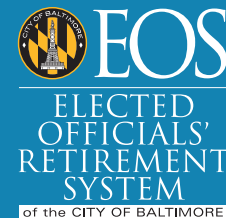


# ELECTED OFFICIALS' RETIREMENT SYSTEM

City of Baltimore, Maryland



## Popular Annual Financial Report

Year Ended June 30, 2022

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 2022 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.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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Fiscal year 2022 has not been without challenges as we continue to maneuver through an ever-changing economy. In the face of global uncertainty, we remain more committed than ever to serving our members, retirees, and beneficiaries.

Among the initiatives we continue to undertake, we have introduced IT measures to enhance our network's security and usability. These improvements include strengthening our firewall to block unauthorized access to our system while migrating to a cloud-based file storage system to allow for easier access for authorized users. We also continue to enhance our document management system, which provides better organization and easier retrieval of documents for our stakeholders.

I am grateful for our dedicated staff, who have continued to work diligently both onsite and remotely to provide the level of service you have come to expect from EOS. I also want to thank our Board of Trustees for their leadership and welcome Deborah Moore-Carter as she continues her service to EOS by stepping into her new role as Board Chair.

David A. Randall, Executive Director



After a historic year for returns in 2021, fiscal year 2022 was a reversal. The EOS's return was -9.7%. However, EOS outperformed its policy benchmark return of -10.0% and ranked in the top half of the peer group.

Over the past ten years, EOS has returned 7.8%, outperforming its peers and the benchmark. The market value funded ratio for EOS is now 142.4%.

We are committed to growing our investments in infrastructure and alternative asset classes and to achieving greater diversification. The Board continues to be dedicated to our mission to protect and grow the fund's assets.

I would also like to extend my gratitude to the Retirement system staff who have not wavered in their commitment to providing exceptional service.

In closing, on behalf of the Board and staff, I would like to express my gratitude to former Board Chair, Mr. Henry Raymond, for his leadership and service.

Deborah Moore-Carter, Chair, Board of Trustees

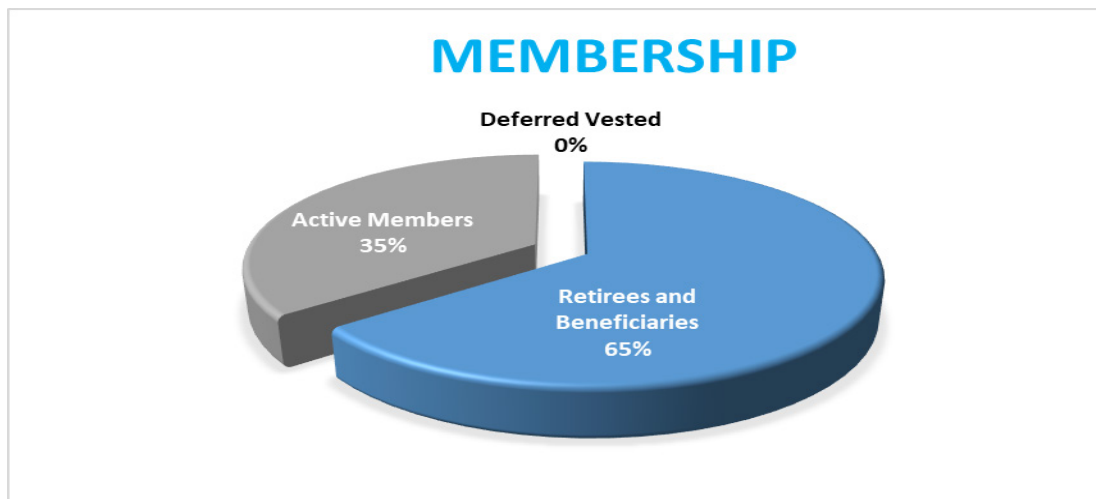


# The Plan

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, 2022, the membership consisted of 31 retirees and beneficiaries, 17 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:

