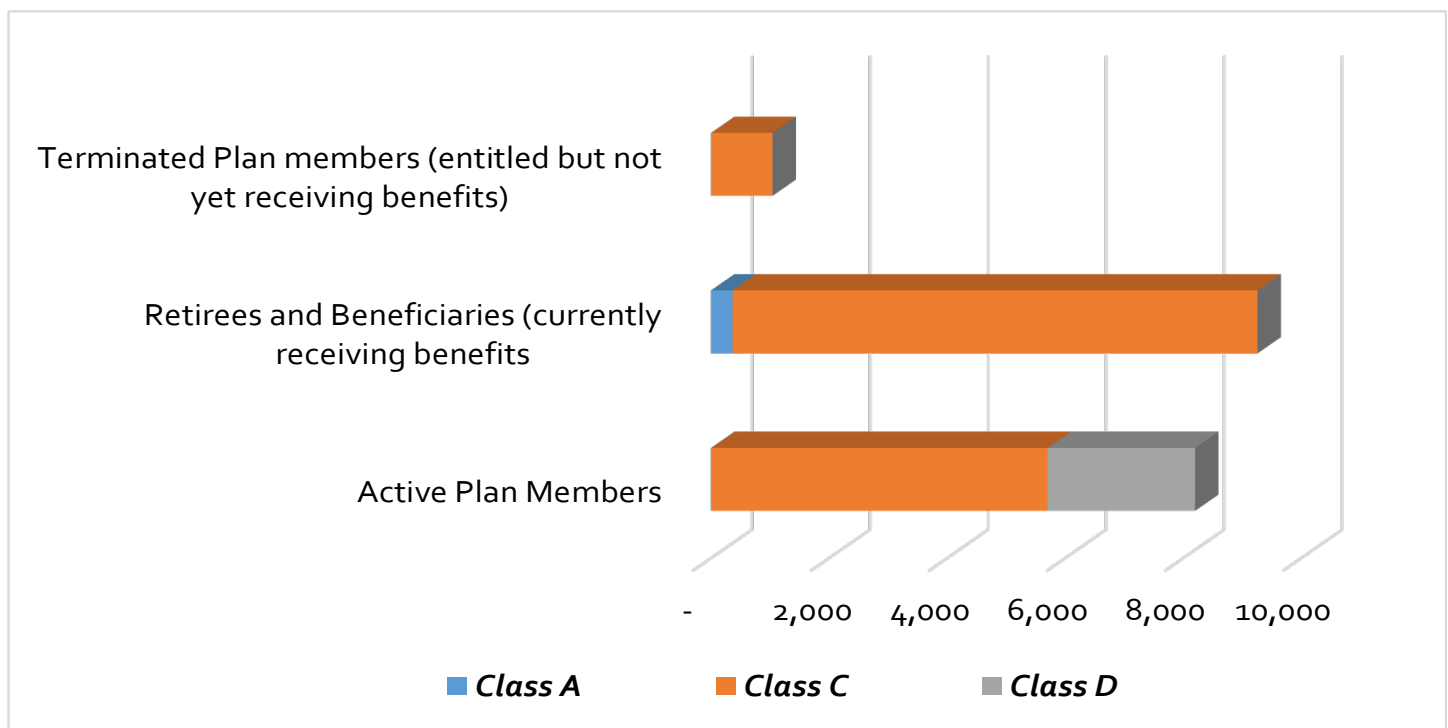
I would also like to thank the Retirement system staff for their continued hard work. Together with the Board, our system continues to remain dedicated to ensuring a secure retirement for our participants.

Henry J. Raymond
Chair, Board of Trustees

THE PLAN

ERS is the administrator of a cost sharing multiple employer defined benefit local government retirement plan (the Plan). ERS Plan was established effective January 1, 1954 and has been periodically amended. Any regular and permanent officer, agent or employee of the City with the exception of those required to join the Maryland State or any other Retirement System becomes a member of ERS upon completion of one year of service.

Membership Status as at June 30, 2020	Class A	Class C	Class D	Total
Active Plan Members	9	5,698	2,497	8,204
Retirees and Beneficiaries (currently receiving benefits)	367	8,894	1	9,262
Terminated Plan members (entitled but not yet receiving benefits)	-	1,043	1	1,044
Total	376	15,635	2,499	18,510



As of June 30, 2020, total membership of ERS was 18,510 comprising 8,204 active members, 9,262 retirees & beneficiaries and 1,044 terminated plan members. Terminated plan members are former employees that are eligible for pension.

Class A active members currently contribute at 4% of earnable compensation, D members at 5% and C members at 5%. Earnable compensation is the annual salary authorized for the member not including overtime or other types of pay.

