EMPLOYEES' RETIREMENT SYSTEM

POPULAR ANNUAL FINANCIAL REPORT

Year Ended June 30, 2025

Pension Trust of the City of Baltimore

Introduction

Message from the Executive Director

I am pleased to present the Popular Annual Financial Report (PAFR) for the Employees' Retirement System of the City of Baltimore (ERS). This report highlights key information from the fiscal year 2025 Annual Comprehensive Financial Report (ACFR), prepared in accordance with GAAP. We mailed the PAFR to all retirees, shared it electronically with active members, and posted it online at www.bcers.org/publications/ERS-PAFR. Those who wish to review full financial statements can access the complete ACFR at www.bcers.org/publications/ERS-ACFR. Thank you for staying engaged.

Throughout the past year, we advanced important initiatives to strengthen operations and improve the member experience. We began revamping our pension administration system by completing the Request for Information (RFI) process, which provides a foundation for replacing our legacy platforms with a modern, integrated solution. We also upgraded our technology environment by enhancing multi-factor authentication, replacing outdated servers, improving environmental controls for critical equipment, and completing a full operating system and server infrastructure refresh. These improvements increase reliability, reinforce cybersecurity, and better protect member data. We supported these technology improvements with operational efforts focused on clearer communication, faster processing, and stronger internal controls—efforts that helped us maintain our clean audit opinion and deliver accurate, timely service.

As these enhancements progress, we remain committed to safeguarding the long-term financial security of every member, retiree, and beneficiary. Thank you for your trust in ERS and for allowing us to continue serving you with integrity and care.

David A. Randall

Message from the Chair of the Board of Trustees

Fiscal year 2025 marked another year of progress for the Employees' Retirement System. ERS earned a 9.5% investment return and strengthened its funded ratio to 82.0%. All eligible retirees received their annual COLA—1.5% for those under 65 and 2.0% for those 65 and older—effective January 1, 2025. These results reinforce our commitment to protecting the financial security of every member we serve.

We continued to navigate a challenging economic environment, and I am proud of how each asset class contributed to performance. This year, the Board expanded to 10 members, adding representation from Baltimore City Public Schools. I deeply appreciate our staff, whose dedication ensures that our work has a meaningful impact on the lives of members and beneficiaries. I am honored to serve as the newly elected Chair, along with Vice Chair Sharon Lockley. We remain committed to advancing the ERS mission and safeguarding the System's long-term strength. Together, we will continue building a secure future for all who rely on ERS.

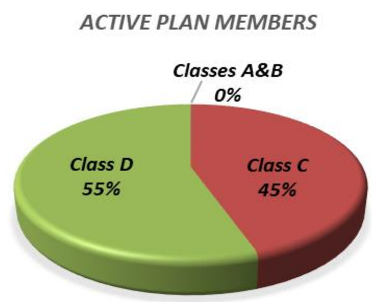
Dr. Helen Holton

Plan Details

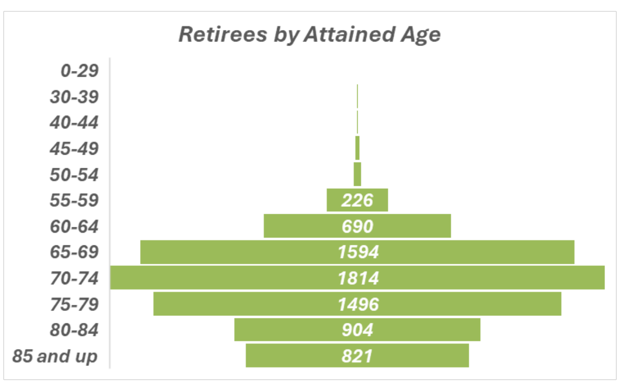
The Employees' Retirement System, established by City Ordinance on January 1, 1926, covers regular and permanent City employees and employees of Baltimore City Public Schools, who are not required to join the Maryland State or another City retirement system. Eligible employees automatically become Class C members after one year of employment until June 30, 2014, and Class D members thereafter, while the Board of Estimates may also approve enrollment for certain part-time employees.

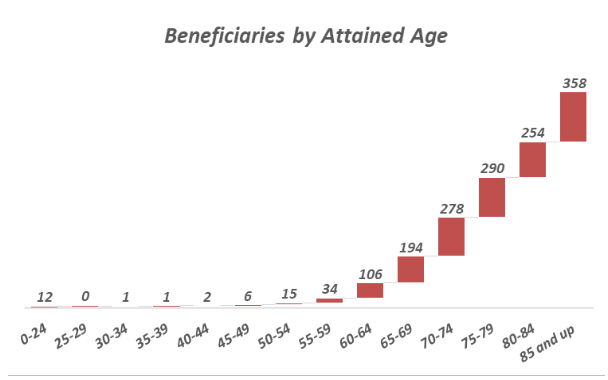
ERS membership totaled 18,514 as of June 30, 2025, reflecting a stable and mature system serving active employees, retirees, beneficiaries, and vested former members. Active Plan Members numbered 8,229, with the majority in Class C (3,684) and Class D (4,543), and 2 members remaining in legacy Classes A & B. The largest group continues to be Retirees and Beneficiaries, totaling 9,154, including 246 in Classes A & B, 8,847 in Class C, and 61 in Class D—highlighting the System's ongoing responsibility to provide secure lifetime benefits.