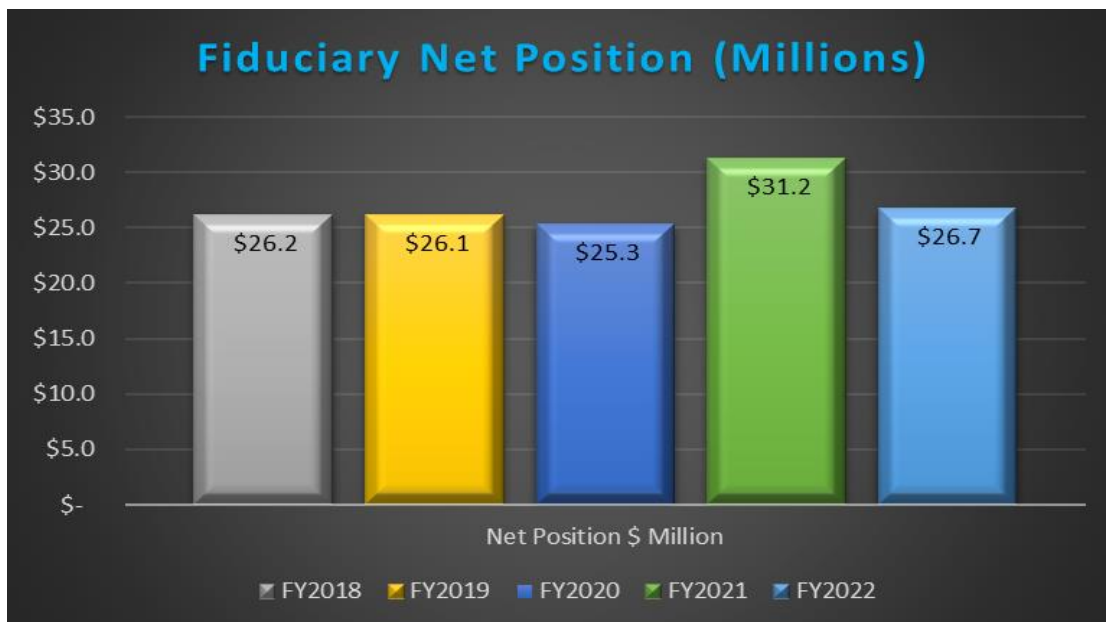
S/N	Criteria	Elected on/or before December 5, 2016	Elected after December 5, 2016
1	Retirement eligibility	Age 50	Age 55
2	Salary Increases	Indexed to compensation of the position held prior to retirement.	COLA – Higher of 1.5% and rates in effect for F&P retirement system; and waiting period of 1 year.
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, 2022. 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, 2022, the fiduciary net position restricted for pensions was \$26.7 million. The Plan's net position restricted for pensions decreased by \$4.4 million or 14.2%, compared to last year's net position of \$31.2 million due to a turbulent macro environment of higher than anticipated inflation, rising geopolitical tensions, and aggressive tightening actions from the Federal Reserve.

Fiduciary Net Position	Fiscal Year 2022	Fiscal Year 2021	Increase / (Decrease)	Percentage Increase
Investments	\$ 26,573,310	\$ 30,736,416	\$ (4,163,106)	-13.5%
Other Assets	175,688	423,966	(248,278)	-59%
Total assets	26,748,998	31,160,382	(4,411,384)	-14.2%
Total liabilities	12,060	7,963	4,097	51.5%
<b>Total net position</b>	<b>\$26,736,938</b>	<b>\$31,152,419</b>	<b>\$(4,415,481)</b>	<b>-14.2%</b>

