

ELECTED OFFICIALS' RETIREMENT SYSTEM

CITY OF BALTIMORE, MARYLAND



POPULAR ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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 2021 ACFR (Annual Comprehensive Financial Report). The ACFR was prepared in conformity with GAAP, but the PAFR includes only selected information from the ACFR. The PAFR has been mailed to all retirees, email blasted to all active members and available on our website at www.bcercs.org/elected-officials-retirement-system. For a detailed copy of our financials, please visit our website at www.bcercs.org/elected-officials-retirement-system.



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As we have adjusted our operations in the wake of the many changes and challenges we face in a post-pandemic world, our staff remains dedicated to serving the City of Baltimore’s active members, retirees, and beneficiaries.

We have continued to employ a hybrid schedule, ensuring that through both onsite and remote operations, we are able to respond to the needs of our entire membership.

This year, we updated our mission statement to reflect an increased focus on the importance of Environmental, Social and Governance (ESG) investing. This need to balance social responsibility with our duty to provide strong, long-term investment results aligns with the passage of Ordinance 21-043, Fossil Fuel Divestment, which was signed into law on October 1, 2021.

I would like to share my appreciation to outgoing Board Chair Henry Raymond for his vision, guidance, and leadership. I am incredibly grateful to our Board of Trustees, ERS staff and advisors for their continued dedication to the successful management of the System.

David A. Randall, Executive Director



Fiscal year 2021 was a comeback year for EOS as the world continues to recover from the economic impact of the Covid-19 pandemic. We saw historic returns with investments for the fiscal year ending June 30, 2021, returning

29.0%. The market value funded ratio for ERS is now 168.2%.

The board continues to be dedicated to our mission to serve our members, retirees and beneficiaries and protect and grow the fund’s assets as we continue to navigate the economic recovery and impact of Covid-19.

I would like to extend my gratitude to the Retirement system staff for their commitment to providing exceptional service.

This will be my last letter on behalf of EOS as my term as Chair expires on December 31, 2021. It has been my great pleasure to serve as Chair, and I am incredibly grateful to have had the opportunity to lead the System’s board and staff.

Henry J. Raymond, Chair, Board of Trustees

The Plan

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). 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.

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).

On June 30, 2021, the membership consisted of 31 retirees and beneficiaries, 16 active members and no deferred vested member.



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:

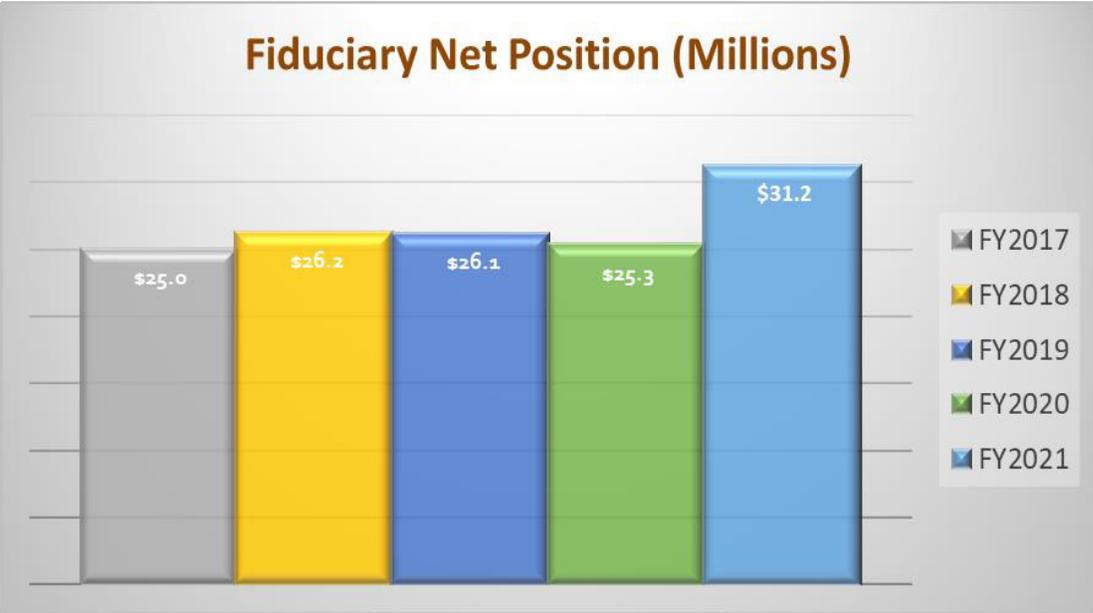
S/N	Criteria	Elected on/or before December 5, 2016	Elected after December 5, 2016
1	Retirement eligibility	Age 50	Age 55
2	Salary Increases	Indexed to compensation of the position held prior to retirement.	COLA – Higher of 1.5% and rates in effect for F&P retirement system; and waiting period of 1 year.
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 on June 30, 2021. 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).