Membership Status as of June 30, 2025	***Total***
Active Plan Members	***8,229***
Retirees and Beneficiaries (currently receiving benefits	***9,154***
Terminated Plan members (entitled but not yet receiving benefits)	***1,131***
Total	***18,514***



The System also includes 1,131 terminated vested members who are entitled to future benefits, primarily in Class C (1,108) and Class D (23). This group underscores the importance of strong administrative practices to maintain accurate records and ensure timely benefit delivery when members reach eligibility.





Overall, ERS's membership composition demonstrates a balanced ratio of active contributors, retirees, and vested former members, reinforcing the need for prudent financial management and continued modernization to support all participants.

Actuarial Information

Each year, ERS conducts an actuarial valuation to assess the System's long-term financial condition and determine the employer contribution needed to fund pension benefits. The June 30, 2025, valuation measured assets, liabilities, and demographic experience and established the contribution for the fiscal year beginning July 1, 2026, ensuring that funding remains aligned with the cost of benefits earned over members' careers. These results rely on actuarial assumptions that reflect ERS's best estimates of future investment returns, salary growth, inflation, and demographic patterns. While the Government Finance Officers Association (GFOA) recommends reviewing assumptions at least every five years, ERS exceeds this benchmark by conducting a full experience study every four years, most recently for 2018–2022, with resulting updates incorporated into the June 30, 2023, valuation.

Key FY25 assumptions include a blended investment return rate of 6.73%, post-retirement COLAs of 1.5% for retirees under age 65 and 2.0% for those 65 and older, age-based salary increases, an inflation assumption of 2.55%, and mortality expectations based on the Pub-2010 tables adjusted for ERS-specific longevity and disability patterns.

Total Pension Liability	*$ 2,816,160,718*
Less: Plan Fiduciary Net Position	*2,264,990,790*
Net Pension Liability	*$ 551,169,928*
Plan Fiduciary Net Position as a percentage of Total Pension Liability	*80.4%*

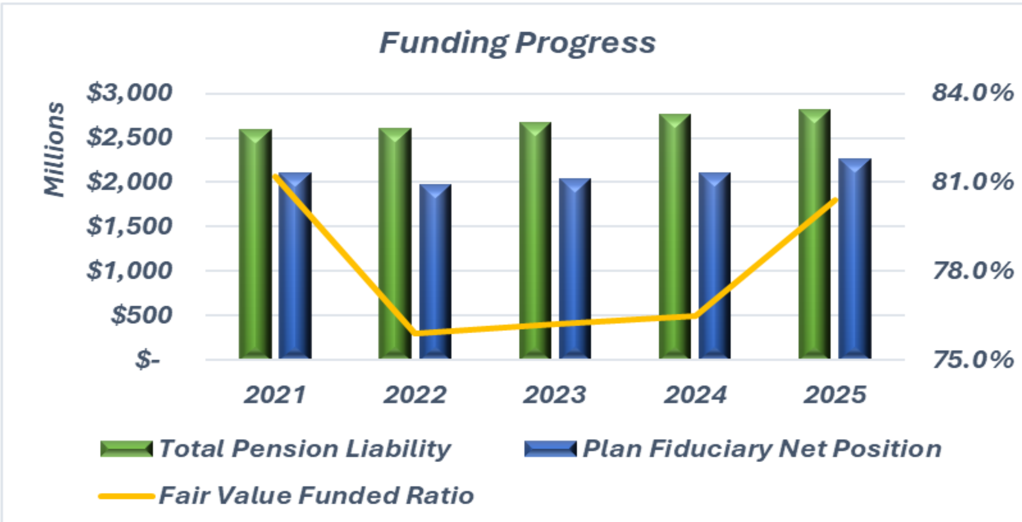
As of June 30, 2025, ERS reported a Total Pension Liability of $2.82 billion and a Fiduciary Net Position of $2.26 billion, resulting in a Net Pension Liability of $551.2 million. This reflects a funded ratio of 80.4%, indicating that the System has more than four-fifths of the assets needed to cover projected pension obligations. The strong funded status demonstrates continued progress in long-term sustainability supported by steady contributions, disciplined funding practices, and stable investment performance.