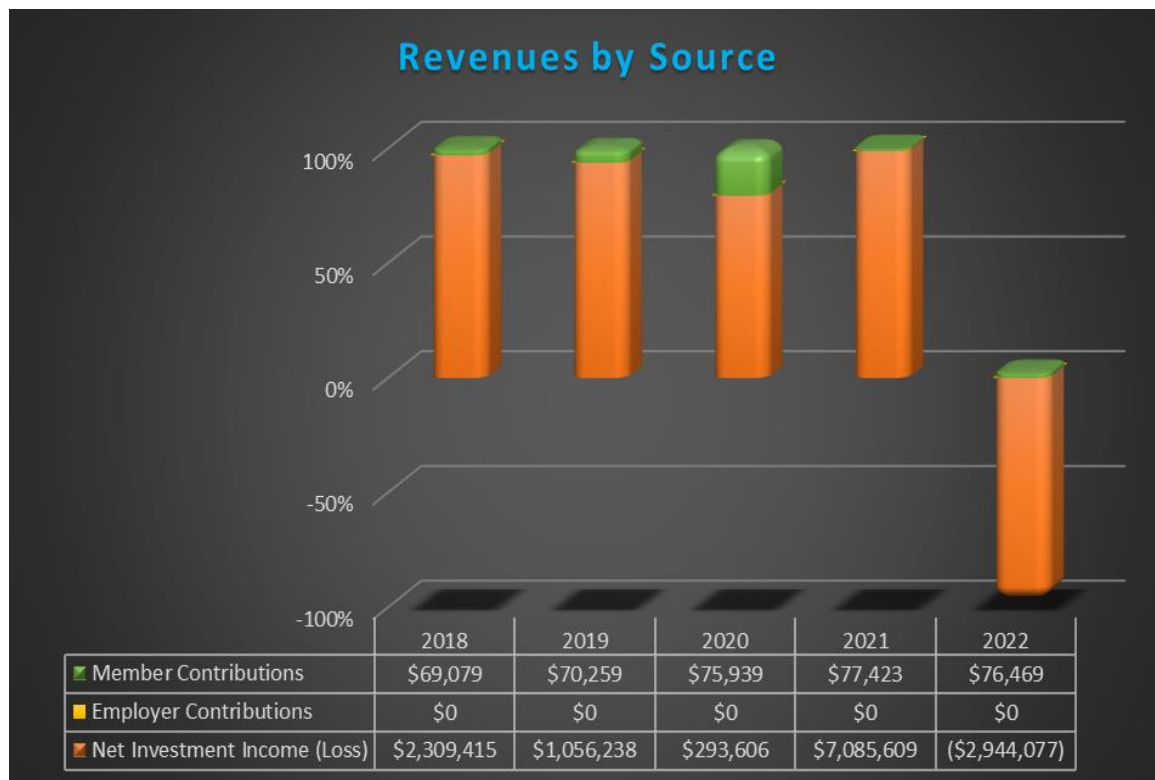


The statement of changes in fiduciary net position presents information on how the plan's net position changed during the year. In fiscal year 2022, the fiduciary net position decreased by \$4.4M. When compared with the fiscal year 2021's increase of \$5.8M, this was a decrease of \$10.2 million as highlighted below.

# Financials

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 the trade date. Both realized and unrealized gains and losses are shown in 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 2022	Fiscal Year 2021	Increase / (Decrease)
Net Investment Income	\$ (2,944,077)	\$ 7,085,609	\$ (10,029,686)
Employee contribution	76,469	77,423	(954)
Total additions	(2,867,608)	7,163,032	(10,030,640)
Retirement allowances	1,512,750	1,305,575	207,175
Administrative expenses	35,123	34,460	663
Total deductions	1,547,873	1,340,035	207,838
<b>Net increases (decreases)</b>	<b>\$ (4,415,481)</b>	<b>\$ 5,822,997</b>	<b>\$ (10,238,478)</b>