On June 30, 2021, the fiduciary net position restricted for pensions was \$31.2 million. The fiduciary net position restricted for pension increased by \$5.8 million or 23.0% when compared with fiscal year 2020’s net position of \$25.3 million. The increase is due to the stock market rebound driven primarily by strong earnings.

Fiduciary Net Position	Fiscal Year 2021	Fiscal Year 2020	Increase / (Decrease)	Percentage Increase
Investments	\$ 30,736,416	\$ 25,116,902	\$ 5,619,514	22.4%
Other Assets	423,966	225,601	198,365	88%
Total assets	31,160,382	25,342,503	5,817,879	23.0%
Total liabilities	7,963	13,081	(5,118)	-39.1%
Total net position	\$31,152,419	\$25,329,422	\$5,822,997	23.0%



The statement of changes in fiduciary net position presents information on how the Plan’s net position changed during the year. In fiscal year 2021, the fiduciary net position increased by \$5.8 million. When compared with the fiscal year 2020 decrease of \$793K, this was an increase of \$6.6 million as highlighted below.

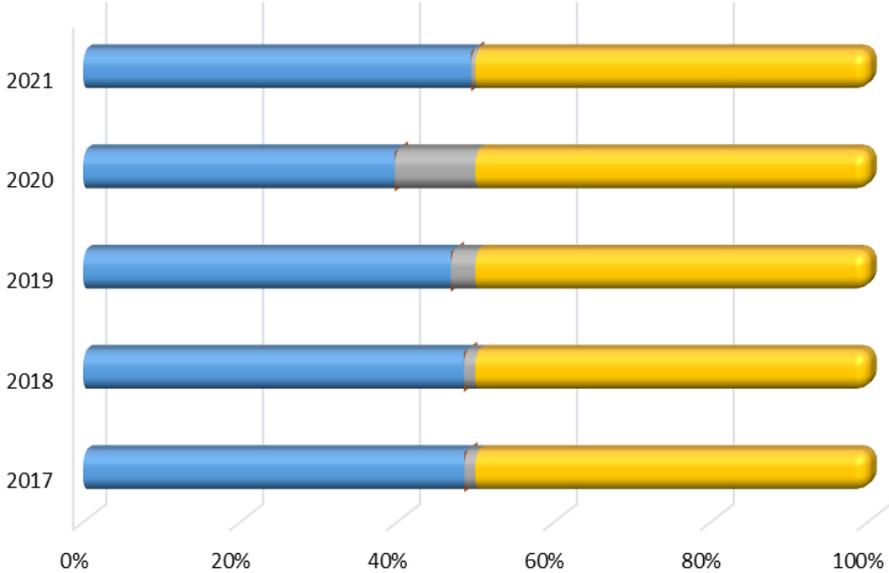
Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when a formal commitment has been made by the City of Baltimore to

Financials

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 2021	Fiscal Year 2020	Increase / (Decrease)
Net Investment Income	\$ 7,085,609	\$ 293,606	\$ 6,792,003
Employee contribution	77,423	75,939	1,484
Total additions	7,163,032	369,545	6,793,487
Retirement allowances	1,305,575	1,125,136	180,439
Administrative expenses	34,460	37,251	(2,791)
Total deductions	1,340,035	1,162,387	177,648
Net increases (decreases)	\$5,822,997	\$(792,842)	\$6,615,839