	1% Decrease	*Current Discount Rate*	*1% Increase*
Discount Rate - Active Participants	*6.0%*	*7.0%*	*8.0%*
Discount Rate - Retired Participants	*5.5%*	*6.5%*	*7.5%*
Plan's Net Pension Liability	*$854,742,160*	*$551,169,928*	*$293,240,223*
Plan fiduciary net position as a percentage of total pension liability	*72.6%*	*80.4%*	*88.5%*

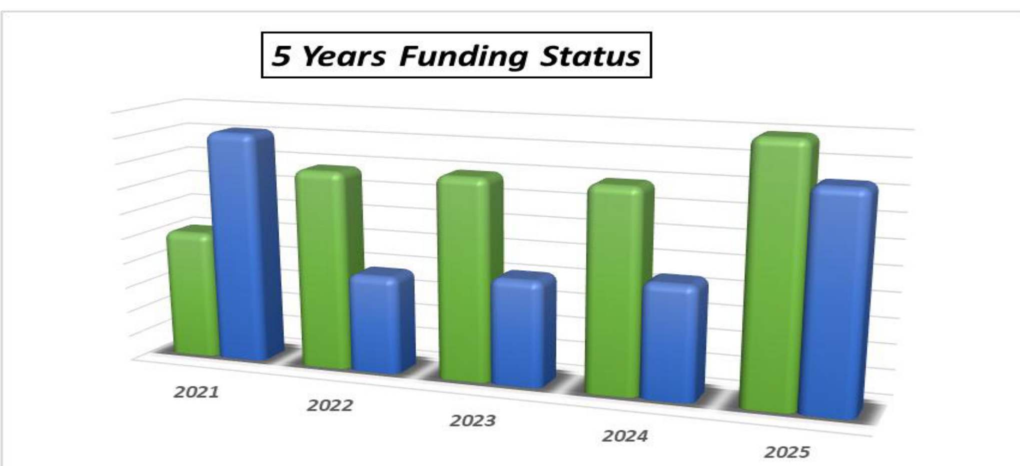
The sensitivity analysis illustrates how changes in the discount rate affect ERS's Net Pension Liability (NPL). At the current discount rates of 7.0% for active participants and 6.5% for retirees, the NPL is $551.2 million with a funded ratio of 80.4%. If the discount rates were lowered by 1%, the NPL would increase to $854.7 million, reducing the funded ratio to 72.6%. Conversely, a 1% increase in the discount rates would decrease the NPL to $293.2 million and raise the funded ratio to 88.5%. This analysis demonstrates the sensitivity of pension liabilities to interest rate assumptions and underscores the importance of long-term investment performance in supporting the Plan's funded status.

Actuarial Information

The Funding Progress chart shows steady improvement in ERS's financial position over the past five years. While the Total Pension Liability has grown gradually, the Plan's Fiduciary Net Position has also increased each year, supported by strong investment performance and consistent contributions. As a result, the Fair Value Funded Ratio rose from its low point in 2022 and improved to 80.4% in 2025, reflecting strengthened funding levels. This upward trend demonstrates continued progress toward long-term sustainability and ERS's commitment to responsibly managing pension obligations.