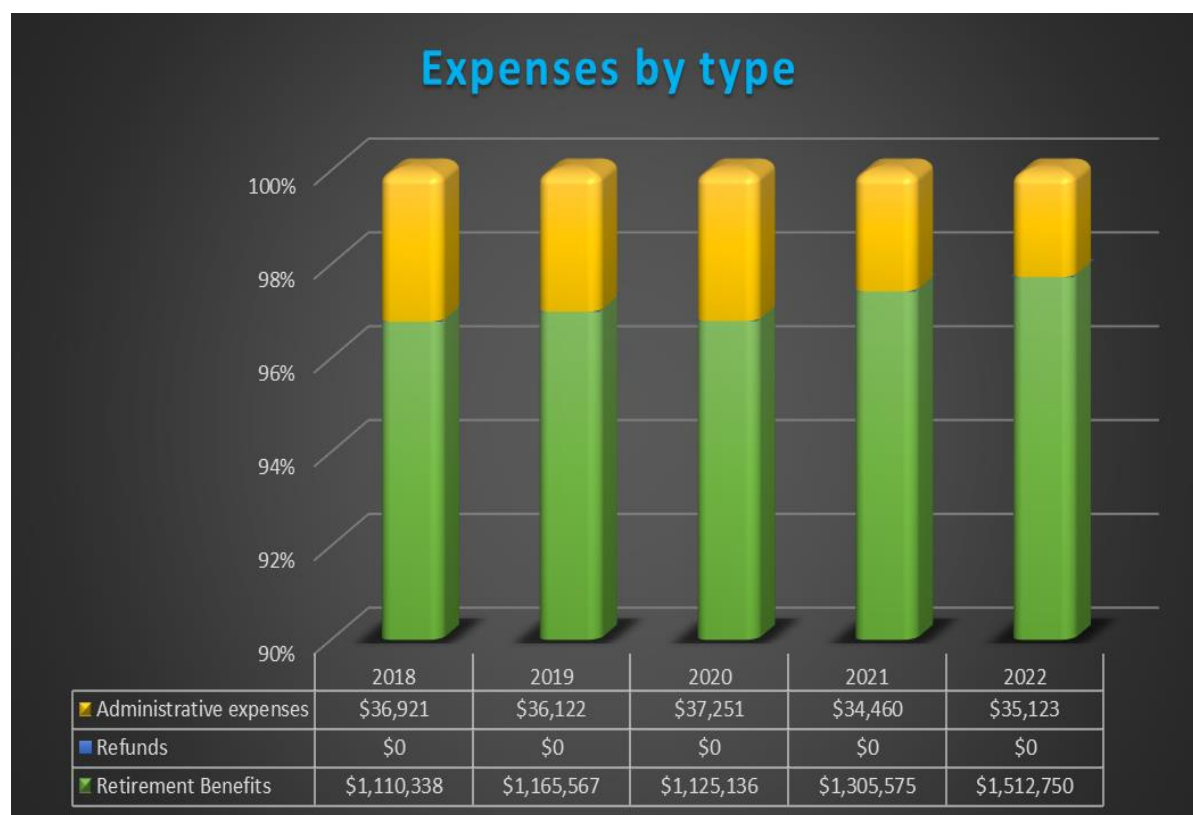


# Financials

Revenues (Additions to Fiduciary Net Position) for the year were -\$2,867,608, a decrease of \$10,030,640 from the prior year due to negative investment returns. Revenues include plan members' contributions of \$76,469 and a net investment loss of \$2,944,077.

The employer contribution is determined by an actuarial valuation. It can 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 2022, the employer contribution remained at zero because the actuarially determined employer contribution for the fiscal year was set at \$0. Employee contributions decreased by 1%; and investments produced a negative return of \$2,944,077 compared to fiscal year 2021 positive return of \$7,085,609.



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 2022 was for the payment of continuing retirement benefits totaling \$1,512,750, which increased by \$207,175 compared to fiscal year 2021. The increase was due to 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.

Amidst a turbulent macro environment of higher than anticipated inflation, rising geopolitical tensions, and aggressive tightening actions from the Federal Reserve, both fixed income and equity markets posted losses over the year. The U.S. stock market, as proxied by the Russell 3000 Index, posted a return of -13.9%. In a reversal from the prior year, large cap stocks and value-oriented investment styles fared best. International stocks posted a return of -19.0%, as proxied by the MSCI ACWI ex U.S. Index, as markets were negatively impacted by a stronger dollar. Bond yields rose sharply in the year resulting in a negative return of -10.3%. Real estate provided a buffer in a turbulent period for public markets fixed income and equity with a gain of 21.5% as both income and appreciation returns were positive.