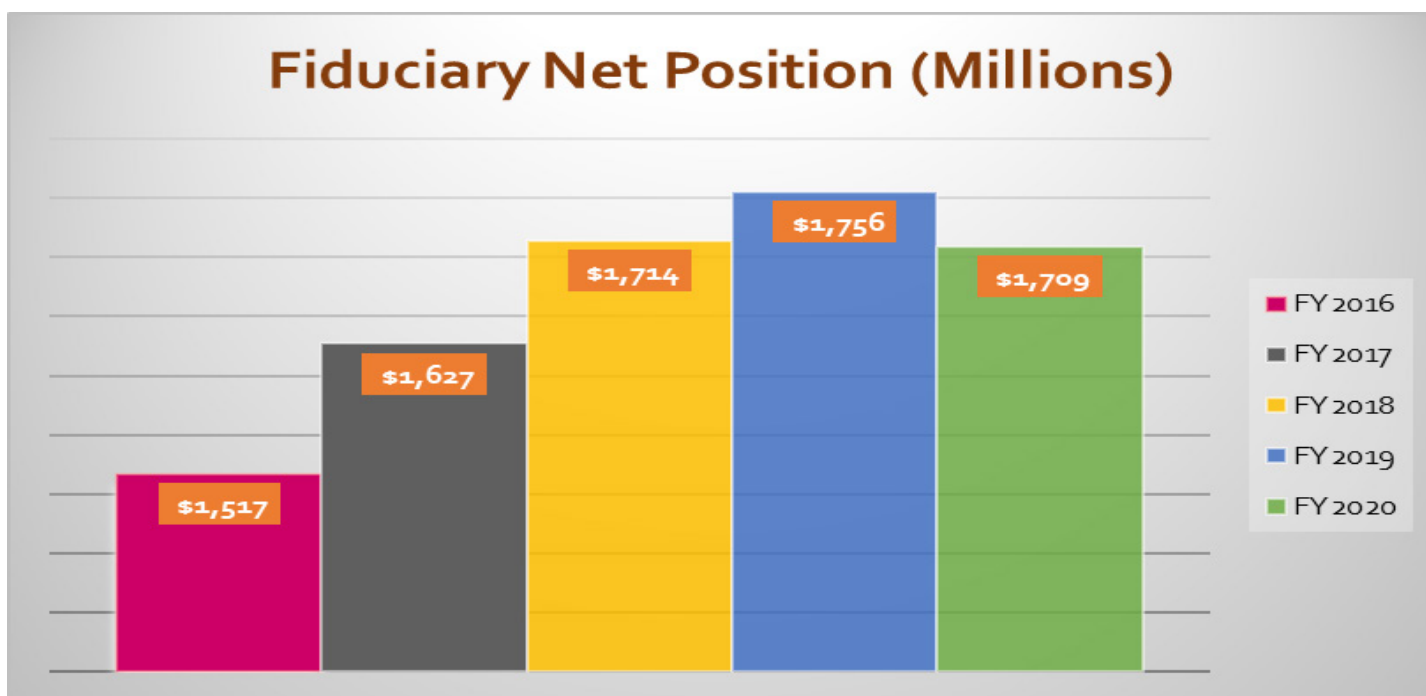
Class A members are eligible for retirement at age 60 with 5 years of service or 30 years of membership service while classes C and D are eligible for retirement at age 65 with 5 years of service or 30 years of service regardless of age.

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 fiduciary net position restricted for pensions was \$1,709M, a decrease of \$46M (3%) from fiscal year 2019. The decrease was from market volatility due to the global health pandemic. The fiduciary net position includes cash & receivables, investments, securities lending and capital assets less total liabilities.

Fiduciary Net Position	Fiscal Year 2020	Fiscal Year 2019	Increase / (Decrease)	Percentage Increase
Cash and Receivables	\$ 94,623,210	\$ 111,183,719	\$ (16,560,509)	-15%
Investments	1,687,894,285	1,724,376,372	(36,482,087)	-2%
Securities Lending	62,112,558	74,443,578	(12,331,020)	-17%
Capital Assets	379,542	341,632	37,910	11%
Total assets	1,845,009,595	1,910,345,301	(65,335,706)	-3%
Total liabilities	135,854,862	154,749,716	(18,894,854)	
Total net position	\$ 1,709,154,733	\$ 1,755,595,585	\$ (46,440,852)	-3%

