

Baltimore City Council



Labor & Workforce Committee

Bill: 25-0044

**Title: Employees' Retirement System –
Board of Trustees – Membership and
Qualifications**

Agency Reports

CITY COUNCIL COMMITTEES

BUDGET AND APPROPRIATIONS (BA)

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Isaac "Yitzy" Schleifer – Vice Chair

Sharon Green Middleton

Paris Gray

Antonio Glover

Staff: Marguerite Currin (443-984-3485) & Paroma Nandi (410-396-0271)

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Zac Blanchard – Vice Chair

Danielle McCray

Isaac "Yitzy" Schleifer

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Phylicia Porter

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Staff: Anthony Leva (410-396-1091)

HOUSING AND ECONOMIC DEVELOPMENT (HCD)

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Odette Ramos – Vice Chair

Zac Blanchard

Jermaine Jones

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Staff: Anthony Leva (410-396-1091)

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Ryan Dorsey

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John Bullock

Odette Ramos

Staff: Marguerite Currin (443-984-3485)

LABOR AND WORKFORCE (LW)

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James Torrence – Vice Chair

Danielle McCray

Ryan Dorsey

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Staff: Anthony Leva (410-396-1091), Julianne Jemmott

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Ryan Dorsey – Chair

Sharon Green Middleton – Vice Chair

Mark Parker

Paris Gray

John Bullock

Phylicia Porter

Zac Blanchard

Staff: Anthony Leva (410-396-1091)

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Mark Parker – Vice Chair

Sharon Green Middleton

James Torrence

Zac Blanchard

Jermaine Jones

Odette Ramos

Staff: Anthony Leva (410-396-1091)

Juliane Jemmott

LEGISLATIVE INVESTIGATIONS (LI)

Isaac "Yitzy" Schleifer - Chair

Antonio Glover – Vice Chair

Ryan Dorsey

Sharon Green Middleton

Paris Gray

Staff: Marguerite Currin (443-984-3485)



Meeting: Legislative Oversight Hearing

Committee: Labor & Workforce

Bill # 25-0044

Title: Employees' Retirement System

Purpose: For the purpose of making certain amendments to the membership and qualifications of the members of the Employees' Retirement System's Board of Trustees; and providing for a special effective date.

REPORTING AGENCIES

| Agency | Report |
|------------------------------|---------------------------------------|
| City Solicitor | Approved for form & legal sufficiency |
| Department of Finance | Report not received |
| Employees' Retirement System | Favorable |

BACKGROUND

The Employees' Retirement System (ERS) administers a cost-sharing, multiple employers defined benefit retirement plan for local government employees. The ERS was established on January 1, 1954, and has been amended over time. Any regular, permanent officer, agent, or employee of the City becomes a member of the ERS after completing one year of service, unless they are required to join the Maryland State Retirement System or another eligible retirement plan.

Oversight of the ERS is handled by the Board of Trustees for the Employees' Retirement System and the Elected Officials' Retirement System. The Board is responsible for managing both systems in line with City law and plays an important role in overseeing how they operate. This includes making decisions about how funds are invested, how benefits are administered, and what policies guide the systems. The Board's work is essential to keeping both retirement systems financially stable and sustainable for current employees, retirees, and future members.

Bill Summary

Council Bill 25-0044 makes amendments to the membership structure, qualifications, and ethics requirements of the Employees' Retirement System's (ERS) Board of Trustees. The Board currently consists of 9 members, and the bill increases this to 10 while updating the professional qualifications and appointment rules for several categories. It also strengthens ethical guidelines to promote transparency and reduce conflicts of interest. Under the bill, the

Board shall consist of the following members:

1. The City Comptroller.
2. The Director of Finance.
3. The CEO of the Baltimore City Public School System, or the Chief Financial Officer if designated by the CEO.
4. Two members of the ERS, elected by the system's active membership under Board-established rules. These members must possess relevant institutional investment management or related financial experience. A member who retires during their term after serving more than two years may continue to serve for the remainder of the term.
5. Two residents of Baltimore City, appointed by the Mayor and confirmed by the City Council. One of these appointees must have commercial banking or equivalent financial experience. These members may not be City employees.
6. Two residents of Baltimore City or surrounding counties, appointed by the Mayor from recommendations made by the City Council President and confirmed by the City Council. These appointees must have at least five years of experience in institutional investment, insurance, taxation, accounting, or finance and may not be City employees.
7. One ERS retiree, elected by retirees under Board-established rules. This member must also have experience in institutional investment management or a related field.