Revenues by Source



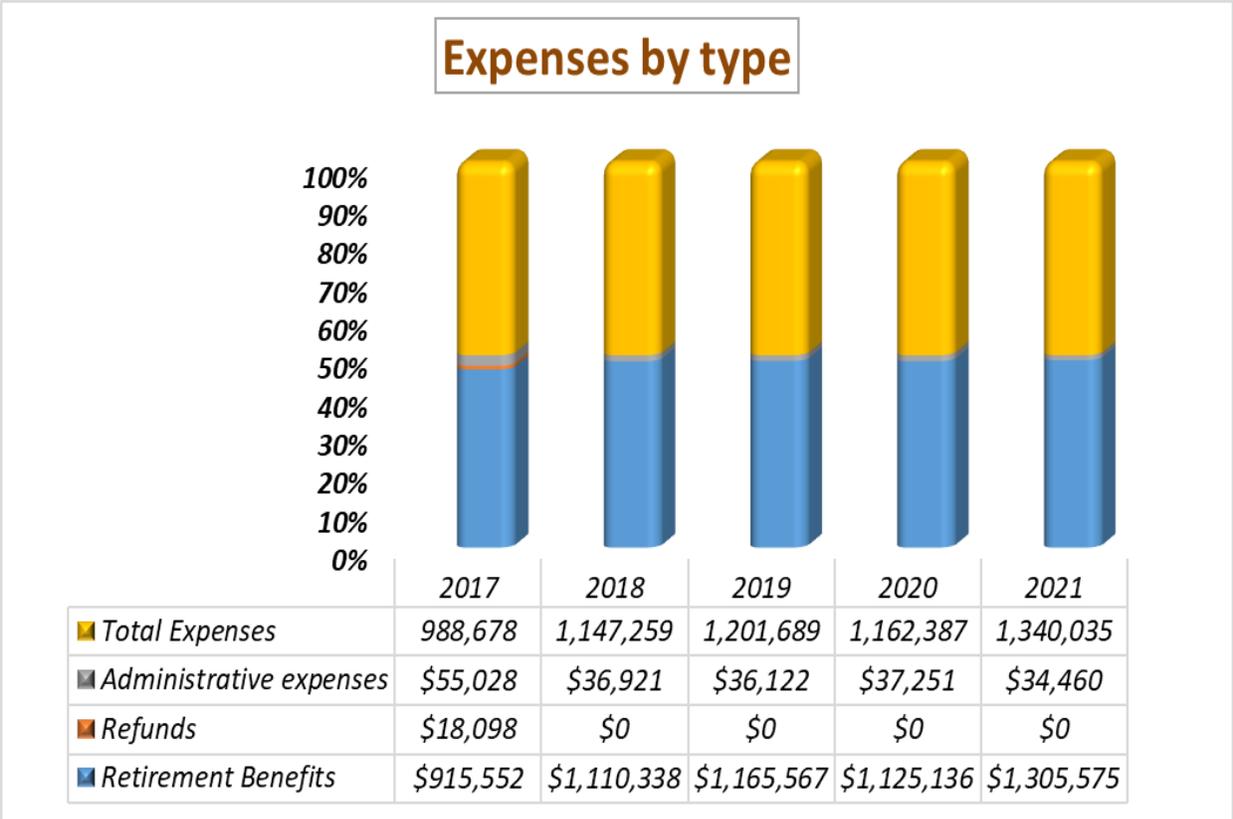
	2017	2018	2019	2020	2021
Net Investment Income (Loss)	\$3,115,997	\$2,309,415	\$1,056,238	\$293,606	\$7,085,609
Employer Contributions	\$0	\$0	\$0	\$0	\$0
Member Contributions	\$89,620	\$69,079	\$70,259	\$75,939	\$77,423
Total Income (Loss)	\$3,205,617	\$2,378,494	\$1,126,497	\$369,545	\$7,163,032

Financials

Revenues (Additions to Fiduciary Net Position) for the year were \$7,163,032, an increase of \$6,793,487 from the prior year due to higher investment returns. Revenues include plan members’ contributions of \$77,423 and a net investment gain of \$7,085,609.