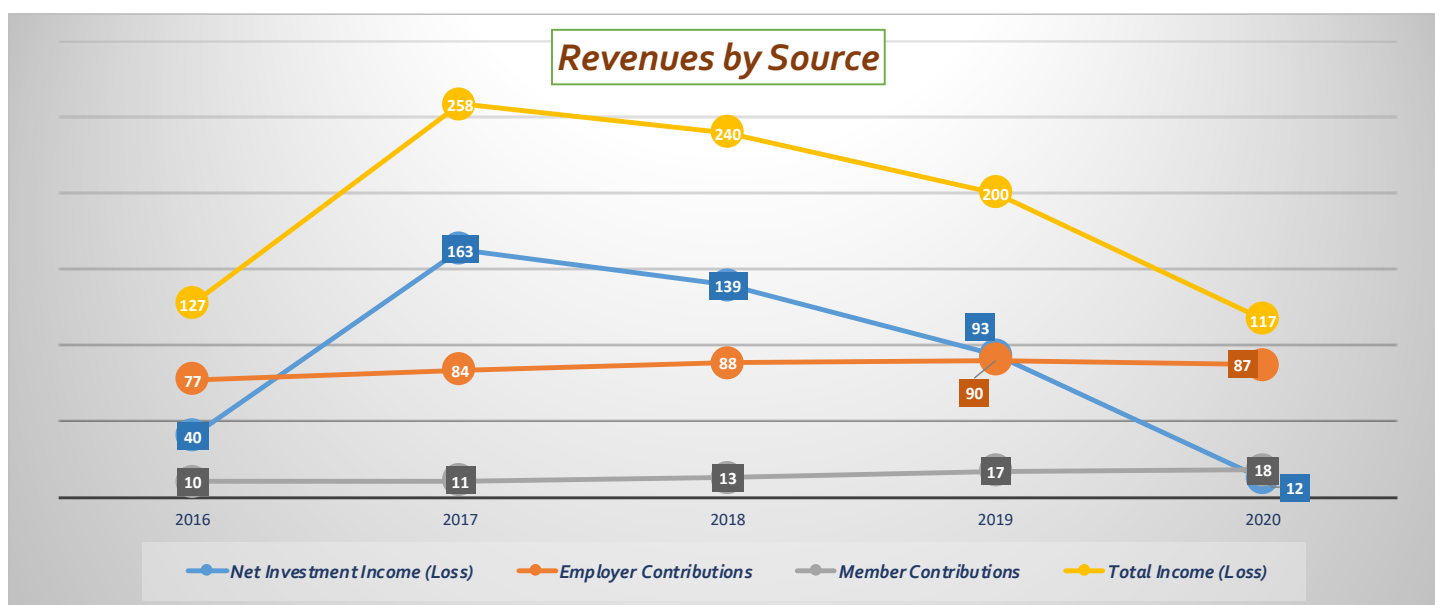
The fiduciary net position had been growing gradually from 2016 until 2020 when there was a reduction due to market forces as a result of the global health pandemic. The net position serves as a useful indicator of the Plan's financial position and is available to meet the plan's ongoing obligation to participants and their beneficiaries. Management believes that the plan remains in a strong financial position to meet its obligations to the members, retirees and their beneficiaries.



FINANCIALS

The statement of changes in fiduciary net position presents information on how the plan's net position changed during the year. The decrease in fiduciary net position of \$46M, when compared with fiscal year 2019's increase of \$41M, shows a decrease of \$88M. The decrease is attributable to lower investment income caused by market volatility from the global health pandemic.

Changes in Fiduciary Net Position	Fiscal Year 2020	Fiscal Year 2019	Increase / (Decrease)	Percentage Change
Employer contribution	\$ 86,953,801	\$ 89,866,171	\$ (2,912,370)	-3%
Employee contribution	17,787,416	17,246,258	541,158	3%
Net investment income	11,583,666	92,280,356	(80,696,690)	-87%
Net Securities Lending Income	289,317	534,616	(245,299)	-46%
Total additions	116,614,200	199,927,401	(83,313,201)	-42%
Retirement allowances	157,251,536	152,947,832	4,303,704	3%
Administrative expenses	4,495,405	3,716,362	779,043	21%
Refund of member's contribution	837,540	815,394	22,146	3%
Death benefits	446,328	988,038	(541,710)	-55%
Lump Sum cash payments	24,243	116,910	(92,667)	-79%
Total deductions	163,055,052	158,584,536	4,470,516	3%
Net increases (decreases)	\$ (46,440,852)	\$ 41,342,865	\$ (87,783,717)	-212%



Total additions (revenues) for fiscal year 2020 were \$117M. Compared to fiscal year 2019's total addition of \$200M, there was a decrease of \$83M. The decrease is from net investment income, which yielded lower than fiscal year 2019. Total deductions (expenses), on the other hand, increased from \$159M in fiscal year 2019 to \$163M in fiscal year 2020. The increase in total deductions is mostly from retirement benefits payments due to cost of living adjustments.