The bill also clarifies that trustee and employee appointments are to be made without regard to political affiliation, and that trustees are subject to the Baltimore City Public Ethics Law.

Under these provisions:

- Trustees and Board employees may not do business with, or hold financial interests in, any City-administered retirement system, including ERS, EOS, the Fire and Police Retirement System, the Retirement Savings Plan, or the Deferred Compensation Plan.
- They are prohibited from accepting gifts, travel, or reimbursements from individuals or organizations marketing products or services to any City Benefit Plan.
- Attendance at conferences or related events using System funds must be pre-approved by the Board of Estimates in accordance with AM-240-3.

- Trustees and employees may not engage in lobbying activities requiring registration with the City Ethics Board.

The City Ethics Board is tasked with administering and enforcing the ethical standards set forth in this bill in alignment with existing ethics law.

ADDITIONAL INFORMATION

Fiscal Note:

This bill modifies the structure and qualifications of the Board of Trustees for the ERS, increasing the number of trustees from 9 to 10 and introducing new ethics and ethics requirements.

This bill is expected to have no significant fiscal impact but could have minor administrative costs related to trustee elections, training, or ethics compliance though it should be absorbed within the existing budget.

Information Source(s):

<https://www.bcers.org/wp-content/uploads/2024/12/ERS-PAFR-V4.pdf>

<https://mayor.baltimorecity.gov/bc/boards/board-trustees-employment-retirement-system-and-elected-officials-retirement-system>

Analysis by: Juliane Jemmott
Analysis Date: 6/4/2025

Direct Inquiries to: Juliane.Jemmott@baltimorecity.gov

**CITY OF BALTIMORE
COUNCIL BILL 25-0044
(First Reader)**

Introduced by: The Council President

At the request of: The Administration (Employees' Retirement System)

Introduced and read first time: March 24, 2025

Assigned to: Labor and Workforce Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Finance, Employees' Retirement System

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Employees' Retirement System – Board of Trustees – Membership and Qualifications**

3 FOR the purpose of making certain amendments to the membership and qualifications of the
4 members of the Employees' Retirement System's Board of Trustees; and providing for a
5 special effective date.

6 BY repealing and re-ordaining, with amendments

7 Article 22 - Retirement Systems

8 Section 5

9 Baltimore City Code

10 (Edition 2000)

11 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE**, That the
12 Laws of Baltimore City read as follows:

13 **Baltimore City Code**

14 **Article 22. Retirement Systems**

15 **Employees' Retirement System**

16 **§ 5. Administration; Board of Trustees.**

17 (b) *Members.*

18 The Board shall consist of [9] 10 trustees as follows:

19 (1) The City Comptroller.

20 (2) [(1a)] the Director of Finance.

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

Council Bill 25-0044

(3) THE CHIEF EXECUTIVE OFFICER (CEO) OF THE BALTIMORE CITY PUBLIC SCHOOL SYSTEM, OR THE CHIEF FINANCIAL OFFICER OF THE BALTIMORE CITY PUBLIC SCHOOL SYSTEM, IF DESIGNATED BY THE CEO.

(4) [(2)] (i) 2 members of this System to be elected by the membership of this System under rules and regulations that, subject to Title 4 {"Administrative Procedure Act – Regulations"} of the City General Provisions Article, the Board of Trustees adopts to govern the election. These members shall serve for terms of 4 years each, staggered as provided for the trustees first elected under this paragraph (2). THESE MEMBERS SHALL POSSESS EXPERIENCE IN RELEVANT INSTITUTIONAL INVESTMENT MANAGEMENT OR A RELATED FIELD.

(ii) A member elected to serve as trustee under this paragraph [(2),] (4), who retires during his or her term of office after having served more than 2 years in office and who begins receiving a retirement benefit, will continue to serve for the balance of his or her term of office.

(5) [(3)] (i) 2 residents of the City of Baltimore, to be appointed by the Mayor, subject to confirmation by the City Council, as provided in City Charter Article IV, § 6, each to serve for terms of 4 years concurrent with the Mayor's term of office.