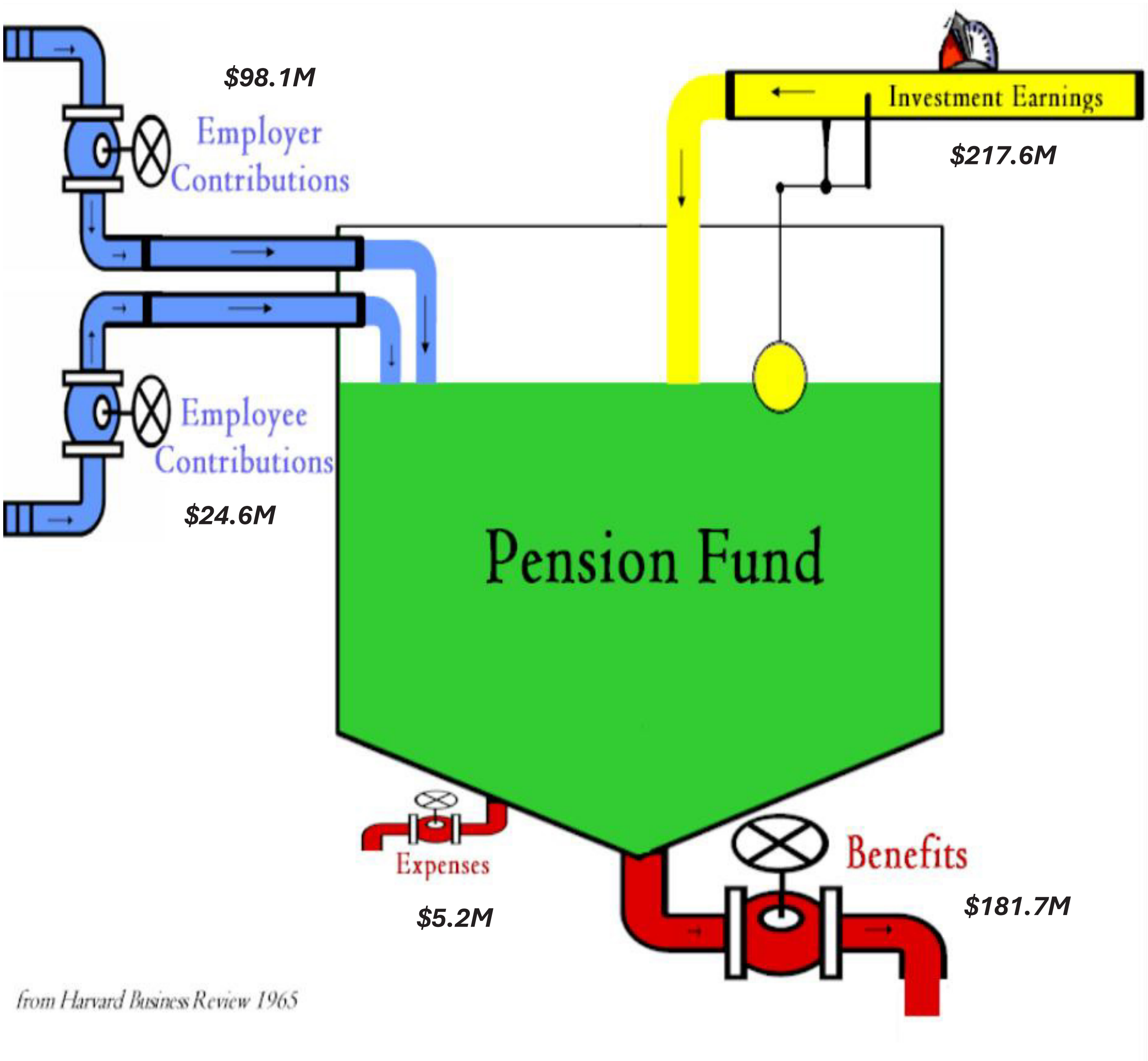
The five-year funding status trend shows steady improvement in both the actuarial and fair value funded ratios. The actuarial funded ratio increased from 77.1% in 2021 to 82.0% in 2025, reflecting consistent contributions, disciplined funding policies, and strong long-term investment performance. The fair value funded ratio, which fluctuates with market gains and losses, rebounded from a low of 75.9% in 2022 to 80.4% in 2025 as market conditions improved. Together, these measures demonstrate continued progress toward full funding and highlight ERS's commitment to maintaining a financially sustainable pension plan.



	2021	2022	2023	2024	2025
Actuarial	77.1%	79.9%	80.0%	80.0%	82.0%
Fair Value	81.2%	75.9%	76.2%	76.5%	80.4%

Funding Information

This diagram illustrates how money flows into and out of the Pension Fund. Employer and employee contributions provide a steady stream of funding that fills the plan, while investment earnings add additional growth over time. Together, these sources increase the total resources available to pay future benefits. Outflows occur as the System pays monthly retirement benefits to members and beneficiaries and covers administrative expenses needed to operate the plan. The goal is to ensure that inflows—particularly long-term investment earnings—are sufficient to cover outflows so the Pension Fund remains strong and sustainable for current and future retirees.



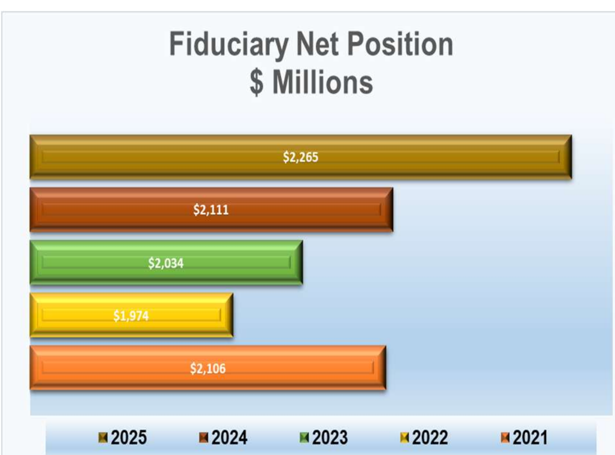
Financial Highlights

The financial condition of the Employees' Retirement System remains strong, supported by steady contributions, disciplined expense management, and a diversified investment strategy designed to endure a range of market environments. Net position serves as a key indicator of the System's overall financial health and represents the resources available to pay benefits to current retirees and future generations of employees.

