EMPLOYEES' RETIREMENT SYSTEM

City of Baltimore, Maryland

ERS EMPLOYEES' RETIREMENT SYSTEM of the CITY OF BALTIMORE

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 ERS (Employees' 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 actives and is available on our website at ***www.bcers.org/publications/ERS-PAFR.*** For a detailed copy of our financials, please visit our website at ***www.bcers.org/publications/ERS-ACFR***.

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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 ERS 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 27.8%. The market value funded ratio for ERS is now 81.2%.

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.

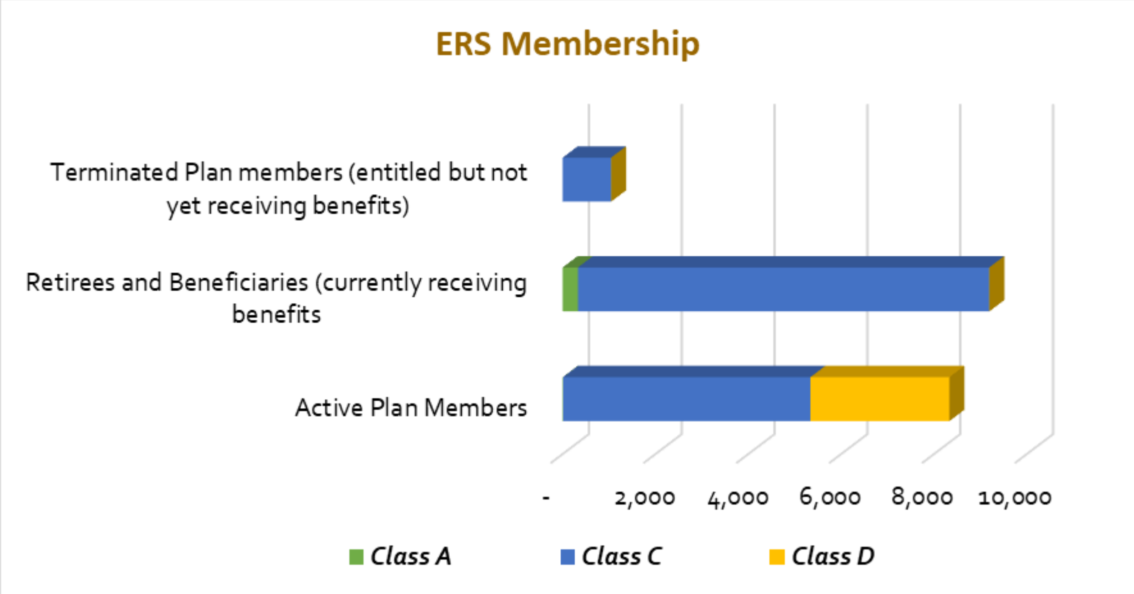
This will be my last letter on behalf of ERS as my term as chair expires on December 31, 2021. It has been my great pleasure to serve as Chair, and I am incredibly grateful to have had the opportunity to lead the system's board and staff.

Henry J. Raymond, Chair, Board of Trustees

The Plan

ERS is the administrator of a cost sharing multiple employers 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 except for those required joining 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, 2021	Class A	Class C	Class D	Total
Active Plan Members	8	5,329	2,995	8,332
Retirees and Beneficiaries (currently receiving benefits	329	8,862	3	9,194
Terminated Plan members (entitled but not yet receiving benefits)	-	1,043	3	1,046
Total	337	15,234	3,001	18,572



On June 30, 2021, total membership of ERS was 18,572 comprising 8,332 active members, 9,194 retirees & beneficiaries and 1,046 terminated plan members. Terminated plan members are former employees that are eligible but not yet receiving pension.

Class A active members currently contribute at 4% of earnable compensation, C members at 5% and D 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.