FINANCIALS

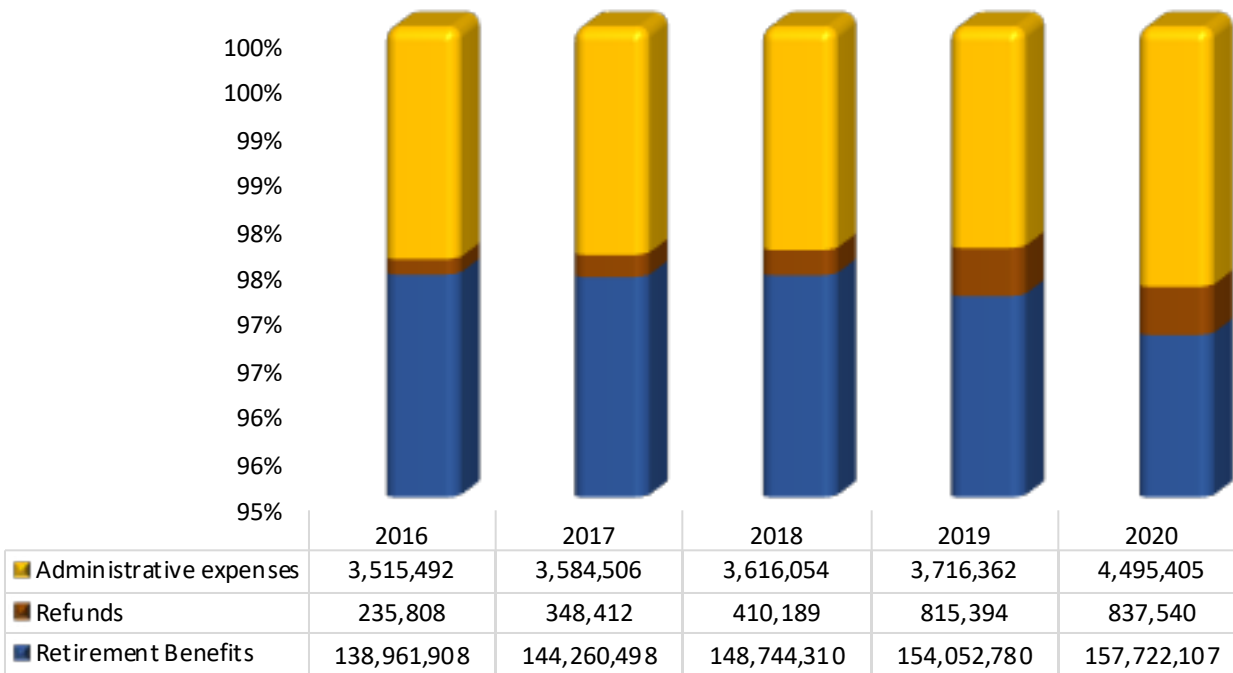
Although, net investment income yielded positive returns of \$12M in fiscal year 2020, this is much lower than the \$93M of 2019. The decrease of \$80M from fiscal year 2019 is attributable to lower overall market returns. This decrease came in spite of the plan's implemented strategies within the domestic equity allocation like low volatility equity meant to increase downside protection in declining markets.

Employer contributions decreased by \$3M from \$90M to \$87M. This is attributable to actuarial changes. The actuarially determined employer contributions are calculated two fiscal years in advance, that is, the \$87M employer contributions for fiscal year 2020 was determined during actuarial valuation for fiscal year 2018.

The employee contributions increased by less than one million, attributable to increased salaries during fiscal year 2020.

Net securities lending income also decreased due to the forces of demand and supply in the securities lending market.

Expenses by type



Total expenses increased from \$159M in fiscal year 2019 to \$163M in fiscal year 2020. This increase of \$4M is mostly attributable to retirement benefits payments. Retirement benefits increased from \$153M in fiscal year 2019 to \$157M in fiscal year 2020. This \$4M increase was due to cost of living adjustments. Administrative expenses and refund of member contributions followed suit with both increasing by \$0.8M and \$0.02M respectively.

INVESTMENTS

The primary investment objectives of ERS 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. The board utilizes external portfolio managers in active and passive strategies for the investments of the assets. The managers are monitored and evaluated by the board with the help of investment consultants.

The overall market experienced significant unpredictable change over the past 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 stocks outperformed value stocks and large outperformed small company stocks. As bond yields declined dramatically during the end of the fiscal year, the bond market recorded a strong gain of 8.7%. Real estate posted a return of 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
TOTAL PORTFOLIO	1.3%	5.4%	6.2%	8.5%
Median Public Pension Fund	-0.2%	4.6%	5.4%	8.1%
DOMESTIC EQUITIES	-0.2%	7.7%	8.4%	12.9%
Russell 3000	6.5%	10.0%	10.0%	13.7%
DEFENSIVE EQUITIES	3.5%	4.0%	-	-
CBOE Put Write Index	-7.0%	-0.5%	3.1%	7.1%
50% S&P 500/50% 91 Day T-Bill	5.0%	6.5%	6.1%	7.3%
INTERNATIONAL EQUITIES	-1.6%	2.5%	4.6%	6.4%
MSCI ACWI ex-US	-4.4%	1.6%	2.7%	5.5%
Xponance	-3.6%	0.4%	3.0%	9.1%
Xponance Benchmark	-4.8%	0.7%	3.1%	9.4%
FIXED INCOME	5.3%	4.4%	4.0%	4.0%
Barclays Aggregate	8.7%	5.3%	4.3%	3.8%
REAL ESTATE	3.9%	6.6%	8.1%	10.6%
NPI	2.7%	5.4%	6.8%	9.7%
CPI + 5%	5.7%	6.8%	6.6%	6.8%
PRIVATE EQUITY COMPOSITE	4.2%	11.2%	11.5%	12.2%
Private Equity Benchmark	-3.5%	8.2%	8.7%	10.3%
CPI + 6%	6.7%	7.8%	7.6%	7.8%
RISK PREMIA COMPOSITE	-1.5%	-	-	-
T-Bills + 5%	5.0%	6.5%	6.1%	7.3%