(ii) 1 of these trustees shall possess commercial banking experience or similar financial experience.

(iii) As of his or her appointment and during his or her entire term of office, a trustee appointed under this paragraph [(3)] (5) may not be an employee.

(6) [(3a)] (i) 2 residents of the City of Baltimore or a surrounding county, to be appointed by the Mayor, subject to confirmation by the City Council, as provided for in City Charter Article IV, § 6, from recommendations made by the President of the City Council, to serve for a term of 4 years concurrent with the Mayor's term of office.

(ii) As of his or her appointment and during his or her entire term of office, a trustee appointed under this paragraph [(3a)] (6) may not be an employee.

(iii) A trustee appointed under this paragraph [(3a)] (6) shall possess at least 5 years of institutional investment, insurance, taxation, accounting, or finance experience.

(7) [(4)] 1 retiree of this System to be elected by the retirees under rules and regulations that, subject to Title 4 {"Administrative Procedure Act – Regulations"} of the City General Provisions Article, the Board of Trustees adopts to govern the election. This member shall serve for a term of 4 years, staggered as provided for the trustee first elected under this paragraph [(4).] (7). THIS MEMBER SHALL POSSESS EXPERIENCE IN RELEVANT INSTITUTIONAL INVESTMENT MANAGEMENT OR A RELATED FIELD.

Council Bill 25-0044

(8) [(4a)] Notwithstanding City Charter Article IV, § 8, which ordinarily requires minority party representation, the election or appointment of Trustees under this subsection shall be made without regard to political affiliation, including those Trustees holding their positions ex officio.

(9) [(5)] (i) The Board of Trustees is an “agency” and a “board” within the meaning of and subject to the standards and requirements of the Baltimore City Public Ethics Law (City Code Article 8). Each Trustee is a “public servant” and an “official” within the meaning of and subject to the standards and requirements of the Baltimore City Public Ethics Law. And each employee of the Board is a “public servant” and an “employee” within the meaning of and subject to the standards and requirements of the Baltimore City Public Ethics Law.

(ii) In addition to the standards and requirements contained in the Baltimore City Public Ethics Law, Trustees and Board employees may not engage in any of the following activities or hold any of the following interests, as these activities or interests are defined in the Baltimore City Public Ethics Law.

1. No Trustee or Board employee may do business with any system, plan, or trust administered by any of the following (collectively, the “City Benefit Plans”):

A. the Board of Trustees of the Employees’ Retirement System of the City of Baltimore;

B. the Board of Trustees of the Fire and Police Employees’ Retirement System of the City of Baltimore;

C. the Board of Trustees of the Elected Officials’ Retirement System of the City of Baltimore;

D. the Board of Trustees of the Retirement Savings Plan of the City of Baltimore; and

E. the Committee of the City of Baltimore Deferred Compensation Plan.

2. No Trustee or Board employee may be employed by or have a financial interest in any person or entity doing business or seeking to do business with any City Benefit Plan.

3. A. Notwithstanding City Code Article 8 {“Ethics”}, § 6-28(3) {“Gifts: Qualified exemptions; travel, etc., expenses”}, no Trustee or Board employee may accept any gift or any payment, free admission, or expense reimbursement for attendance at a conference, seminar, or similar meeting, or for related food, travel, lodging, or entertainment, if the gift or the payment, free admission, or reimbursement is, directly or indirectly, from:

Council Bill 25-0044

- i. any person or entity engaged in an activity or providing a product or service that the Trustee knows or has reason to know has been marketed to a City Benefit Plan or is of a type that the Trustee reasonably would expect to be marketed to a City Benefit Plan; or
- ii. any trade, professional, or other association that has members engaged in an activity or providing a product or service that the Trustee knows or has reason to know has been marketed to a City Benefit Plan or is of a type that the Trustee reasonably would expect to be marketed to a City Benefit Plan.

B. Subparagraph 3.A does not preclude application of the qualified exemptions contained in City Code Article 8, § 6-28(1) {"food or beverages .. consumed ... in ... presence of ... donor"}, § 6-28(2) {"gift ... [of] insignificant value"}, § 6-28(5) {"gift ... [exempted by] Ethics Board"}, or § 6-28(6) {"gift from a spouse, parent, child, or sibling"}, subject to the qualifications of § 6-29 {"Exemption limitations"}.