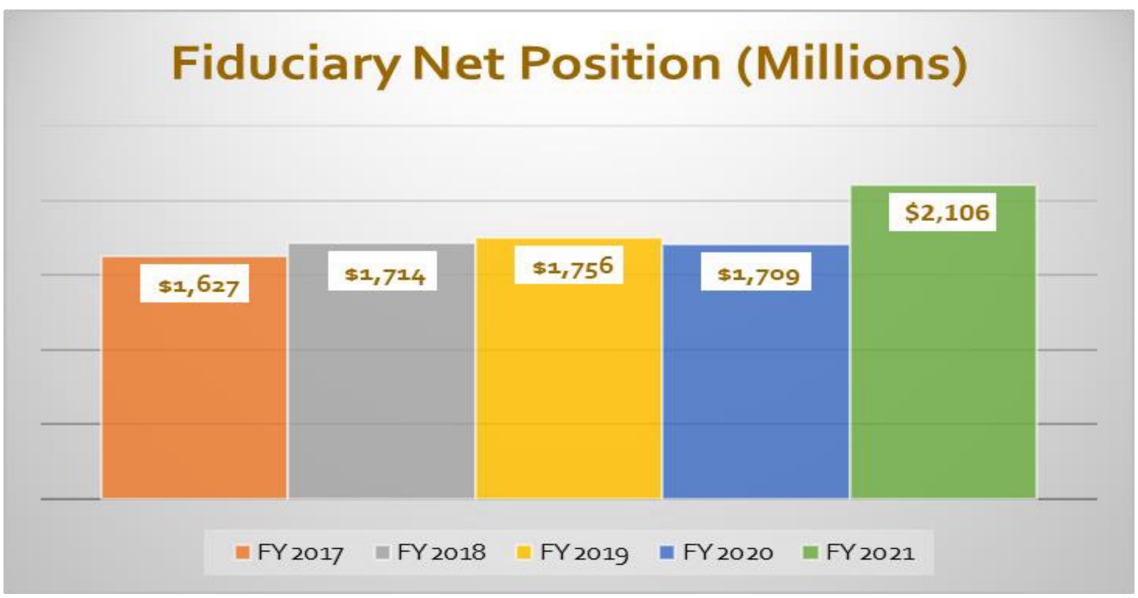
Financials

The 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.

The Plan's total net position restricted for pensions increased by $396.4 million during fiscal year 2021. The increase was due to positive returns from all asset classes except risk premia. The large positive was mainly due to a rebound of the overall stock market driven primarily by strong earnings growth, continued fiscal and monetary stimulus and progress towards addressing the global health pandemic.

Fiduciary Net Position	Fiscal Year 2021	Fiscal Year 2020	Increase / (Decrease)	Percentage Increase
Investments	$ 2,032,540,932	$ 1,687,894,285	$ 344,646,647	20%
Cash and Receivables	95,888,196	94,623,210	1,264,986	1%
Securities Lending	70,805,947	62,112,558	8,693,389	14%
Capital Assets	418,437	379,542	38,895	10%
Total assets	2,199,653,512	1,845,009,595	354,643,917	19%
Total liabilities	94,128,531	135,854,862	(41,726,331)	
Total net position	**$2,105,524,981**	**$1,709,154,733**	**$396,370,248**	**23%**

