EMPLOYEES' RETIREMENT SYSTEM

City of Baltimore, Maryland

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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 ERS (Employees' 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 actives and 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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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 ERS. I also want to thank our Board of Trustees for their leadership and welcome Deborah Moore-Carter as she continues her service to ERS 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 ERS's return was -3.3%. However, ERS outperformed its policy benchmark return of -6.9% and had a strong relative peer group ranking of 6th in a universe of over 300 public pension funds. Over the past ten years, ERS has returned 8.5% and ranked 14th. The market value funded ratio for ERS is now 75.9%.

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

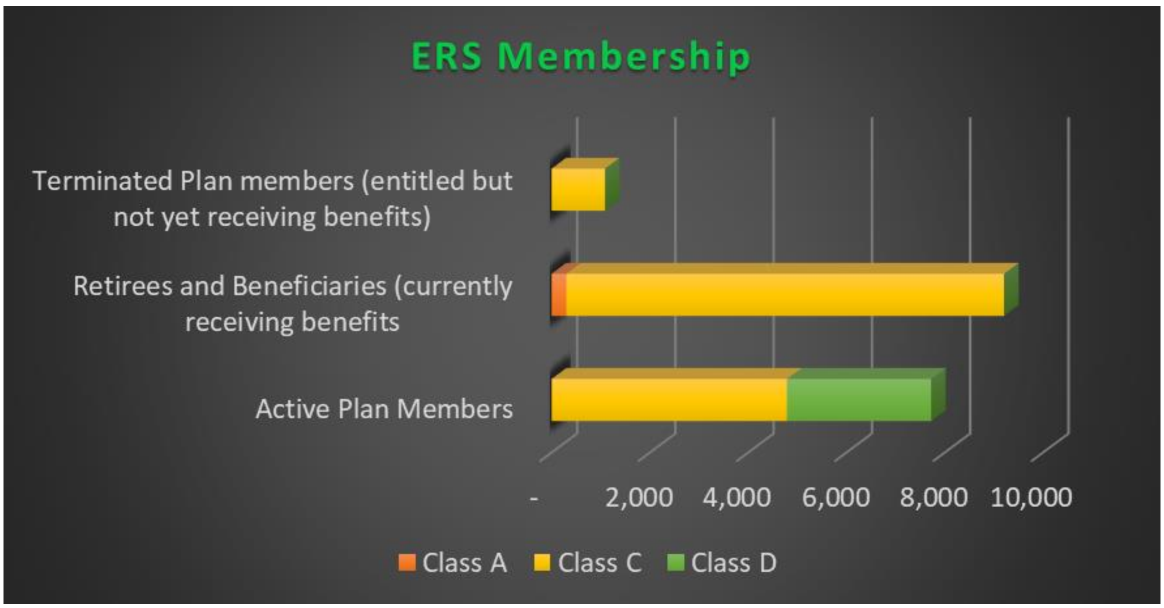
In closing, on behalf of the Board and staff, I would like to express my gratitude to former Board Chair, Mr. Henry Raymond, for his leadership and service.

Deborah Moore-Carter, Chair, Board of Trustees

The Plan

ERS is the administrator of a cost sharing multiple employers defined benefit local government retirement plan (the Plan). The 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 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, 2022	Class A	Class C	Class D	Total
Active Plan Members	6	4,784	2,935	7,725
Retirees and Beneficiaries (currently receiving benefits	301	8,905	1	9,207
Terminated Plan members (entitled but not yet receiving benefits)	-	1,084	5	1,089
Total	**307**	**14,773**	**2,941**	**18,021**



On June 30, 2022, total membership of ERS was 18,021 comprising 7,725 active members, 9,207 retirees & beneficiaries and 1,089 terminated plan members. Terminated plan members are former employees that are eligible but not yet receiving pension.

Class A active members currently contribute 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.