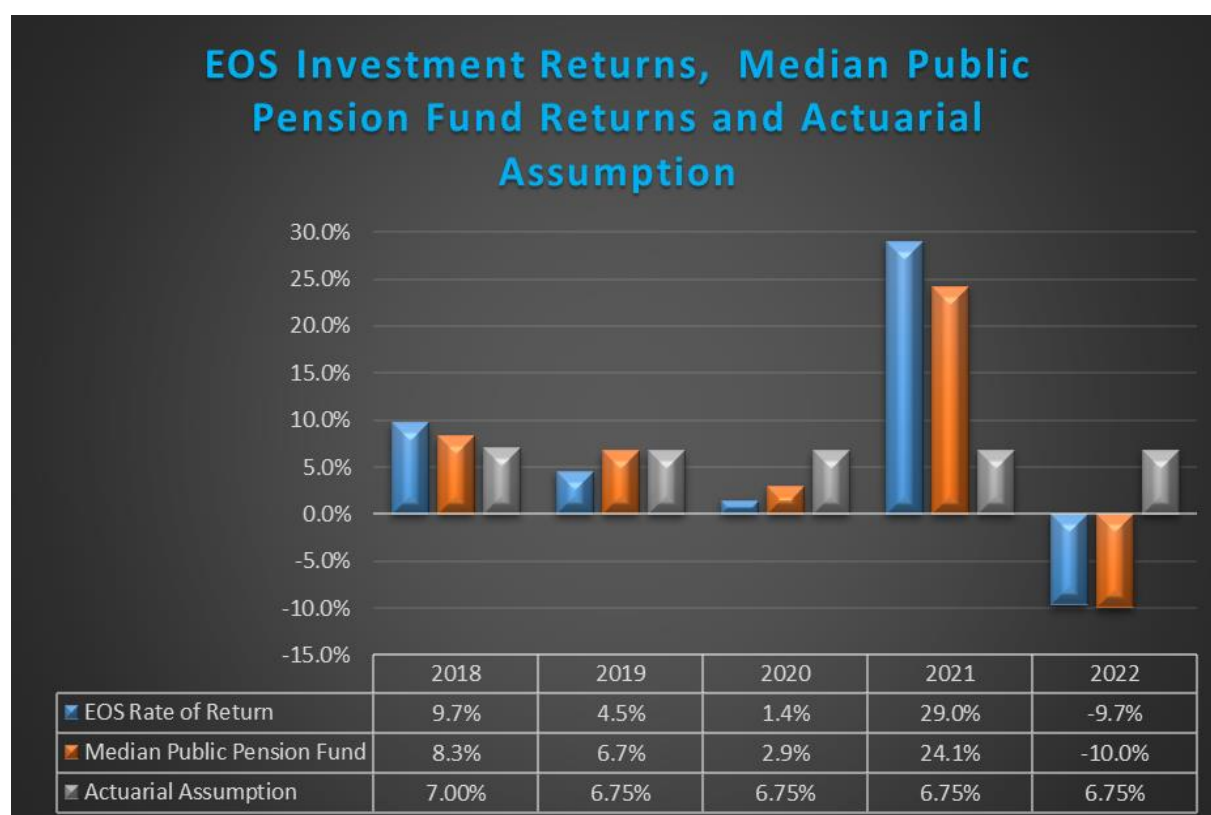
	FY 2022	3 Years	5 Years	10 Years
Total Portfolio	-9.7%	5.7%	6.3%	7.8%
Median Public Pension Fund	-10.0%	4.9%	5.9%	7.4%
Domestic Equities	-15.9%	8.5%	9.2%	11.9%
Russell 3000	-13.9%	9.8%	10.6%	12.6%
Defensive Equities	-5.6%	7.4%	6.1%	-
CBOE Put Write Index	1.0%	6.6%	5.1%	6.7%
50% S&P 500/50% 91 Day T-Bill	-5.0%	5.9%	6.4%	6.9%
International Equities	-23.1%	0.3%	2.2%	5.5%
MSCI ACWI ex-US	-19.0%	1.8%	3.0%	5.3%
Fixed Income	-8.2%	0.1%	1.6%	2.1%
Barclays Aggregate	-10.3%	-0.9%	0.9%	1.5%
Real Estate	30.7%	13.1%	11.0%	-
NPI	17.7%	9.1%	8.2%	9.3%

For the fiscal year ending June 30, 2022, the System posted a return of -9.7%, outperforming the policy benchmark of -10.0%. The fixed income portfolio's exposure to floating rate issues added value as the bond market was negatively impacted by rising rates. Both exposure to real estate and investment manager outperformance also added to returns.