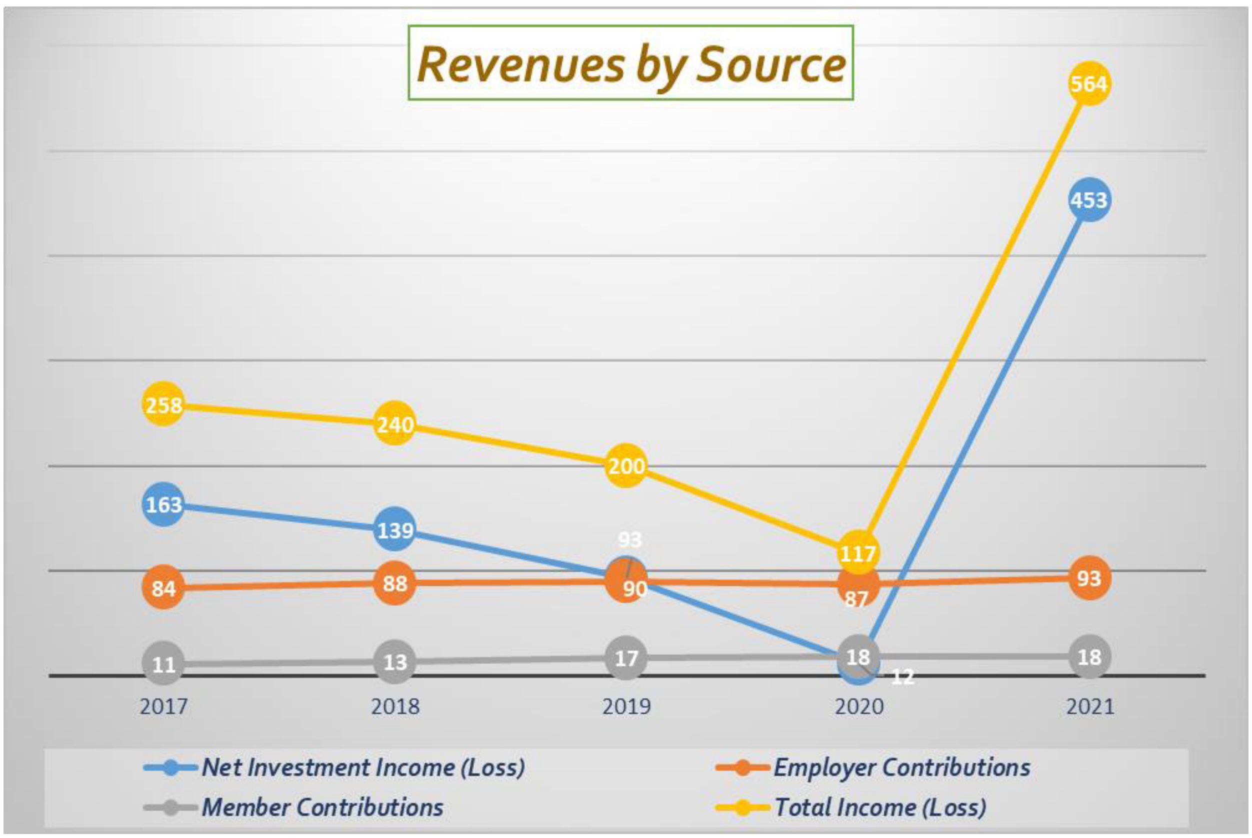
The plans net position restricted for pensions grew gradually over three years (2017 to 2019), dipped slightly in 2020 then jumped to an all-time high in 2021. The reason for the huge increase is as stated above.



The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's net position changed during the year. The increase in fiduciary net position of $396.4 million, when compared with fiscal year 2020's decrease of $46.4 million, show an increase of $442.8 million. The increase is attributable to higher investment income.

Financials

Changes in Fiduciary Net Position	Fiscal Year 2021	Fiscal Year 2020	Increase / (Decrease)
Net investment income	$ 452,490,675	$ 11,583,666	$ 440,907,009
Employer contribution	92,637,051	86,953,801	5,683,250
Employee contribution	18,493,824	17,787,416	706,408
Net Securities Lending Income	194,057	289,317	(95,260)
Total additions	563,815,607	116,614,200	447,201,407
Retirement allowances	160,689,579	157,251,536	3,438,043
Administrative expenses	4,397,413	4,495,405	(97,992)
Death benefits	1,469,242	446,328	1,022,914
Refund of member's contribution	873,832	837,540	36,292
Lump Sum cash payments	15,293	24,243	(8,950)
Total deductions	167,445,359	163,055,052	4,390,307
Net increases (decreases)	**$ 396,370,248**	**$ (46,440,852)**	**$ 442,811,100**



Total additions (revenues) for fiscal year 2021 were $563.8 million. Compared to fiscal year 2020's total addition of $116.6 million, there was an increase of $447.2 million. The increase is mainly from net investment income, which yielded significantly higher than fiscal year 2020.