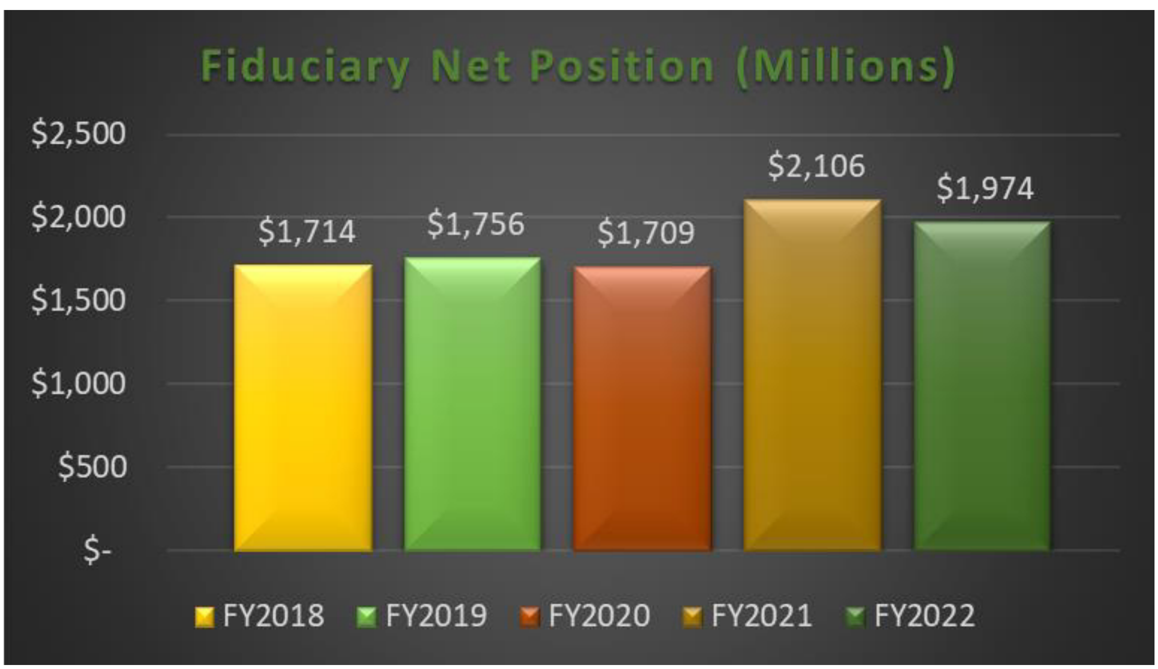
Financials

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 decreased by $131.2 million during fiscal year 2022. The decrease was due to negative investment returns from all asset classes except real estate and private equity, arising from 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
Cash and Receivables	$ 76,687,738	$ 95,888,196	$ (19,200,458)	-20%
Investments	1,962,765,228	2,032,540,932	(69,775,704)	-3%
Securities Lending	52,923,003	70,805,947	(17,882,944)	-25%
Capital Assets	358,660	418,437	(59,777)	-14%
Total assets	2,092,734,629	2,199,653,512	(106,918,883)	-5%
Total liabilities	118,431,485	94,128,531	24,302,954	26%
Total net position	**$1,974,303,144**	**$2,105,524,981**	**$(131,221,837)**	**-6%**

The plan's net position restricted for pensions grew from 2018 to 2019, dipped in 2020 but shot up significantly in 2021. The plan's position in 2022 dipped from 2021 levels but not as low as 2020. The decrease in 2022 is from the reasons stated above.



Financials

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's net position changed during the year. The plan's fiduciary net position for fiscal year 2022 decreased by $131.2 million. When compared to fiscal year 2021's increase of $396.4 million, there was a change of -$527.6 million.

Changes in Fiduciary Net Position	Fiscal Year 2022	Fiscal Year 2021	Increase / (Decrease)
Employer contribution	$ 98,640,176	$ 92,637,051	$ 6,003,125
Employee contribution	18,493,368	18,493,824	(456)
Net Securities Lending Income	163,356	194,057	(30,701)
Net investment income (loss)	(75,899,163)	452,490,675	(528,389,838)
Total additions	41,397,737	563,815,607	(522,417,870)
Retirement allowances	165,289,884	160,689,579	4,600,305
Administrative expenses	4,460,410	4,397,413	62,997
Death benefits	1,507,307	1,469,242	38,065
Refund of member's contribution	1,346,673	873,832	472,841
Lump Sum cash payments	15,300	15,293	7
Total deductions	172,619,574	167,445,359	5,174,215
Net increases (decreases)	**$ (131,221,837)**	**$ 396,370,248**	**$ (527,592,085)**

Total additions (revenues) for fiscal year 2022 was $41.4 million. Compared to fiscal year 2021's total addition of $563.8 million, there was a decrease of $522.4 million. The decrease is mainly from net investment revenues which was negative for fiscal year 2022.