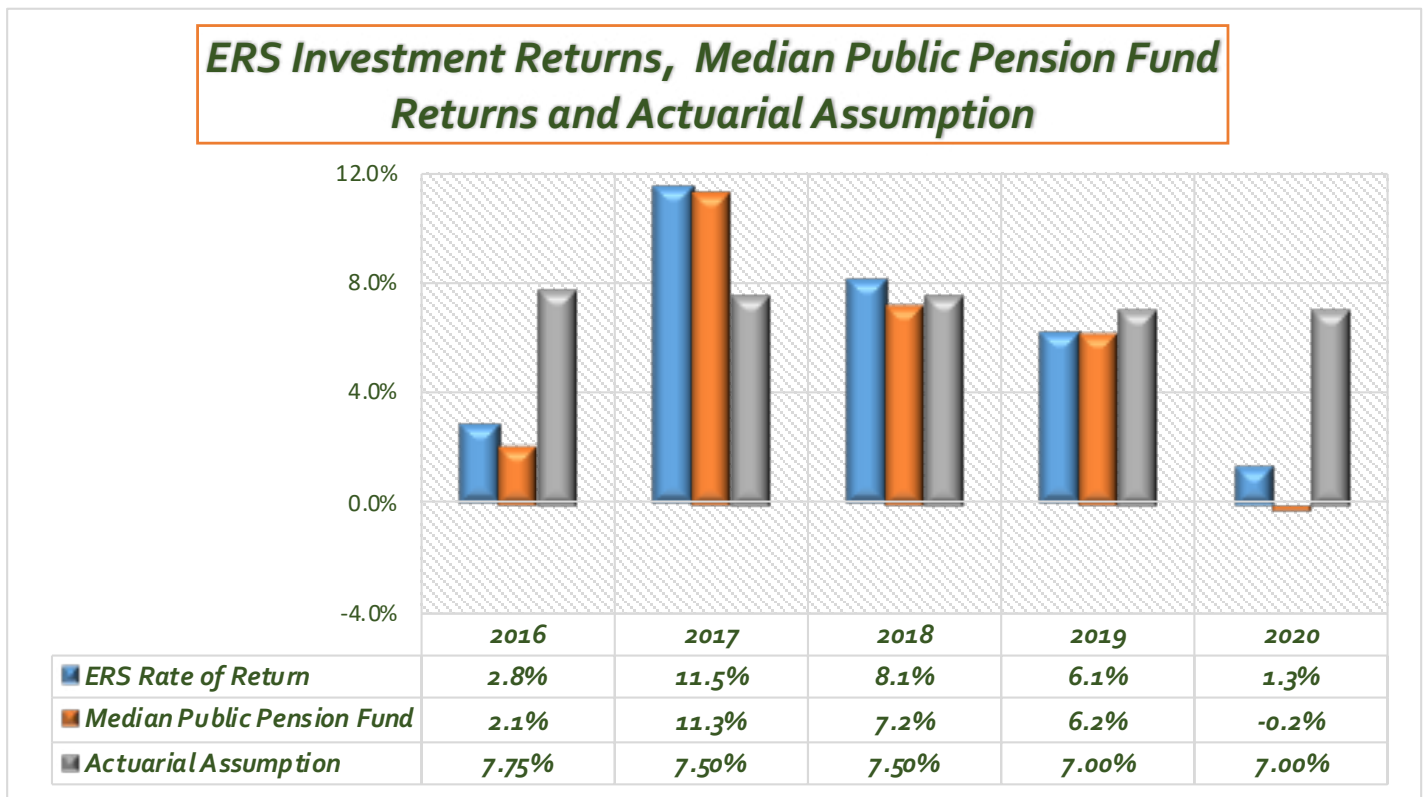
For the fiscal year ending June 30, 2020, the System posted a 1.3% return, which outperformed the policy benchmark of -0.2% and ranked in the 48th percentile. The alternative asset class managers outperformed their benchmarks in defensive equity, real estate and private equity, successfully navigating a more difficult market environment. Within international equity, more defensively positioned investments outperformed as well as an allocation to international small cap.

INVESTMENTS

The real estate portfolio posted strong results due to portfolio activity within the industrial sector as well as greater exposure to high quality retail properties. The private equity portfolio also produced strong results compared to the benchmark through several of the direct private equity exposures. The domestic equity portfolio lagged due to exposure to value-oriented issues as well as small cap stocks.

In June 2016, Ordinance 16-488 was signed into law, which provides for reduction in the actuarial interest rate to 7.5% in fiscal years 2017 and 2018, subsequently to 7.0% in fiscal year 2019.