Financials

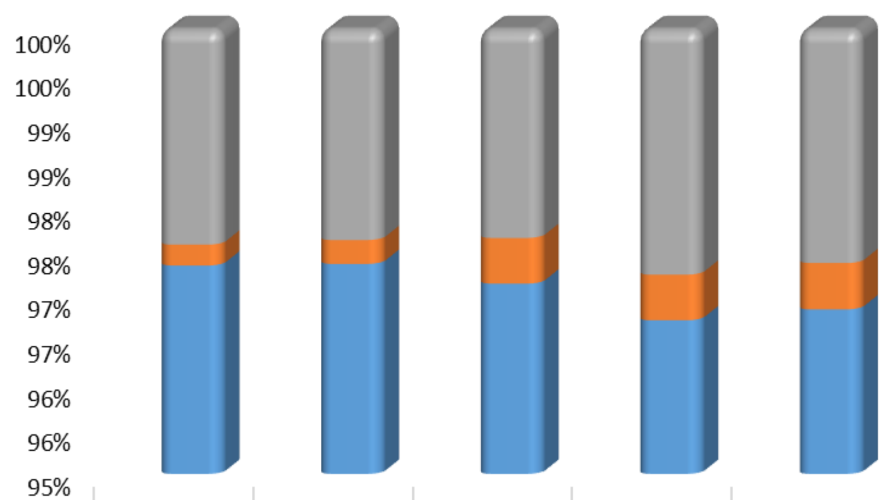
Net investment income yielded positive returns of $452.5 million in fiscal year 2021, this is much higher than the $11.6 million of 2020. The increase of $440.9 million from fiscal year 2020 is attributable to higher overall market returns.

Employer contributions increased by $5.6 million from $87.0 million to $92.6 million. This is attributable to actuarial changes and the City's adopted 20-year plan to reach 100% funding by year 2023. The actuarially determined employer contributions are calculated two fiscal years in advance, that is, the $92.6 million employer contributions for fiscal year 2021 was determined during actuarial valuation for fiscal year 2019.

The employee contributions increased by less than a million, attributable to increased salaries during fiscal year 2021 as well as increase in active population.

Net securities lending income also decreased due to low volatility in the stock market. Despite the high returns, the stock market was relatively stable and thus, not much opportunity for securities lending.

Expenses by type



	2017	2018	2019	2020	2021
Administrative expenses	3,584,506	3,616,054	3,716,362	4,495,405	4,397,413
Refunds	348,412	410,189	815,394	837,540	873,832
Retirement Benefits	144,260,498	148,744,310	154,052,780	157,722,107	162,174,114

Total deductions increased from $163.0 million in fiscal year 2020 to $167.4 million in fiscal year 2021. This increase of $4.4 million is mostly attributable to increase in retirement benefits payments. Retirement pension increased from $157.3 million in fiscal year 2020 to $160.7 million in fiscal year 2021 despite the reduced number of retirees. This $3.4 million increase was due to cost-of-living adjustments. Death benefits increased significantly about 229% due to deaths of members related mostly to Covid-19 pandemic. Refund of member contributions also increased slightly during the year.

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 investment return is evaluated against a policy benchmark consisting of a pro rata representation of the asset allocation utilizing indices outlined in the Investment Policy. In addition, the ERS's performance is evaluated relative to the Investment Metrics Public Fund Universe, a universe representing the performance of 68 Public Funds with assets greater than $1 Billion. The investment consultant, Marquette, utilizes the Investor Force Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of over 100 different investment consulting firms located throughout the United States.

	FY 2021	3 Years	5 Years	10 Years
TOTAL PORTFOLIO	27.8%	11.2%	10.9%	9.2%
Median Public Pension Fund	24.0%	10.0%	9.8%	8.7%
DOMESTIC EQUITIES	44.6%	16.4%	16.2%	13.9%
Russell 3000	44.2%	18.7%	17.9%	14.7%
DEFENSIVE EQUITIES	27.1%	11.2%	-	-
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	40.5%	11.1%	12.8%	7.1%
MSCI ACWI ex-US	36.3%	9.9%	11.6%	5.9%
Xponance	42.7%	10.6%	10.7%	9.8%
Xponance Benchmark	35.7%	9.2%	10.5%	9.7%
FIXED INCOME	4.9%	5.8%	3.9%	3.9%
Barclays Aggregate	-0.3%	5.3%	3.0%	3.4%
REAL ESTATE	6.0%	5.7%	6.7%	9.5%
NPI	3.7%	4.3%	5.4%	8.4%
CPI + 5%	10.6%	7.7%	7.5%	7.0%
PRIVATE EQUITY COMPOSITE	52.3%	21.9%	19.3%	15.5%
Private Equity Benchmark	58.4%	23.1%	20.3%	16.0%
CPI + 6%	8.8%	8.1%	8.3%	7.8%
RISK PREMIA COMPOSITE	-10.3%	-3.4%	-	-
T-Bills + 5%	19.1%	10.1%	9.4%	7.7%
Low Volatility Composite	23.9%	-	-	-
S&P 500 Low Volatility	25.1%	11.4%	9.9%	12.3%