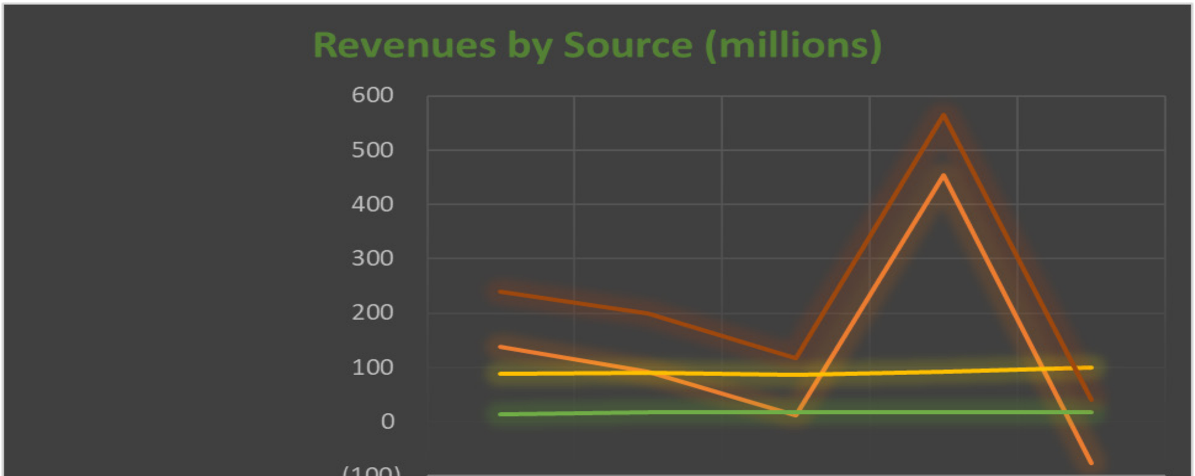
Investment returns generated returns of -$75.9 million in fiscal year 2022 causing the change from 2021 to be -$528.4 million. The negative returns were due to negative returns from all asset classes apart from real estate and private equity.

Employer contributions increased by $6.0 million from $92.6 million to $98.6 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 $98.6 million employer contributions for fiscal year 2022 was determined during actuarial valuation for fiscal year 2020.

The employee contributions remained flat in fiscal year 2022. This is due to more people leaving the City's employment. Contributions for employees start after a year of employment with the city.

Net securities lending income also decreased due to fewer trades. Despite the high market volatility, fewer people requested to borrow securities.

Financials



	2018	2019	2020	2021	2022
Net Investment Income (Loss)	139	93	12	453	(76)
Employer Contributions	88	90	87	93	99
Member Contributions	13	17	18	18	18
Total Revenue	240	200	117	564	41

Total deductions increased from $167.4 million in fiscal year 2021 to $172.6 million in fiscal year 2022. This increase of $5.2 million is mostly attributable to an increase in retirement benefits payments. Retirement pension increased from $160.7 million in fiscal year 2021 to $165.3 million in fiscal year 2022. The increase of $4.6 million was due to cost-of-living adjustments as well as an increase in the number of retirees. Retirees aged 65 and above receive a 2% increase annually while retirees below 65 years receive 1.5% increase. The refund of employee contributions increased by approximately half a million showing that more non-vested employees are leaving the City's employment.

	2018	2019	2020	2021	2022
Administrative expenses	3,616,054	3,716,362	4,495,405	4,397,413	4,460,410
Refunds	410,189	815,394	837,540	873,832	1,346,673
Retirement Benefits	148,744,310	154,052,780	157,722,107	162,174,114	166,812,491

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.

The goal of the asset allocation structure is to provide a favorable rate of return coupled with a prudent level of risk. The System conducted an asset allocation analysis and increased exposure to private equity investments to achieve long term return objectives while reducing risk. The System also added to private equity investments to improve long term return and further diversity the investments. The following table outlines the ERS's investment policy targets:

	FY 2022	3 Years	5 Years	10 Years
TOTAL PORTFOLIO	-3.3%	7.8%	7.7%	8.6%
Median Public Pension Fund	-6.9%	5.7%	6.3%	7.7%
Target Rate of Return	7.0%	7.0%	7.0%	7.0%
DOMESTIC EQUITIES	-15.4%	6.8%	8.8%	11.6%
Russell 3000	-13.9%	9.8%	10.6%	12.6%
DEFENSIVE EQUITIES	-5.6%	7.5%	6.2%	-
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	-19.5%	3.6%	4.0%	6.4%
MSCI ACWI ex-US	-19.0%	1.8%	3.0%	5.3%
Xponance	-20.8%	2.9%	2.7%	7.2%
InvMetrics Public DB ex US Eq Gross Rank	-19.4%	1.4%	2.2%	6.9%
FIXED INCOME	-11.0%	-0.5%	1.2%	2.0%
Barclays Aggregate	-10.3%	-0.9%	0.9%	1.5%
REAL ESTATE	28.1%	12.1%	10.4%	10.7%
NPI	21.5%	10.2%	8.9%	9.7%
CPI + 5%	14.5%	10.2%	9.1%	7.7%
PRIVATE EQUITY COMPOSITE	23.1%	28.3%	22.8%	17.8%
Private Equity Benchmark	22.3%	26.3%	22.3%	17.5%
CPI + 6%	15.0%	10.4%	9.5%	8.4%
Low Volatility Composite	-1.9%	-	-	-
S&P 500 Low Volatility	4.0%	6.5%	9.3%	11.2%

Investments

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.

The rates of return are calculated using a time-weighted rate of return methodology based upon market values. The returns are reported on both net of fees and gross of fees to provide comparisons with the appropriate benchmarks. Investment information is reported to the greatest degree possible in conformance with the presentation standards of Global Performance Investment Standards (GIPS) formerly known as AIMR.

For the fiscal year ending June 30, 2022, the System posted a -3.3% return which outperformed the policy benchmark of -6.9% and ranked in the 6th percentile. During a period of negative public market returns, an increased exposure to real estate and private equity added value to returns along with defensive positioning in defensive equity and low volatility equity. Exposure to senior secured loans added value to fixed income in a rising interest rate environment.

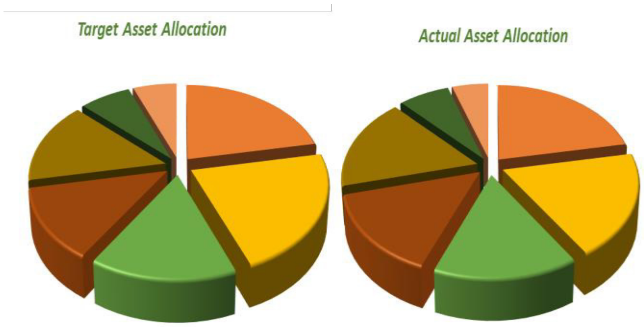
	2018	2019	2020	2021	2022
ERS Rate of Return	8.1%	6.1%	1.3%	27.8%	-3.3%
Median Public Pension Fund	7.2%	6.2%	-0.2%	24.0%	-8.6%
Actuarial Assumption	7.5%	7.0%	7.0%	7.0%	7.0%

Investments

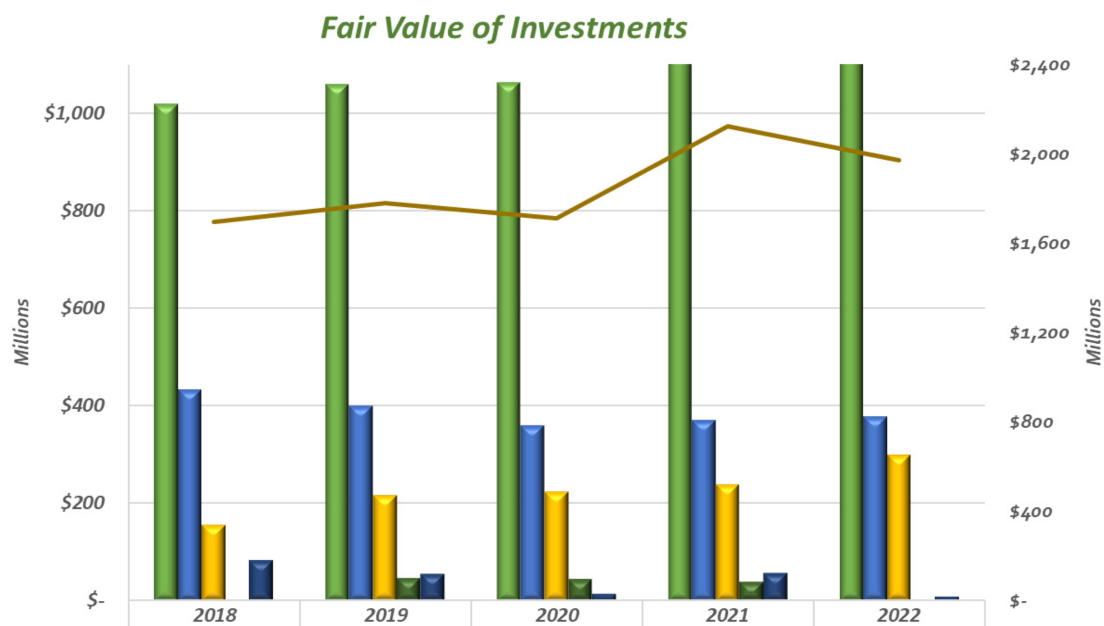
In June 2016, Ordinance 16-488 was signed into law, which provides for reduction in the actuarial interest rate to 7.5% in fiscal years 2017 and 2018, subsequently to 7.0% for fiscal year 2019 and afterwards.