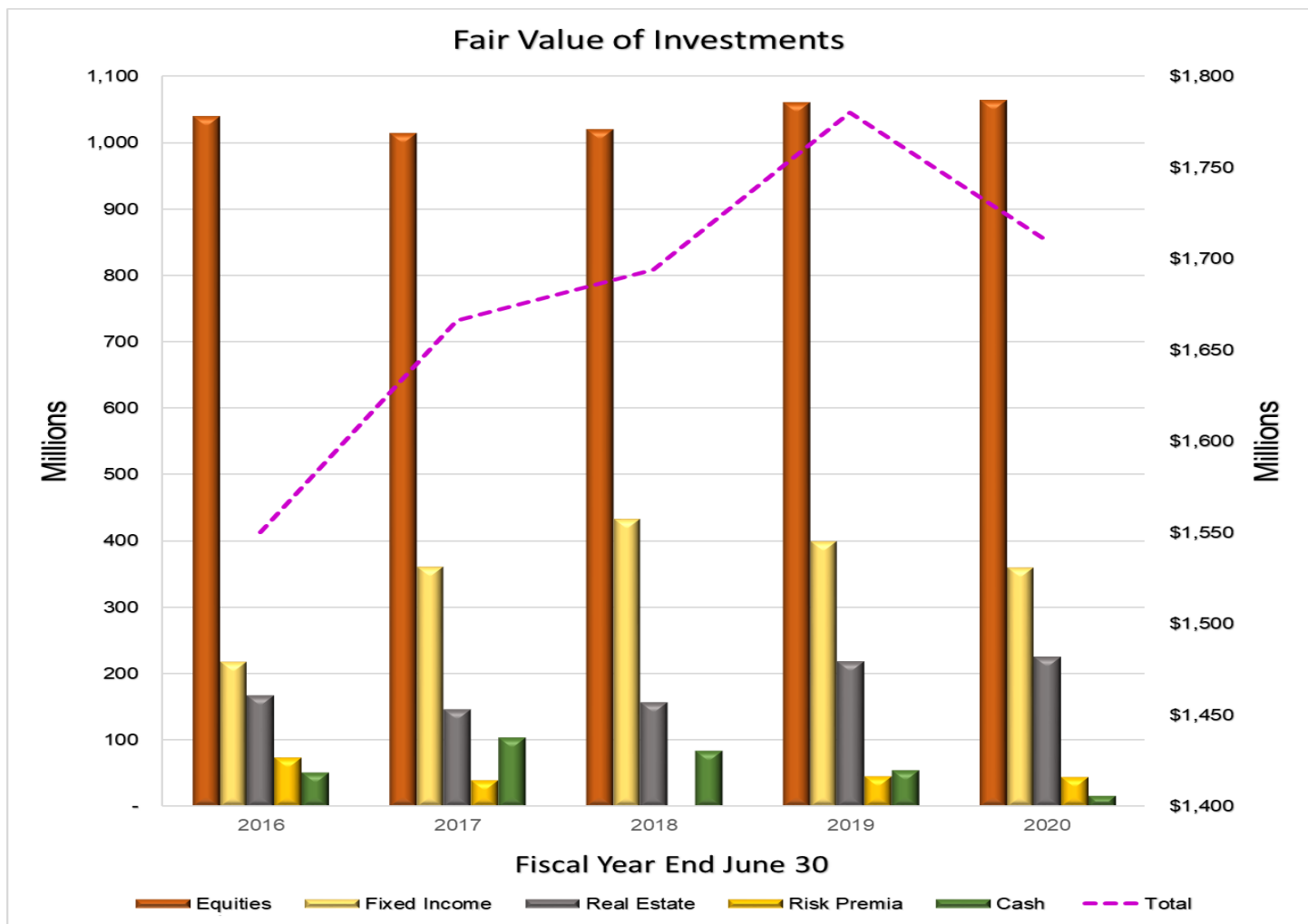
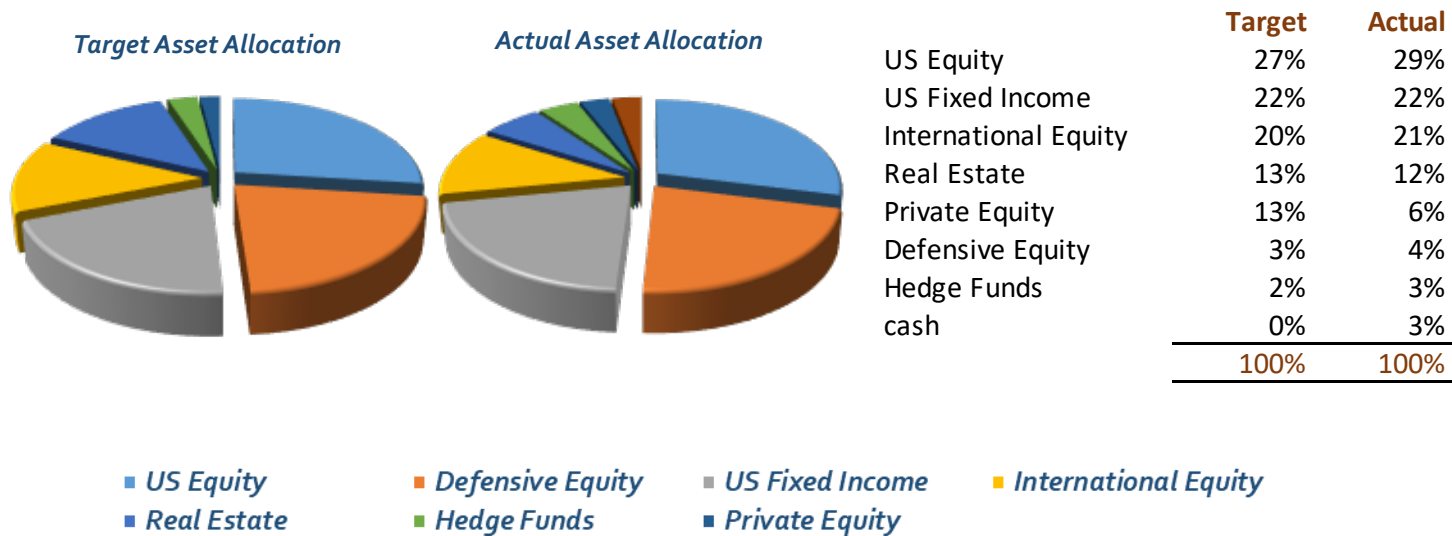
In the last five years, ERS outperformed both the benchmark and actuarial assumption with the exception of 2019 when it lagged slightly. This shows that the Plan is well positioned to achieve the investment objectives as outlined by the board of trustees.