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 2021, the employer contribution remained at zero because the actuarially determined employer contribution for fiscal year 2021 was set at \$0. Employee contributions increased by 2%; and investments also produced a positive return of \$7,085,609 compared to fiscal year 2020 return of \$293,606.



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 2021 was for the payment of continuing retirement benefits totaling \$1,305,575, which increased by \$180,439 compared to fiscal year 2020. The increase was due to new retirees that started receiving benefits as well as cost of living adjustments.

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 stock market rebounded significantly over the past fiscal year driven primarily by strong earnings growth, continued fiscal and monetary stimulus, and progress towards addressing the global health pandemic. The U.S. stock market, as proxied by the Russell 3000 Index, posted a return of 44.2%. In a reversal from the prior year, small cap stocks and value-oriented investment styles fared best. International stocks posted a return of 36.3%, as proxied by the MSCI ACWI ex U.S. Index, as markets rebounded. However, as bond yields rose sharply earlier in the year, the bond market posted a slightly negative return of -0.3%. Real estate returned 7.4% as both income and appreciation returns were positive.

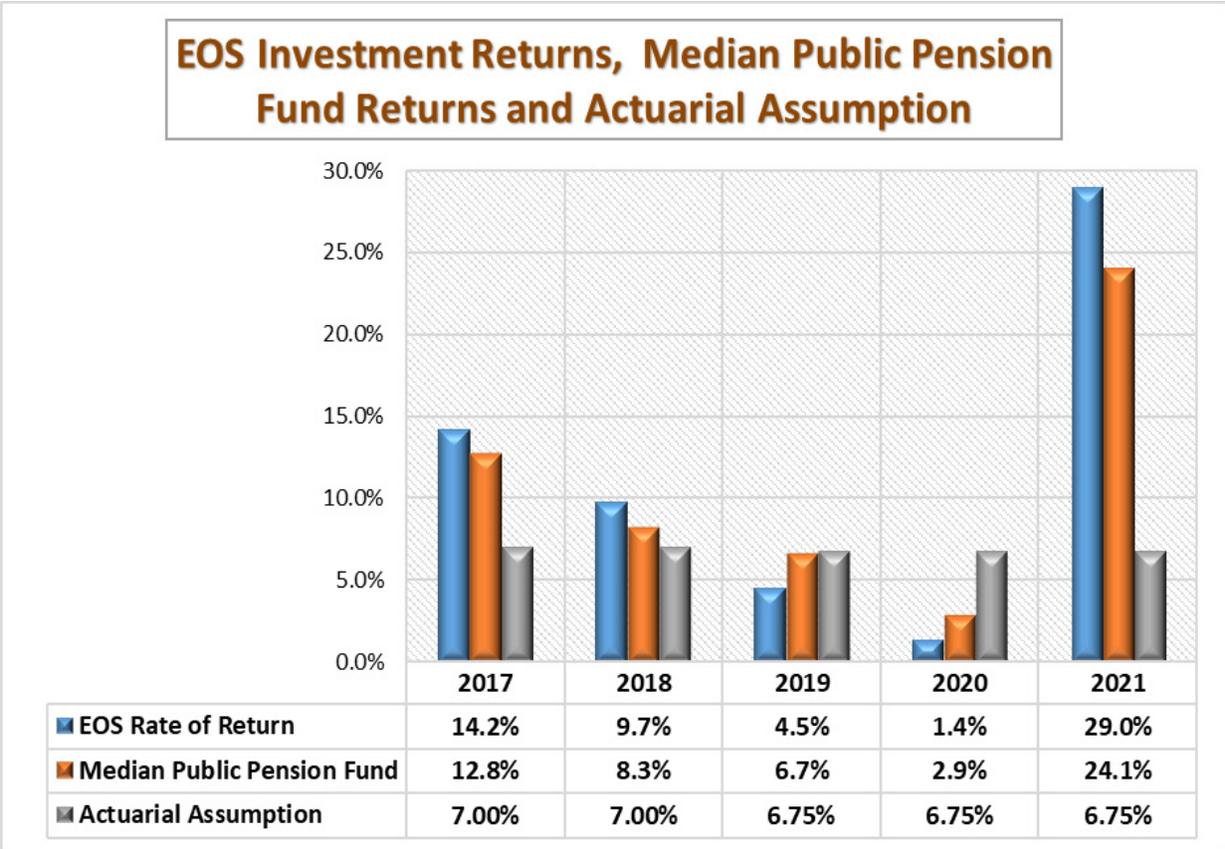
	FY 2021	3 Years	5 Years	10 Years
Total Portfolio	29.0%	11.0%	11.4%	9.1%
Median Public Pension Fund	24.1%	10.9%	10.8%	8.7%
Domestic Equities	48.8%	17.1%	17.3%	14.0%
Russell 3000	44.2%	18.7%	17.9%	14.7%
Defensive Equities	26.8%	11.1%	-	-
CBOE Put Write Index	29.6%	6.5%	7.5%	7.5%
50% S&P 500/50% 91 Day T-Bill	19.1%	10.1%	9.4%	7.7%
International Equities	38.6%	9.3%	11.7%	7.0%
MSCI ACWI ex-US	36.3%	9.9%	11.6%	5.9%
Fixed Income	4.0%	5.2%	3.8%	3.7%
Barclays Aggregate	-0.3%	5.3%	3.0%	3.4%
Real Estate	7.3%	6.0%	6.7%	-
NPI	3.7%	4.3%	5.4%	8.4%