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 current ERS asset allocation policy and actual allocation is as stated below:



	Target	Actual
US Equity	22%	22%
US Fixed Income	22%	19%
International Equity	15%	15%
Real Estate	13%	15%
Private Equity	15%	17%
Defensive Equity	7%	7%
Low Volatility	6%	5%
Cash	0%	0%
	100%	100%



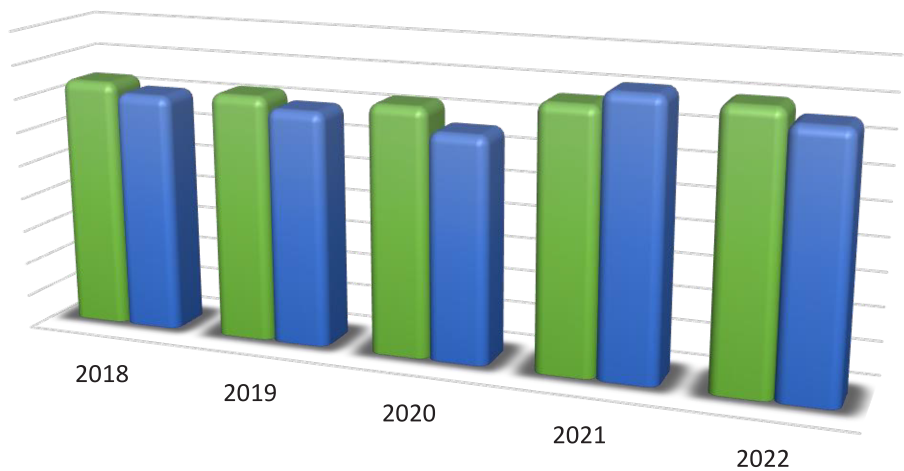
	2018	2019	2020	2021	2022
Equities	$1,020	$1,061	$1,065	$1,414	$1,286
Fixed Income	433	400	360	372	378
Real Estate	157	218	225	240	299
Risk Premia	0	46	44	40	0
Cash	84	55	16	58	10
Total	$1,694	$1,780	$1,710	$2,124	$1,973

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, 2022, the System's funded ratios were 79.9% and 75.9% based on actuarial and market values of assets. The funded ratio based on actuarial value increased by 2.8% despite the reduction in net assets value. This was due to the employer contributing more than the periodic cost due to the 20-year funding plan to get to 100% by 2032. The market funded ratio on the other hand decreased by 5.3% because of market losses.

5 Years Funding Status



	2018	2019	2020	2021	2022
Actuarial	74.1%	73.0%	73.3%	77.1%	79.9%
Market	71.1%	69.8%	66.6%	81.2%	75.9%