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.

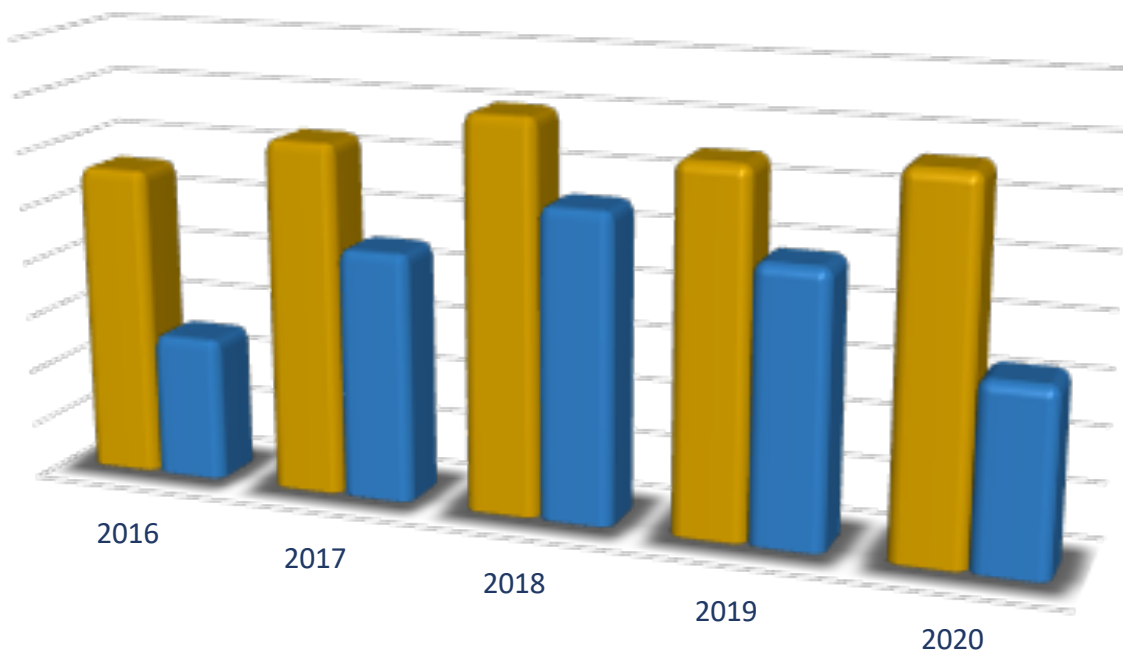


ACTUARIAL

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. ERS' 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 73.3% and 66.6% based on actuarial and market values of assets. Funded ratio based on actuarial value increased by 0.3% while the funded ratio based on market value decreased by 3.2%.

5 Years Funding Status



	2016	2017	2018	2019	2020
Actuarial	71.2%	72.7%	74.1%	73.0%	73.3%
Market	65.2%	69.0%	71.1%	69.8%	66.6%