For the fiscal year ending June 30, 2021, the System posted a return of 29.0%, outperforming the policy benchmark of 24.1%. The fixed income portfolio's exposure to floating rate issues added value as the bond market was negatively impacted by rising rates. Within the domestic equity portfolio, an overweight position in small cap issues also positively impacted returns as small company stocks outpaced their larger counterparts. The international equity portfolio also outpaced its benchmark due to exposure to small-cap international stocks.

Investments

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 three times but lagged two years.

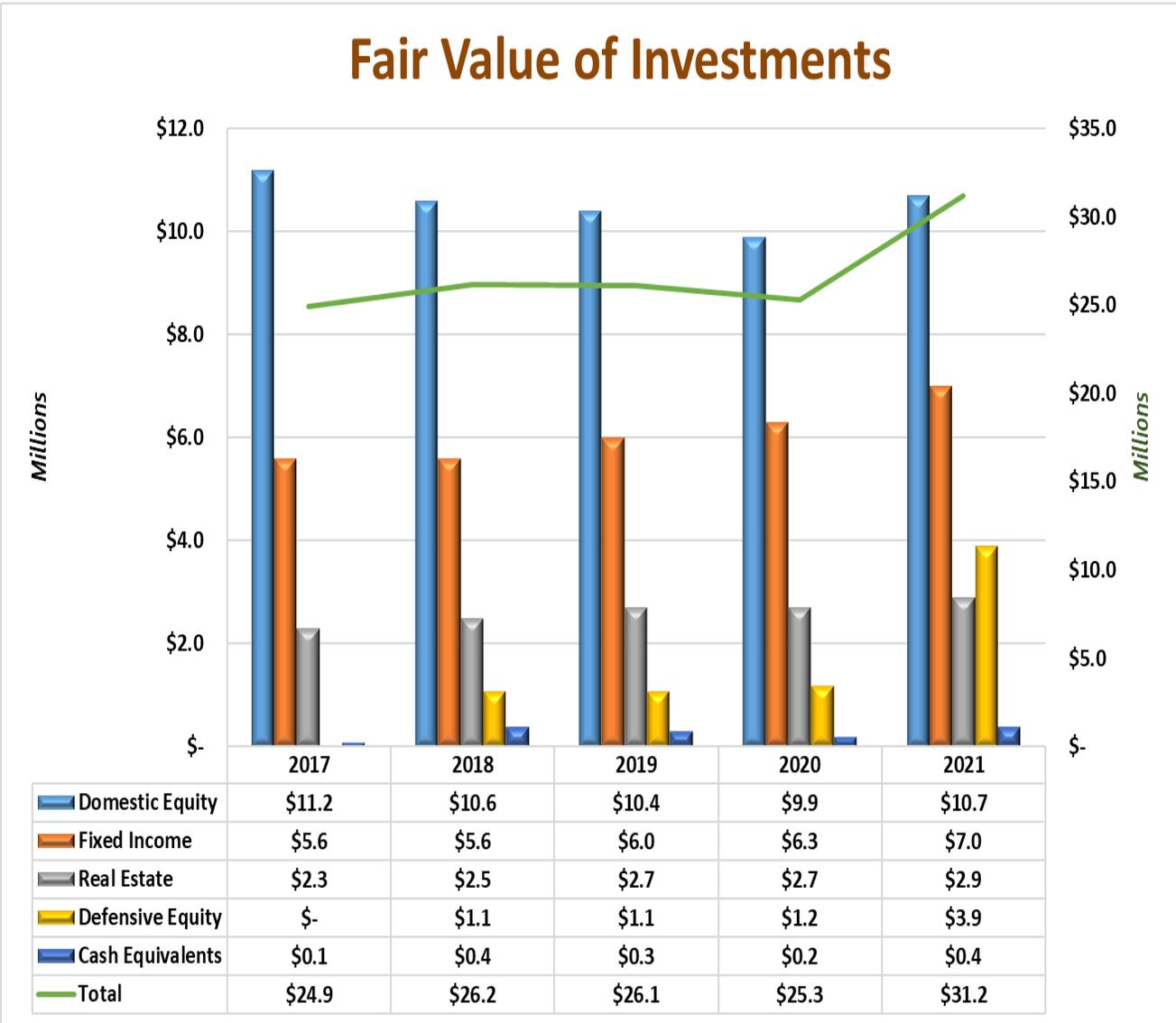
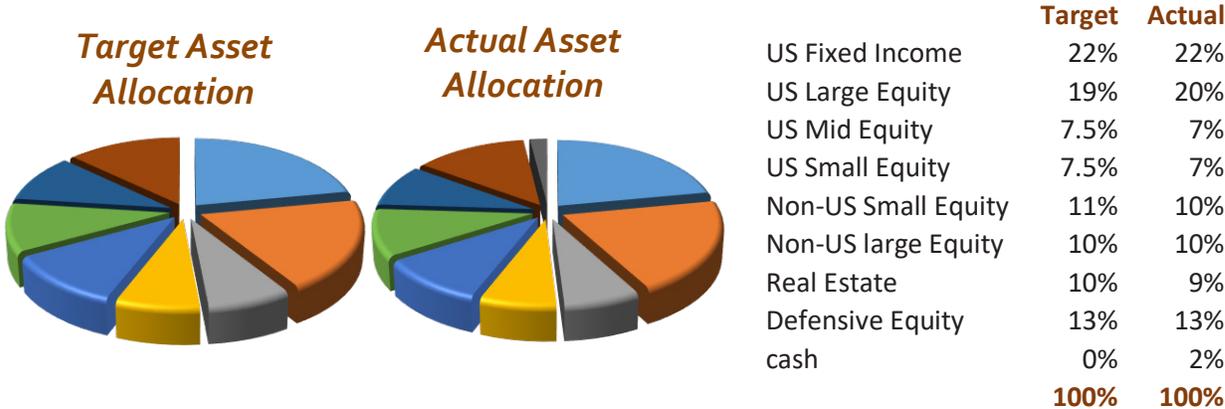


Diversification is the most important component of reaching long-range financial goals. To assist in meeting the overall objectives, the Board of Trustees approved an asset allocation guideline. The asset allocation guideline enables the Plan to diversify its assets and maximize returns by investing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

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.