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

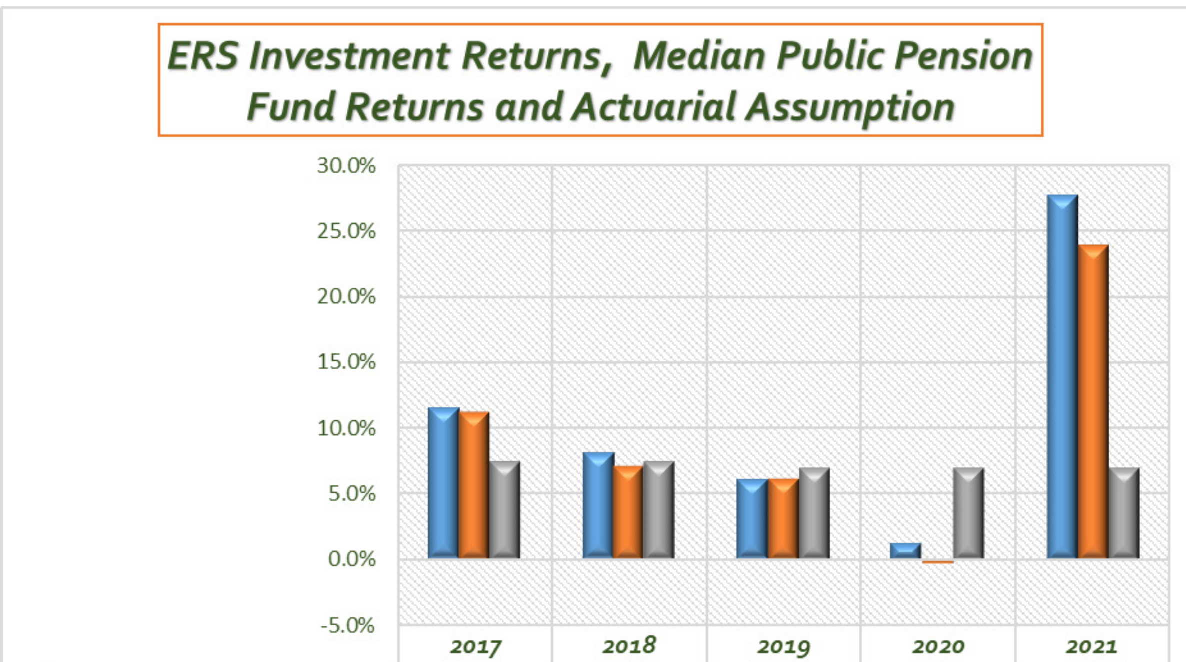
Investments

negative return of -0.3%. Real estate returned 7.4% as both income and appreciation returns were positive.

For the fiscal year ending June 30, 2021, the System posted a 27.8% return which outperformed the policy benchmark of 24.0% and ranked in the 33rd percentile. The fixed income, U.S. equity, and international equity portfolios all outperformed their respective benchmarks. Within fixed income, exposure to bank loans and higher yielding strategies added value. Within international equity, an allocation to international small cap positively contributed to results. The domestic equity portfolio outperformed due to exposure to value-oriented issues as well as small cap stocks that benefited from a market that favored companies with stronger earnings growth.

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% for fiscal year 2019 and afterwards.

In three (2017, 2018 and 2021) out last five years, ERS outperformed both the benchmark and actuarial assumption while in the remaining two years (2019 and 2020), the ERS rate of return lagged the actuarial assumption but outperformed the benchmark in 2020. This shows that the Plan is well positioned to achieve the investment objectives as outlined by the board of trustees.