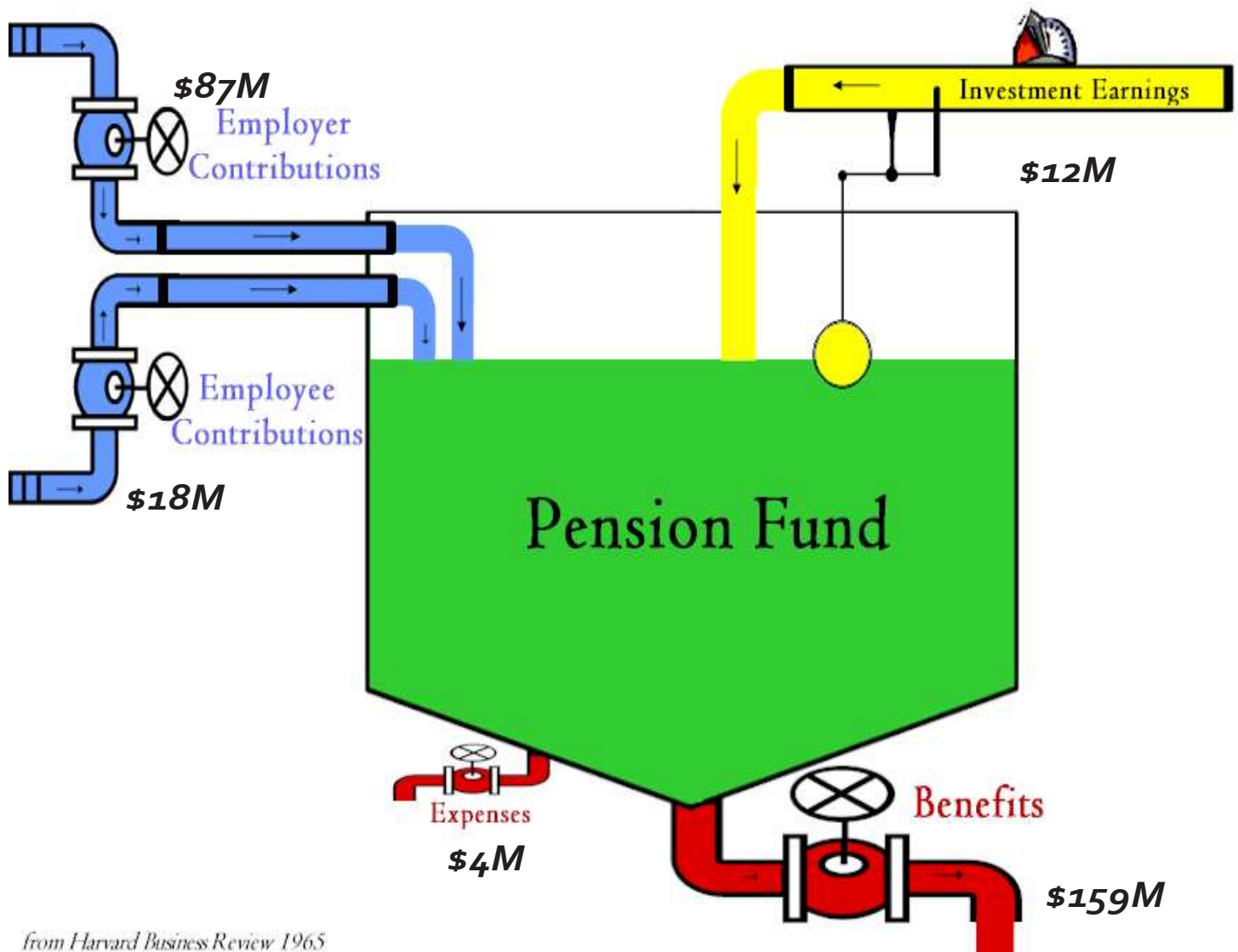
The funding policy adopted by the board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by fiscal year 2032. A one-year extension was adopted in 2019 and the remaining amortization period is now twelve years. The funding method used is the Entry Age Normal Cost method. This method computes level contributions as a percentage of pay over the entire working lifetime of the plan participant.

	2016	2017	2018	2019	2020
Total Pension Liability	\$ 2,327,562,823	\$ 2,359,605,516	\$ 2,410,614,058	\$ 2,515,137,395	\$ 2,567,398,628
Plan Fiduciary Net Position	1,516,932,382	1,627,026,498	1,714,252,720	1,755,595,585	1,709,154,733
Unfunded Liability	\$ 810,630,441	\$ 732,579,018	\$ 696,361,338	\$ 759,541,810	\$ 858,243,895

ACTUARIAL

Based on the actuarial valuation performed at the end of fiscal year 2018, the total contributions due from the employer for fiscal year 2019 was \$89,866,171. For the past 5 years, the City of Baltimore, which is the employer, has contributed 100% of the actuarially determined contributions to the Plan.

	2020	2019	2018	2017	2016
<i>Actuarially determined contribution</i>	\$ 86,953,801	\$ 89,866,171	\$ 87,541,882	\$ 84,474,451	\$ 75,862,000
<i>Actual employer Contributions</i>	86,953,801	89,866,171	87,541,882	84,474,451	77,100,573
<i>Contribution deficiency (excess)</i>	\$ -	\$ -	\$ -	\$ -	\$ (1,238,573)
<i>Covered payroll</i>	\$ 437,242,419	\$ 419,686,035	\$ 403,454,892	\$ 391,121,606	\$ 399,465,753
<i>Contributions as a percentage of payroll</i>	19.89%	21.41%	21.70%	21.60%	19.30%



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Popular Annual
Financial Reporting

Presented to
Employees' Retirement System
City of Baltimore, Maryland

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill
Executive Director/CEO

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Employees' Retirement Systems
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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.