As of June 30, 2025, ERS reported a net position restricted for pensions of $2.26 billion, reflecting continued progress toward meeting its long-term obligations. This upward trajectory signals confidence in the Plan's ability to provide stable and predictable benefits to members, retirees, and beneficiaries for years to come.

ERS's financial strength rests on a comprehensive asset base that includes a broad mix of investments across domestic and international equities, fixed income, private equity, real estate, defensive strategies, and private credit. These holdings, which totaled $2.23 billion—are complemented by $45.1 million in cash and $16.1 million in receivables, ensuring liquidity for operations and benefit payments. Securities lending collateral of $70.35 million supports income-generating lending activity, while $0.36 million in capital assets supports internal operations. Together, these components provide a stable foundation for the System's long-term responsibilities.

Fiduciary Net Position	Fiscal Year 2025	Fiscal Year 2024	Increase / (Decrease)	Percentage Change
Cash and Receivables	$61,247,203	$75,800,974	($14,553,771)	-19%
Investments	2,225,547,573	2,076,409,482	149,138,091	7%
Securities Lending	70,346,125	48,323,980	22,022,145	46%
Capital Assets	362,144	339,084	23,060	7%
Total assets	2,357,503,045	2,200,873,520	156,629,525	7%
Total liabilities	92,512,255	89,411,434	3,100,821	3%
Total net position	$2,264,990,790	$2,111,462,086	$153,528,704	7%



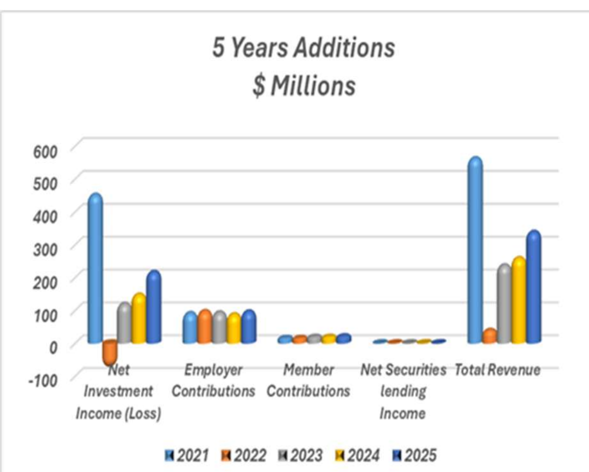
The growth in ERS's fiduciary net position over the past five fiscal years demonstrates long-term financial resilience and a consistent pattern of disciplined investment stewardship. The net position increased from $2.106 billion in 2021 to $2.265 billion in 2025, reflecting both favorable market conditions and the success of ERS's strategic asset allocation framework.

Financial Highlights

The Statement of Changes in Fiduciary Net Position highlights how ERS's financial resources grew and were used over the fiscal year. It details all additions—primarily contributions and investment income—that increased the Plan's assets, as well as deductions such as retirement benefits and administrative expenses that reduced them. This statement provides a clear view of the factors driving the annual change in the Plan's net position and illustrates how ERS generates and deploys funds to meet its ongoing obligations to members, retirees, and beneficiaries.

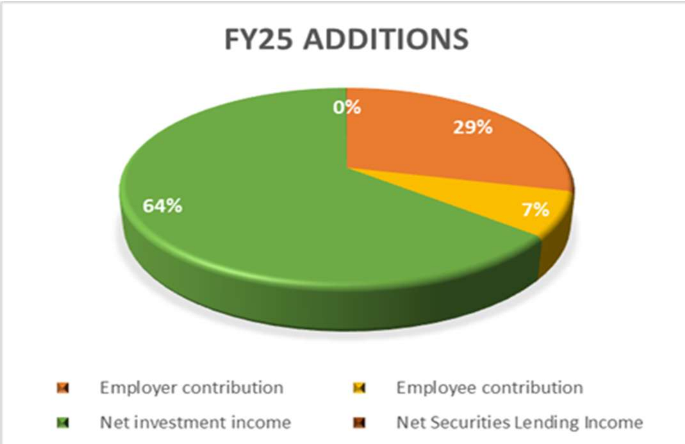
	Fiscal Year 2025	Fiscal Year 2024	Increase / (Decrease)	Percentage Change
Net Position - Beginning of Year	**$2,111,462,086**	**$2,033,897,454**	**$77,564,632**	**4%**
Additions				
Employer contribution	$98,138,744	$89,287,690	$8,851,054	10%
Employee contribution	24,560,734	22,006,003	2,554,731	12%
Net investment income	217,582,466	148,973,976	68,608,490	46%
Net Securities Lending	148,743	192,915	(44,172)	-23%
Total additions	340,430,687	260,460,584	80,014,275	31%
Deductions				
Retirement allowances	179,318,414	174,651,915	4,666,499	3%
Administrative expenses	5,181,349	5,316,122	(134,773)	-3%
Refund of member's	1,376,931	1,711,402	(334,471)	-20%
Death benefits	1,006,576	1,177,121	(170,545)	-14%
Lump Sum cash payments	18,713	39,392	(20,679)	-52%
Total deductions	186,901,983	182,895,952	4,006,031	2%
Net increases (decreases)	$153,528,704	$77,564,632	$75,964,072	98%
Net Position - End of Year	**$2,264,990,790**	**$2,111,462,086**	**$153,528,704**	**7%**