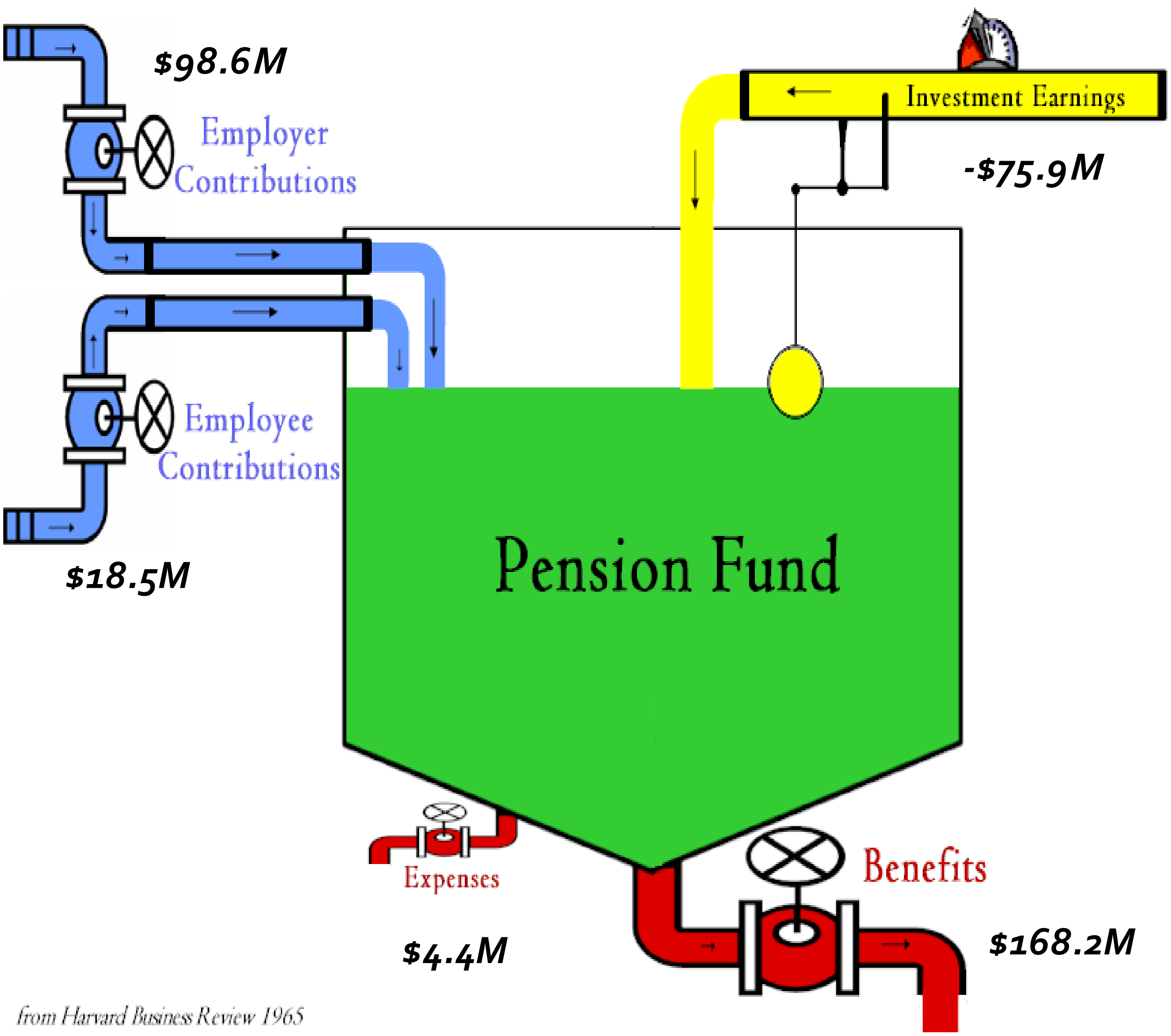
The funding policy adopted by the board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by fiscal year 2032. A one-year extension was adopted in 2019 and the remaining amortization period is now ten years. The funding method used is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

	2018	2019	2020	2021	2022
Total Pension Liability	$ 2,410,614,058	$ 2,515,137,395	$ 2,567,398,628	$ 2,593,420,191	$ 2,600,520,742
Plan Fiduciary Net Positio	1,714,252,720	1,755,595,585	1,709,154,733	2,105,524,981	1,974,303,144
Unfunded Liability	$ 696,361,338	$ 759,541,810	$ 858,243,895	$ 487,895,210	$ 626,217,598

Actuarial

Based on the actuarial valuation performed at the end of fiscal year 2020, the total contributions due from the employer for fiscal year 2022 was $98,640,176. For the past 5 years, the City of Baltimore, which is the employer, has contributed 100% of the actuarially determined contributions to the Plan.

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 98,640,176	$ 92,637,051	$ 86,953,801	$ 89,866,171	$ 87,541,882
Actual employer Contributions	98,640,176	92,637,051	86,953,801	89,866,171	87,541,882
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 439,326,244	$ 455,219,365	$ 437,242,419	$ 419,686,035	$ 403,454,892
Contributions as a percentage of payr	22.45%	20.35%	19.89%	21.41%	21.70%



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Employees' Retirement System, City of Baltimore Maryland

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill
Executive Director/CEO

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

PRESORT MKTG
POSTAGE & FEES PAID
CITY OF BALTIMORE
PERMIT NO. 992

TRUSTEES

+1 443-984-3200
+1 877-273-7136

EMAIL
contacters@bcers.org

www.bcers.org

facebook
@bmoreretirement

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.