# 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 the 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 (2018 and 2021) and lagged for three years (2019, 2020 and 2022).



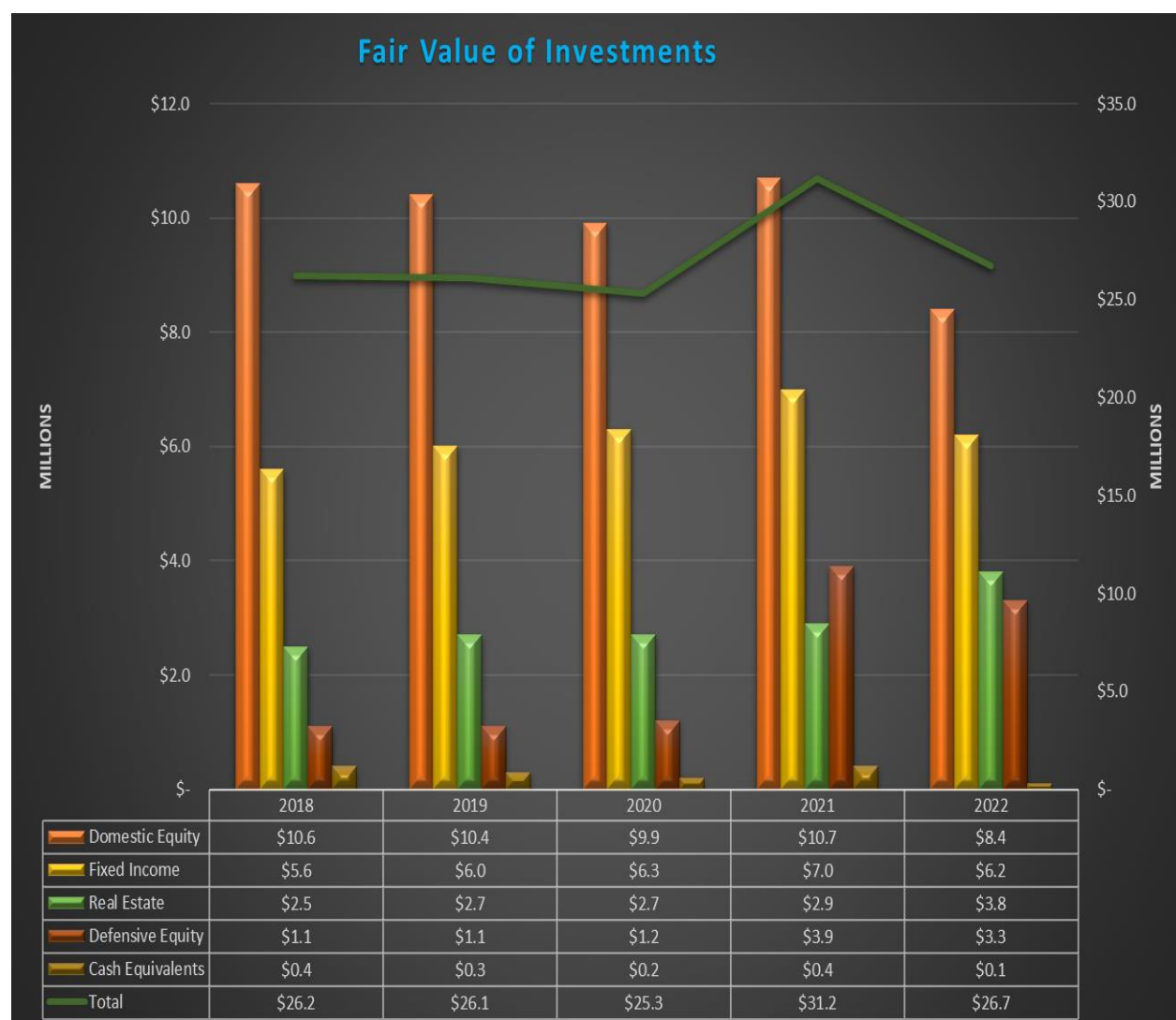
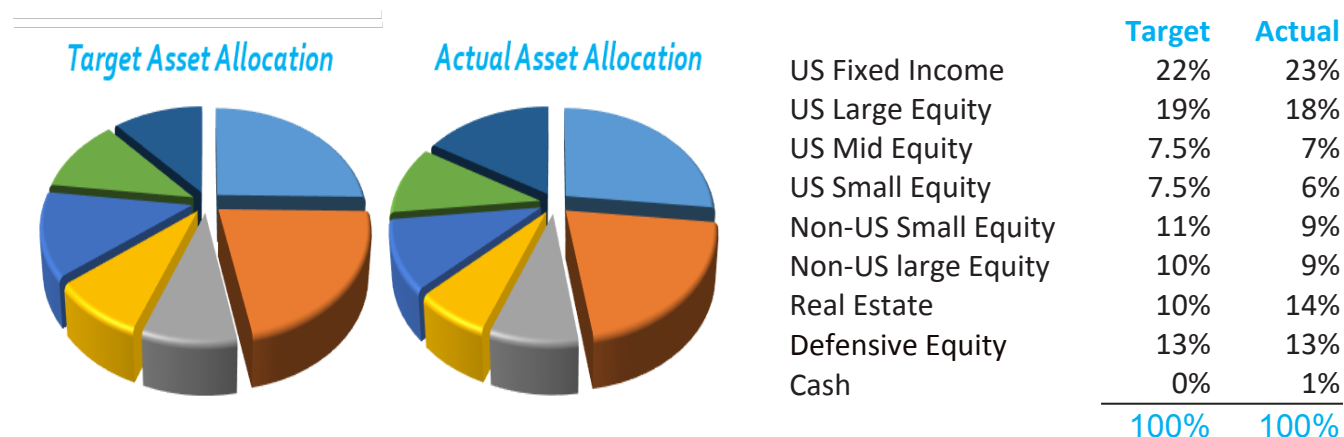
Diversification is the most important component of reaching long-range financial goals. To assist in meeting the overall objectives, the Board of Trustees approved an asset allocation guideline. The asset allocation guideline enables the plan to diversify its assets and maximize returns by investing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