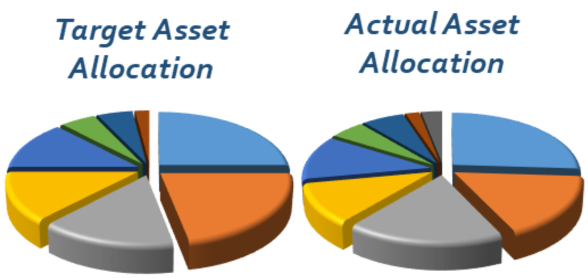


	2017	2018	2019	2020	2021
ERS Rate of Return	11.5%	8.1%	6.1%	1.3%	27.8%
Median Public Pension Fund	11.3%	7.2%	6.2%	-0.2%	24.0%
Actuarial Assumption	7.50%	7.50%	7.00%	7.00%	7.00%

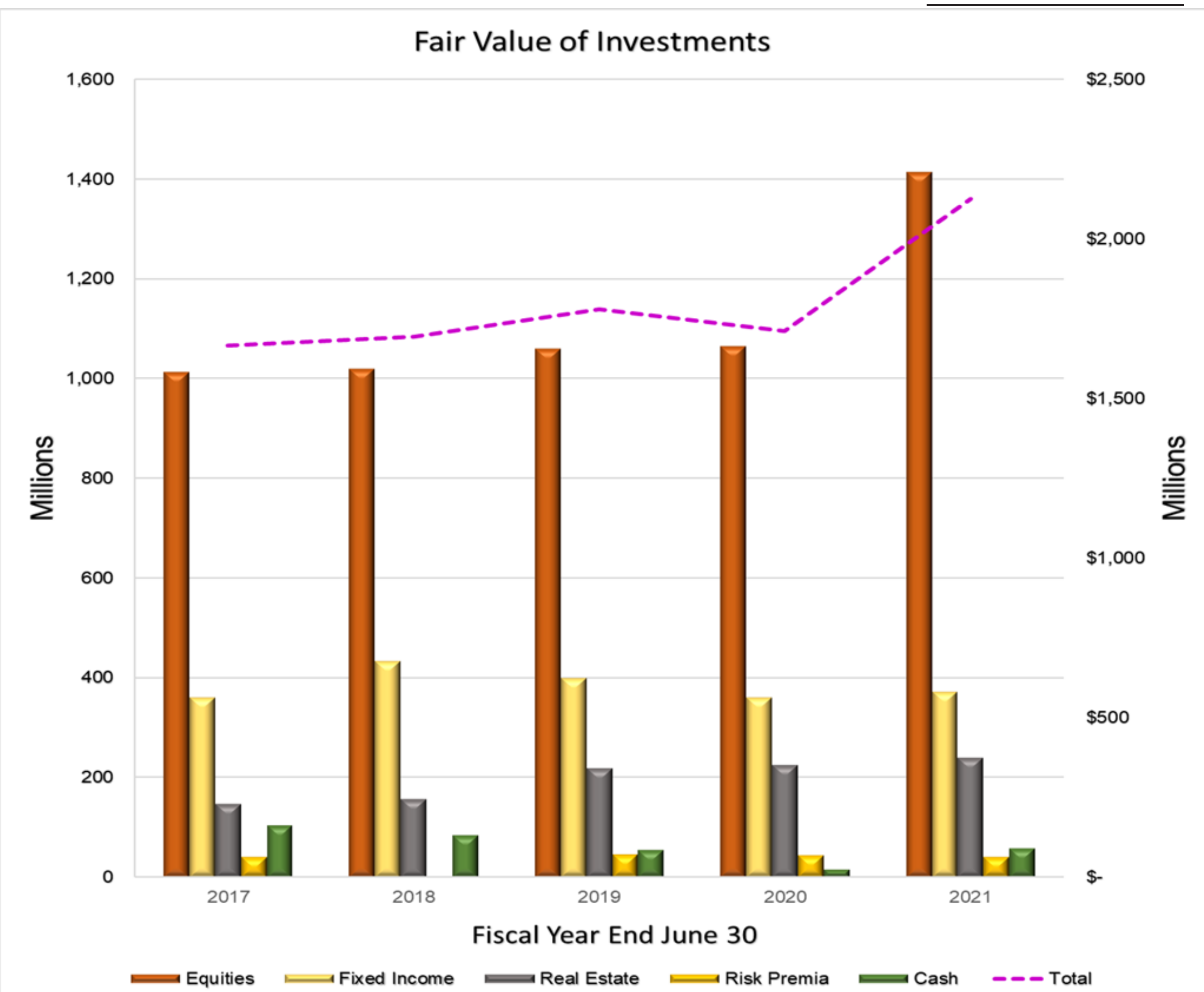
Diversification is the most important component of reaching long-range financial goals. To assist in meeting the overall objectives, the Board of Trustees approved an asset allocation guideline. The asset allocation guideline enables the plan to diversify its assets and maximize returns by investing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