4. No funds of this System or of any system, plan, or trust administered by the Board of Trustees may be used to pay for the attendance of a Trustee or Board employee at any conference, seminar, or similar meeting, or for related food, travel, lodging, or entertainment, unless that attendance has first been approved by the Board of Estimates in accordance with the Administrative Manual of Baltimore City, AM-240-3 {"Board of Estimates Approval"}.

5. No Trustee or Board employee may engage in any activity that requires registration as a lobbyist with the City Ethics Board.

(iii) The City Ethics Board shall administer and enforce this paragraph [(5)] (9) in accordance with the administrative and enforcement provisions of the Baltimore City Public Ethics Law.

SECTION 2. AND BE IT FURTHER ORDAINED, That this Ordinance takes effect on the date it is enacted.

Baltimore City Council



Labor & Workforce Committee

Bill: 25-0044

**Title: Employees' Retirement System –
Board of Trustees – Membership and
Qualifications**

Agency Reports

CITY OF BALTIMORE

BRANDON M. SCOTT

Mayor



DEPARTMENT OF LAW

EBONY M. THOMPSON, CITY SOLICITOR

100 N. HOLLIDAY STREET

SUITE 101, CITY HALL

BALTIMORE, MD 21202

April 10, 2025

The Honorable President and Members
of the Baltimore City Council

Attn: Executive Secretary

Room 409, City Hall

100 N. Holliday Street

Baltimore, Maryland 21202

Re: City Council Bill 25-0044 – Employees’ Retirement System – Board of Trustees –
Membership and Qualifications

Dear President and City Council Members:

The Law Department has reviewed City Council Bill 25-0044 for form and legal sufficiency. The bill would add an additional trustee from the City School System to the Board of Trustees for the Employees’ Retirement System. It also clarifies that two of the Trustees must have experience in investment management or a related field. The bill makes the necessary changes to the numbering in Section 5 of Article 22 of the City Code.

The City has the power to “establish and maintain a general system of pensions and retirement benefits” in the City. City Charter, Art. II, § (24). As this bill is in accordance with that power, the Law Department can approve it for form and legal sufficiency.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Hilary Ruley".

Hilary Ruley
Chief Solicitor

cc: Ebony M. Thompson, City Solicitor
Ty’lor Schnella, Mayor’s Office of Government Relations
Ashlea Brown, Chief Solicitor
Jeffrey Hochstetler, Chief Solicitor
Michele Toth, Assistant Solicitor
Desiree Lucky, Assistant Solicitor



**CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT**

| | |
|----------------|---|
| TO | The Honorable President and Members of the Baltimore City Council |
| FROM | David A Randall, Executive Director Employees', Elected Officials', and Retirement Savings Plan Systems |
| CC | Mayor's Office of Government Relations |
| DATE | April 8, 2025 |
| SUBJECT | City Council Bill 25-0044, Employees' Retirement System – Board of Trustees – Membership and Qualifications |

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Position: Favorable

BILL SYNOPSIS

Bill 25-0044

Major Change to Article 22

A bill to amend Article 22 to add the Chief Executive Officer (“CEO”) or the Chief Financial Officer (“CFO”) of the Baltimore City Public Schools the Employees’ Retirement System (“ERS”) Board of Trustees. The change will add representation to the ERS Board of Trustees for members of ERS that are employed by Baltimore City Public Schools. The bill also amends Article 22 to add experience in relevant institution investment management or a related field to the qualifications required for certain members of the ERS Board of Trustees, which will ensure trustees are knowledgeable in the subject area in which they are making decisions.

SUMMARY OF POSITION

City Council Bill 25-0044 was referred to the Employees’ Retirement System (“ERS”) for comment. The Bill’s stated purpose is to clarify various areas within Article 22 of the Baltimore City Code, as outlined in the above Bill Synopsis. The bill will strengthen the Board of Trustees that provide oversight of the ERS System. There are no benefit changes or improvements so therefore, there are no costs to the City or to the Plan.

As the requesting agency for the proposed changes, the ERS supports City Council Bill 25-0044.