In FY25, ERS recorded total additions of $340.4 million, reflecting a year of strong financial performance. Contributions accounted for $122.7 million, consisting of $98.1 million from employers and $24.6 million from plan members. These contributions play a crucial role in supporting the Plan's funding requirements and ensuring its long-term sustainability.



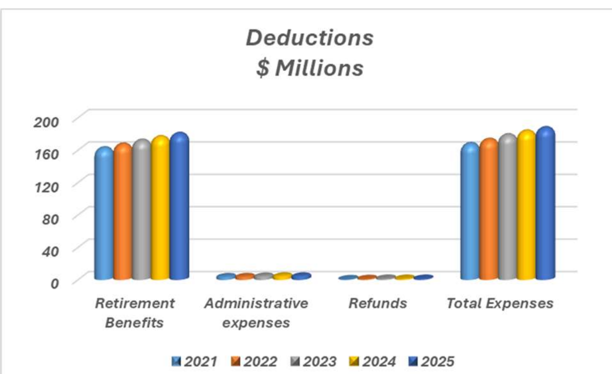
The five-year additions trend reflects improving financial strength for ERS, led by strong investment performance and stable contribution inflows. Net investment income varied widely—declining in 2022 but reaching its highest level in 2025—while employer and member contributions increased steadily. Securities lending income remained modest but positive. Overall, total revenue peaked in 2025, underscoring the impact of strong markets and consistent funding support.

Financial Highlights



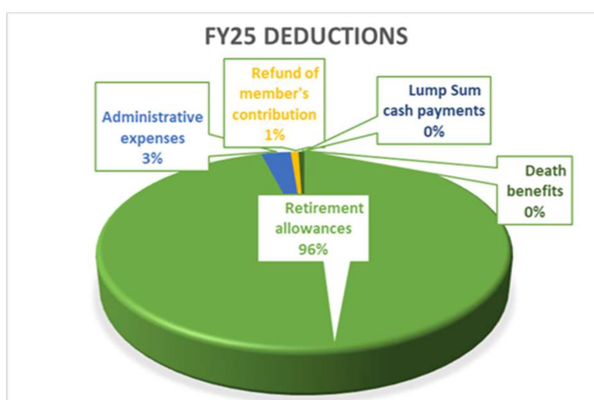
In FY25, ERS generated total additions of $340.4 million. Net investment income was the largest contributor at $217.6 million, representing approximately 64% of all additions and reflecting strong returns across public and private markets. Employer contributions totaled $98.1 million, accounting for 29% of additions, while member contributions of $24.6 million contributed another 7%. ERS also earned $148,743 in net securities lending income, representing less than 1% of total additions. Overall, these combined inflows—anchored by strong investment results and steady contributions—significantly strengthened the Plan's financial position in FY25.

Total deductions for FY25 were $186.9 million, reflecting the ongoing cost of providing retirement benefits and supporting Plan operations. The largest expense category was retirement allowances, totaling $179.3 million, which includes monthly pension benefits paid to retirees and beneficiaries. Administrative expenses were $5.18 million, demonstrating ERS's commitment to cost efficiency and operational discipline. Additional deductions included refunds of contributions, death benefits, and modest lump-sum cash payments.



Over the past five years, deductions have remained steady, reflecting the consistent cost of paying retirement benefits and administering the Plan. Retirement allowances make up the largest portion each year, while administrative expenses, refunds, death benefits, and lump-sum payments remain relatively small. Overall, the trend shows modest, manageable growth aligned with the retiree population.