Investments

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

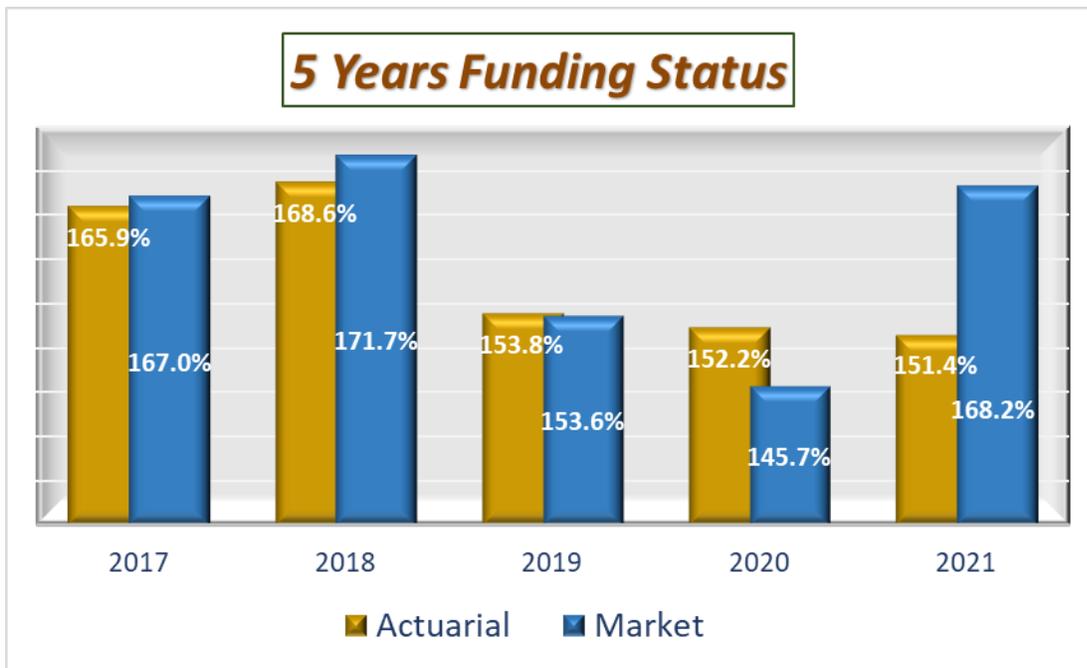


Actuarial

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. 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.

Due to the relatively small membership subject to elected terms, the valuation results are expected to exhibit material volatility from year to year. The Plan experienced shifts in the population from 2020 to 2021 due to the election of a new term and included four retirements, five new active members and two non-vested terminations.

As of June 30, 2021, the funded ratio of actuarial asset value to actuarial liability decreased from 152.2% to 151.4%. The decrease is based on net asset gains from the smoothed asset value, offset by experience losses due to changes in membership. However, the funded ratio-based on market value of assets increased from 145.7% to 168.2% due to investment earnings of 28.5%.