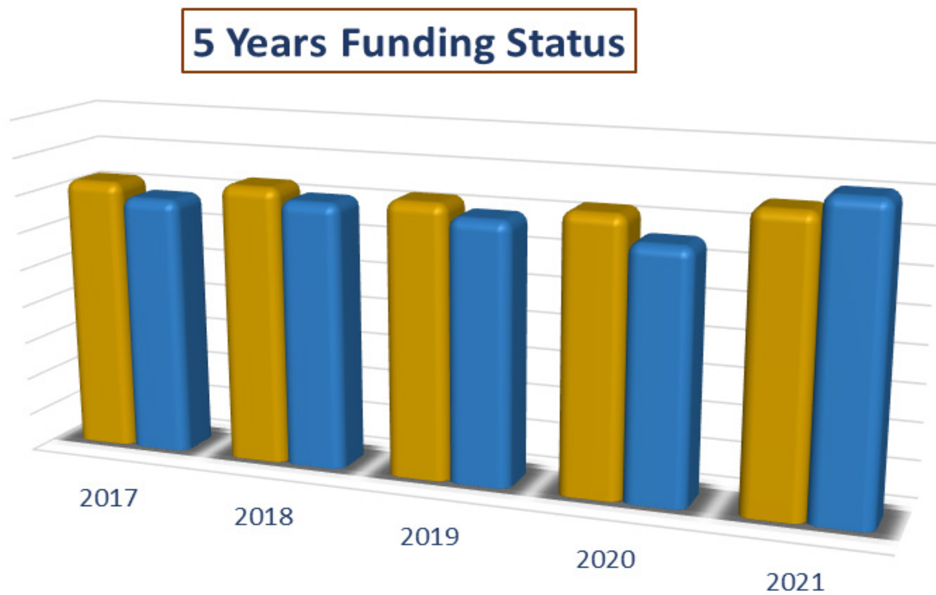
	Target	Actual
US Equity	25%	26%
US Fixed Income	22%	17%
International Equity	15%	18%
Real Estate	13%	11%
Private Equity	13%	12%
Defensive Equity	5%	5%
Low Volatility	5%	6%
Risk Premia	2%	2%
cash	0%	3%
	100%	100%



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, 2021, the System's funded ratios were 77.1% and 81.2% based on actuarial and market values of assets. Funded ratio based on actuarial value increased by 3.8% while the funded ratio based on market value increased by 14.6%.



	2017	2018	2019	2020	2021
Actuarial	72.7%	74.1%	73.0%	73.3%	77.1%
Market	69.0%	71.1%	69.8%	66.6%	81.2%