As of June 30, 2022, the funded ratio of actuarial asset value to actuarial liability decreased from 151.4% to 150.6%. There were net asset losses based on the smoothed asset value and a small experience loss in liabilities due to changes in membership which resulted in a decrease in funded ratio. Also, the funded ratio based on Market Value of Assets decreased from 168.2% to 142.4% due to investment result losses.

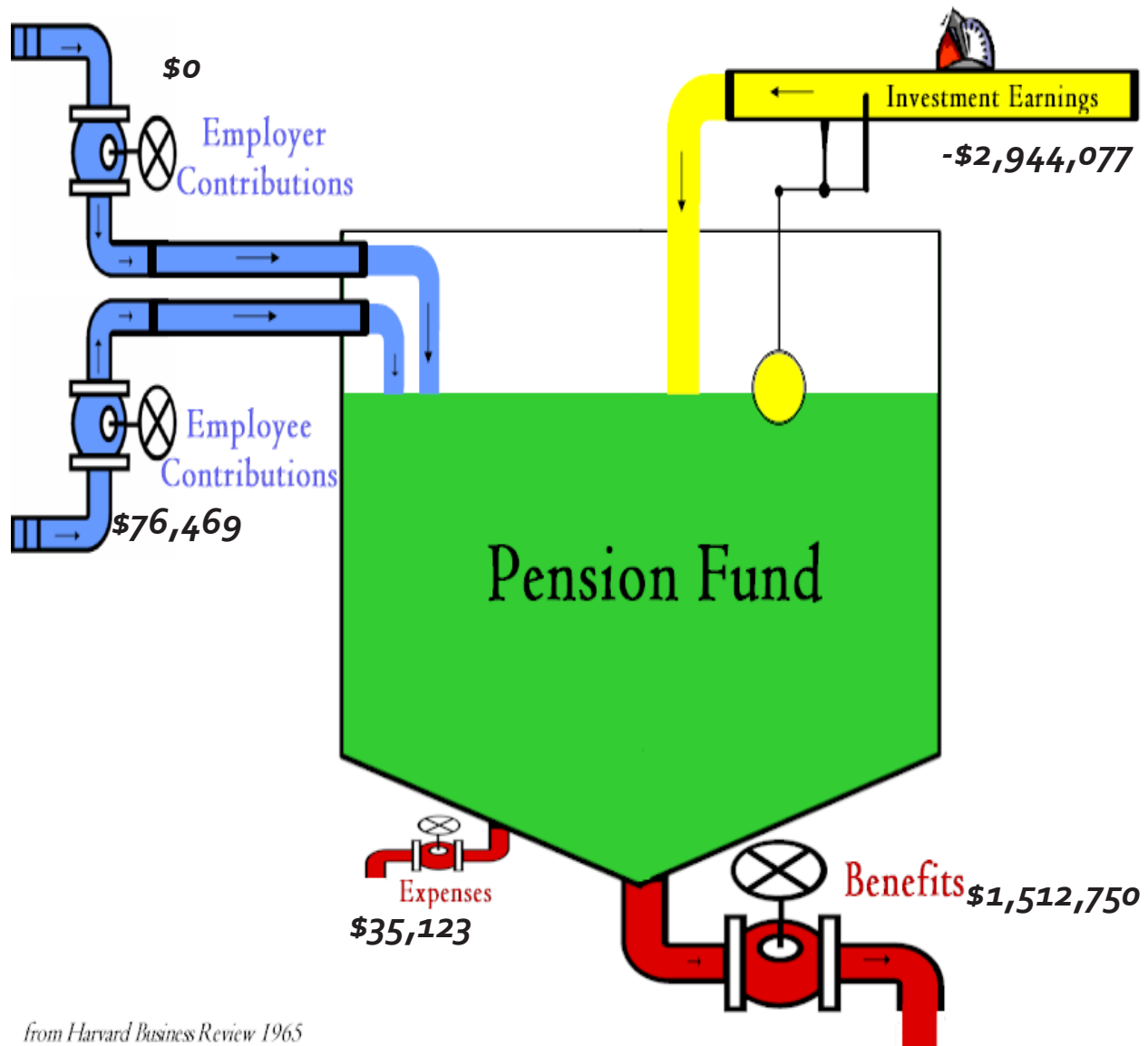


Experience study is conducted by the system every four years. The study compares actual experience to assumptions of both demographic and economic assumptions to determine whether adjustments are required. The demographic changes adopted in 2019 include rates of retirement, termination rates, disability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

	2018	2019	2020	2021	2022
Total Pension Liability	\$ 15,260,985	\$ 17,001,212	\$ 17,382,855	\$ 18,522,088	\$ 18,780,622
Plan Fiduciary Net Position	26,197,456	26,122,264	25,329,422	31,152,419	26,736,938
Net Pension Assets	\$ 10,936,471	\$ 9,121,052	\$ 7,946,567	\$ 12,630,331	\$ 7,956,316

# Actuarial

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Actual employer Contributions	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,543,949	\$ 1,431,497	\$ 1,469,551	\$ 1,362,517	\$ 1,398,738
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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Financial Reporting

Presented to

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

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrell*

Executive Director/CEO

**CITY OF BALTIMORE**  
**Employees' Retirement Systems**

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Baltimore, MD 21202

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**Dorothy L. Bryant**

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City of Baltimore  
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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 Annual Comprehensive 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 2022 ACFR.*