FISCAL IMPACT *None*

AMENDMENTS *None*

Baltimore City Council



Labor & Workforce Committee

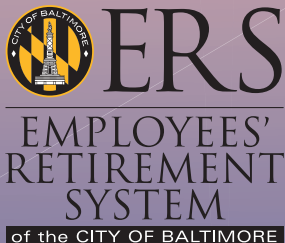
Bill: 25-0044

**Title: Employees' Retirement System –
Board of Trustees – Membership and
Qualifications**

Additional Materials

EMPLOYEES' RETIREMENT SYSTEM

City of Baltimore, Maryland



Popular Annual
Financial Report

Year Ended June 30, 2024

Pension Trust of the City of Baltimore

Introduction

We are pleased to present the Popular Annual Financial Report (PAFR) for the Employees' Retirement System of the City of Baltimore (ERS). This report provides a summary of the fiscal year 2024 Annual Comprehensive Financial Report (ACFR), which was prepared in accordance with Generally Accepted Accounting Principles (GAAP). The PAFR includes selected highlights from the ACFR to offer a concise and accessible overview. It has been mailed to all retirees, shared via email with active members, and is available online at www.bcers.org/publications/ERS-PAFR. For those interested in a detailed review of our financials, the complete ACFR can be accessed at www.bcers.org/publications/ERS-ACFR. Thank you for staying engaged with ERS.

Board of Trustees Chair's Letter

ERS continued to rebound in fiscal year 2024. The ERS return was 7.7%. The ERS slightly underperformed its policy benchmark return of 8.4% and was below the relative peer group ranking in a universe of over 300 public pension funds. However, ERS has returned 7.2% over the past ten years and ranked 21st. The market value funded ratio for ERS is now 80.0%. We could not accomplish the agency's goals without the diligence and expertise of the Retirement Systems' staff. On behalf of the Board of Trustees, I sincerely thank you for a job well done.

In closing, I am pleased to announce some recent changes to the Board's composition. I, Quentin M. Herbert, and Veobia Akilo were elected to the board by active members, and Sharon Lockley was elected as the representative for retired members. I am honored to serve as the new board chair and am grateful for the opportunity to lead ERS in the years ahead.

Quinton M. Herbert

Executive Director's Letter

The ERS team remains deeply committed to prioritizing our members, retirees, and beneficiaries. Looking toward the future, we are advancing and actively working on significant system initiatives. In fiscal year 2024, we implemented Constant Contact as our new mass email software, enhancing communication capabilities with streamlined email campaigns and improved analytics. Progress continued on fossil fuel divestment under Ordinance 21-043, achieving further reductions and aligning with sustainability goals. We also introduced a Private Credit strategy to diversify and strengthen our investment portfolio. Modernization of IT systems included upgrading to Windows 11 and initiating server replacements to enhance security and efficiency. ERP system integrations were further refined for Baltimore City and actively supported for BCPSS's new system. Lastly, we reached a major milestone in digitizing Legal Affairs documents, with efforts ongoing across other departments to improve accessibility, security, and operational efficiency.