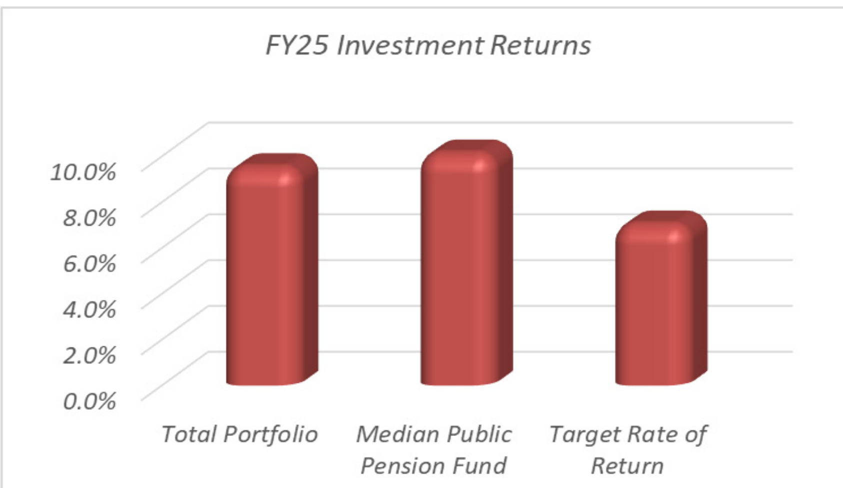
In FY25, total deductions were $186.9 million, primarily driven by $179.3 million in retirement allowances paid to members and beneficiaries. Administrative expenses remained stable at $5.18 million, while refunds, death benefits, and lump sum payments accounted for a small portion of total outflows. Overall, deductions were consistent with prior years and reflect the ongoing cost of providing benefits and operating the Plan efficiently.



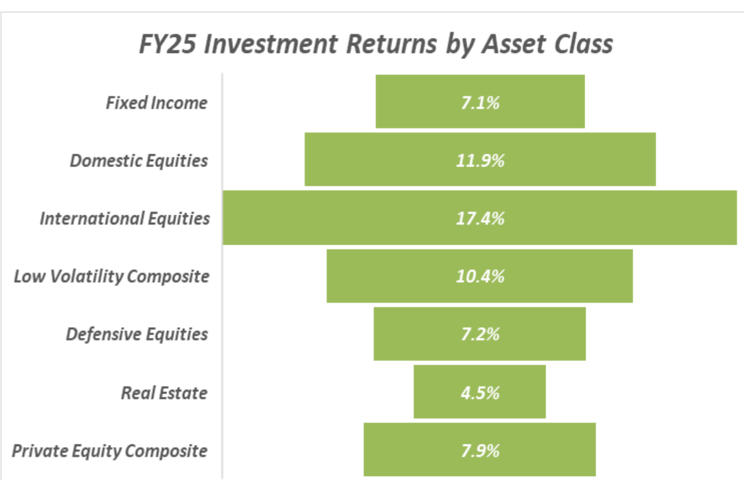
Investment Results

The Employees' Retirement System (ERS) invests its assets to ensure long-term stability and the ability to pay retirement benefits when due. The Board of Trustees, with guidance from its investment consultant and ERS staff, oversees the portfolio and monitors performance, risk, and compliance with the Investment Policy. ERS uses an asset allocation strategy designed to balance risk and return, provide sufficient liquidity for benefit payments, and meet or exceed the long-term actuarial return assumption of 7%. Investment performance is measured using time-weighted rates of return in accordance with industry standards and Global Investment Performance Standards (GIPS).

FY25 was shaped by moderating inflation, stabilizing interest rates, and improved market sentiment. Equity markets rose, real estate began to recover after two difficult years, and fixed income delivered solid gains as rate volatility eased. International equities outperformed U.S. markets, and overall conditions supported ERS's diversified investment strategy and contributed to strong portfolio growth.



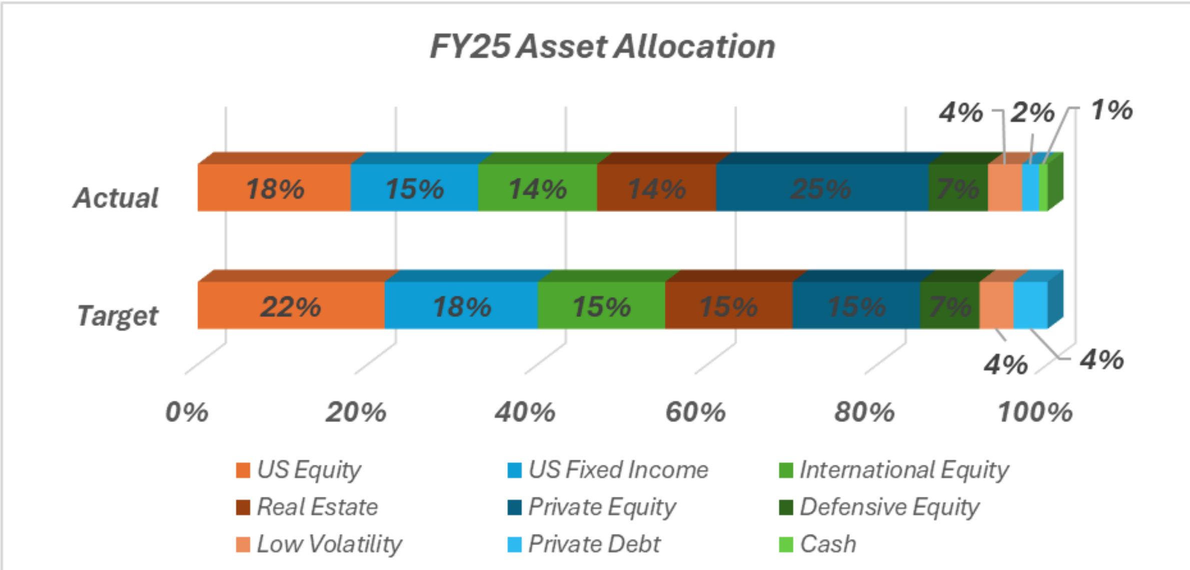
In FY25, ERS earned a 9.5% total portfolio return, surpassing the 7% long-term actuarial target and strengthening the Plan's financial position. However, the return fell short of the 10.1% policy benchmark, reflecting mixed relative performance across asset classes despite strong overall gains.