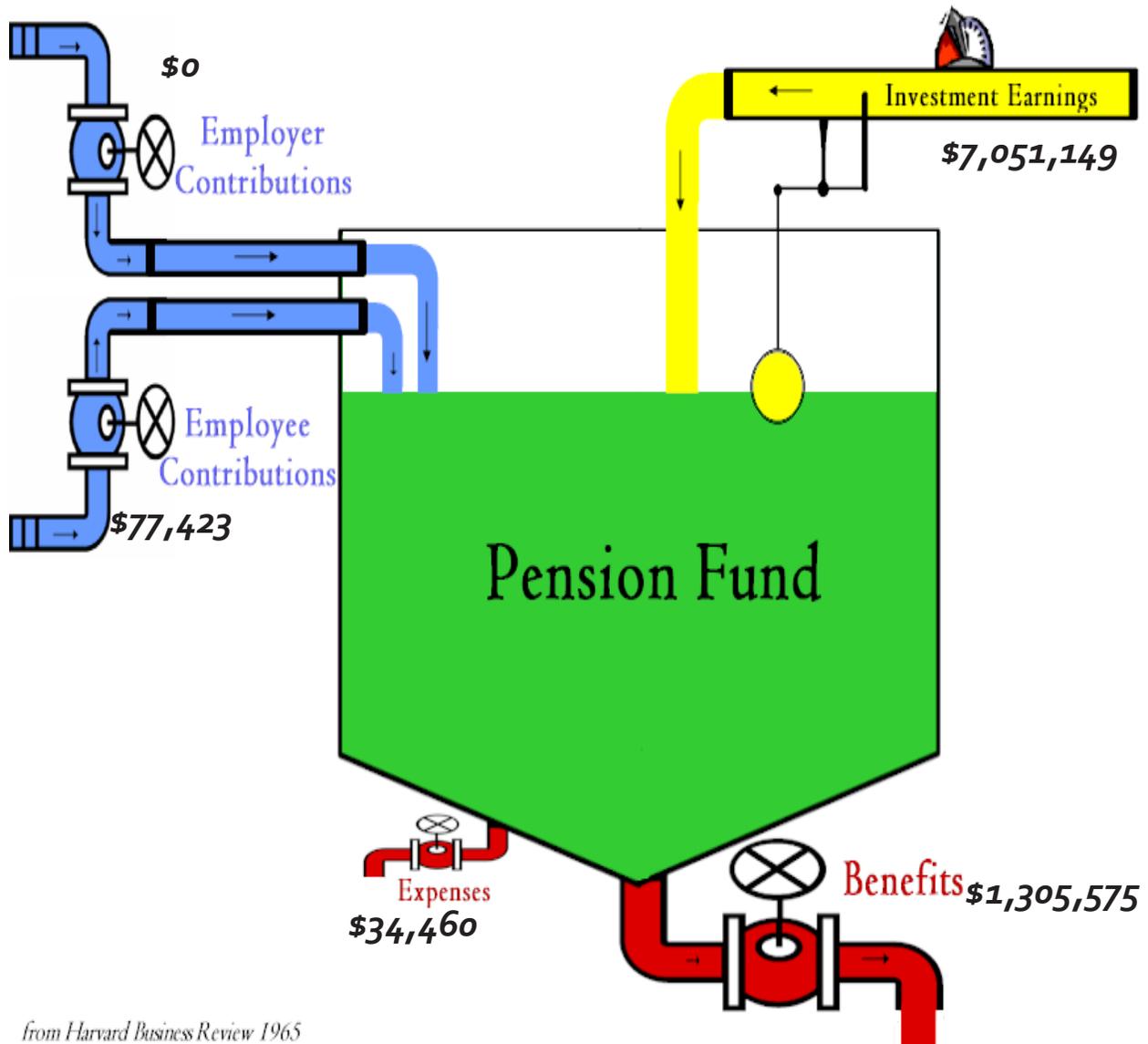


Experience study is conducted by the System every four years. The study compares actual experience to assumptions of both demographic and economic assumptions to determine whether adjustments are required. The demographic changes adopted in 2019 includes rates of retirement, termination rates, disability rates, post-retirement mortality as well as survivor data drop-offs while economic assumption changes include discount rate, inflation and salary increases.

	2017	2018	2019	2020	2021
Total Pension Liability	\$ 14,946,399	\$ 15,260,985	\$ 17,001,212	\$ 17,382,855	\$ 18,522,088
Plan Fiduciary Net Position	24,966,221	26,197,456	26,122,264	25,329,422	31,152,419
Net Pension Assets	\$ 10,019,822	\$ 10,936,471	\$ 9,121,052	\$ 7,946,567	\$ 12,630,331

Actuarial

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Actual employer Contributions	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,431,497	\$ 1,469,551	\$ 1,362,517	\$ 1,398,738	\$ 1,296,866
Contributions as a percentage of payroll	0.00%	0.00%	0.00%	0.00%	0.00%



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Presented to the
Elected Officials Retirement System, City of Baltimore
Maryland

For its Annual Financial Report
for the Fiscal Year Ended
2020

Christopher P. Morill

Executive Director/CEO

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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 statements and other information contained in the Comprehensive Annual Financial Report (ACFR). 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 2021 ACFR.