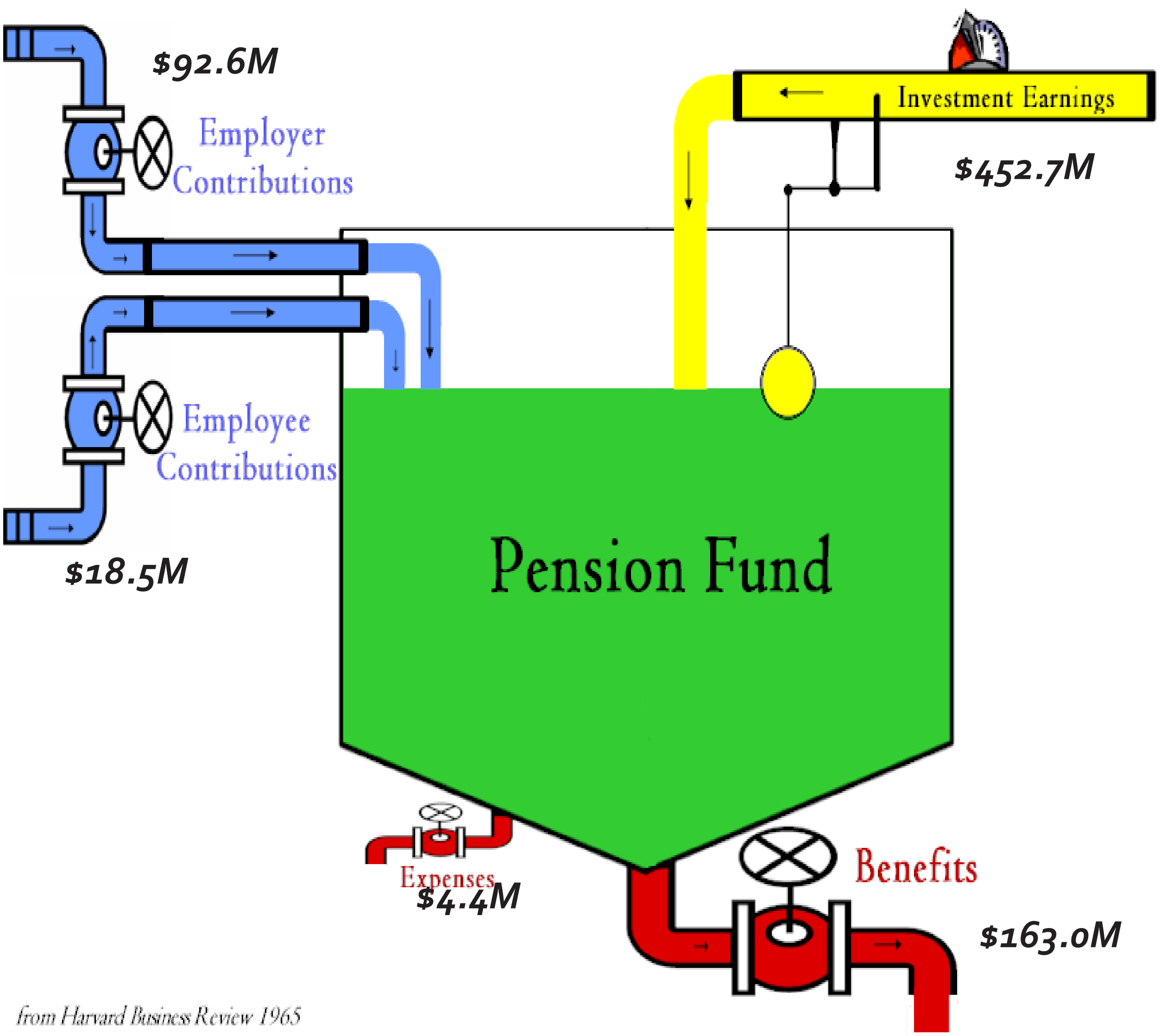
The funding policy adopted by the board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by fiscal year 2032. A one-year extension was adopted in 2019 and the remaining amortization period is now eleven years. The funding method used 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.

	2017	2018	2019	2020	2021
Total Pension Liability	$ 2,359,605,516	$ 2,410,614,058	$ 2,515,137,395	$ 2,567,398,628	$ 2,593,420,191
Plan Fiduciary Net Position	1,627,026,498	1,714,252,720	1,755,595,585	1,709,154,733	2,105,524,981
Unfunded Liability	$ 732,579,018	$ 696,361,338	$ 759,541,810	$ 858,243,895	$ 487,895,210

Actuarial

Based on the actuarial valuation performed at the end of fiscal year 2019, the total contribution due from the employer for fiscal year 2021 was $92,637,051. For the past 5 years, the City of Baltimore, which is the employer, has contributed 100% of the actuarially determined contributions to the Plan.

	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 92,637,051	$ 86,953,801	$ 89,866,171	$ 87,541,882	$ 84,474,451
Actual employer Contributions	92,637,051	86,953,801	89,866,171	87,541,882	84,474,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 455,219,365	$ 437,242,419	$ 419,686,035	$ 403,454,892	$ 391,121,606
Contributions as a percentage of payroll	20.35%	19.89%	21.41%	21.70%	21.60%



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Employees Retirement System, City of Baltimore

Maryland

For its Annual Financial Report
for the Fiscal Year Ended
2020

Christopher P. Morrill

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.