Across ERS's diversified portfolio, International Equity delivered the strongest public market performance at 17.4%, while Domestic Equity returned 11.9% in a narrow market led by a few dominant stocks. Fixed Income gained 7.1%, outperforming its benchmark through active management, and Real Estate rebounded with a 4.5% return after two challenging years. Private Equity returned 7.9%, contributing meaningful long-term value, while Low Volatility and Defensive Equity strategies added solid gains of 10.4% and 7.2%, providing both stability and support to overall portfolio results.

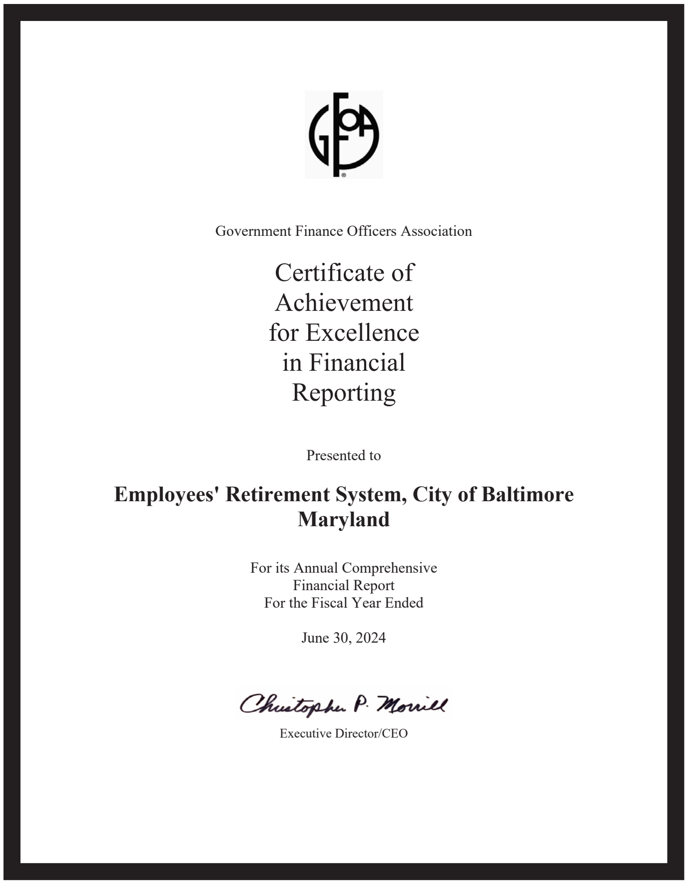
Investment Results

ERS maintains a strategic asset allocation designed to diversify risk and provide long-term growth. The target allocation includes exposure to equities, fixed income, private markets, real estate, defensive equity, and low-volatility strategies. These targets reflect the System's commitment to balancing growth, stability, and liquidity.



The actual allocation differs from policy targets largely due to the pacing of private equity and private debt commitments and the denominator effect created by rising private market valuations. Private equity increased to 25% of total assets, driven by strong valuation gains that expanded its share of the portfolio relative to other asset classes. Private debt remained under target as commitments continue to ramp up. At the same time, public equity and fixed income allocations fell slightly below target, reflecting both the System's rebalancing activity and the mathematical impact of private market growth on the portfolio's overall weighting. Together, these shifts illustrate how diversification and private market performance influence allocation dynamics while helping reduce volatility and support long-term return objectives.

The market environment at the end of FY25 was cautiously optimistic, marked by easing inflation, resilient labor markets, and meaningful gains across global equities. Fixed income delivered its strongest results in several years as interest rate volatility moderated, and real estate began to recover after recent declines. While uncertainties remain—particularly around interest rate policy, global trade, and geopolitical developments—ERS's diversified portfolio and long-term investment strategy position the System to navigate market fluctuations while aiming for stable, consistent returns over time. ERS will continue to monitor economic conditions, manage risk, and adjust the portfolio as needed to meet its long-term obligations and investment goals.



Government Finance Officers Association

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Employees' Retirement System, City of Baltimore Maryland

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2024

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 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 2025 ACFR.