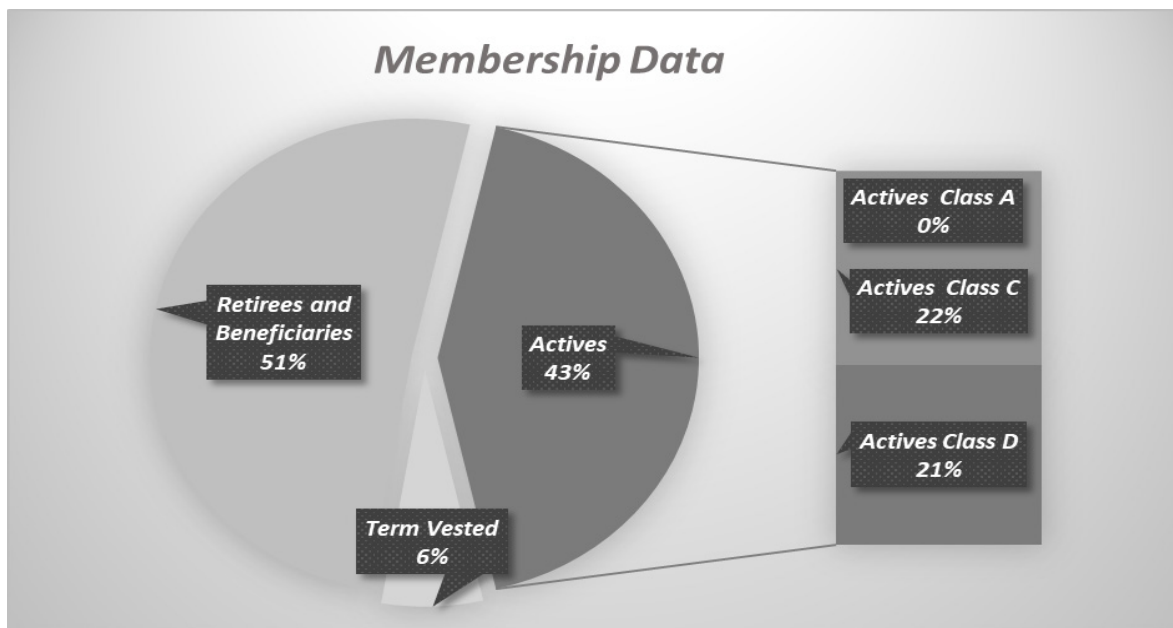
I would like to express my gratitude to our staff for their dedication. I also want to thank the Board of Trustees for their commitment to overseeing the ERS.

David A. Randall

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 of June 30, 2024 | Classes A&B | Class C | Class D | Total |
|---|-------------|---------------|--------------|---------------|
| Active Plan Members | 2 | 4,000 | 3,702 | 7,704 |
| Retirees and Beneficiaries (currently receiving benefits) | 263 | 8,847 | 47 | 9,157 |
| Terminated Plan members (entitled but not yet receiving benefits) | - | 1,113 | 15 | 1,128 |
| Total | 265 | 13,960 | 3,764 | 17,989 |



As of June 30, 2024, the Employees' Retirement System (ERS) had a total membership of 17,989, comprising 7,704 active members, 9,157 retirees and beneficiaries, and 1,128 terminated plan members. Compared to 2023, active membership increased, while the number of retirees and terminated vested members decreased. Terminated plan members are former employees who are eligible for but not yet receiving a pension.

Active members contribute a percentage of their earnable compensation, which excludes overtime and other types of pay and refers to their authorized annual salary. Class A members contribute 4%, while Classes C and D contribute 5%. Class A members are eligible for retirement at age 60 with 5 years of service or after 30 years of membership service, regardless of age. Classes C and D members are eligible for retirement at age 65 with 5 years of service or after 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 \$77.56 million during fiscal year 2024. The increase was due to positive investment returns from all asset classes except real estate that was negative. The negative return from real estate was due to lack of movement in interest rates that kept transaction volume low throughout the year as the asset class reflected a second consecutive negative year.

| Fiduciary Net Position | Fiscal Year 2024 | Fiscal Year 2023 | Increase / (Decrease) | Percentage Increase |
|-------------------------------|-------------------------|-------------------------|------------------------------|----------------------------|
| Cash and Receivables | \$ 75,800,974 | \$ 74,461,003 | \$ 1,339,971 | 2% |
| Investments | 2,076,409,482 | 1,992,478,515 | 83,930,967 | 4% |
| Securities Lending | 48,323,980 | 43,880,992 | 4,442,988 | 10% |
| Capital Assets | 339,084 | 336,401 | 2,683 | 1% |
| Total assets | 2,200,873,520 | 2,111,156,911 | 89,716,609 | 4% |
| Total liabilities | 89,411,434 | 77,259,457 | 12,151,977 | 16% |
| Total net position | \$ 2,111,462,086 | \$ 2,033,897,454 | \$ 77,564,632 | 4% |



The chart shows the Fiduciary Net Position of the ERS from FY2020 to FY2024 in millions. It increased significantly from \$1,709M in FY2020 to \$2,106M in FY2021, dipped to \$1,974M in FY2022, and then steadily rose to \$2,034M in FY2023 and \$2,111M in FY2024. Overall, the trend reflects consistent growth, with FY2024 reaching the highest position in the five-year period.

Financials

The Statement of Changes in Fiduciary Net Position provides an overview of how the Plan's net position evolved over the year. In fiscal year 2024, the Plan's fiduciary net position increased by \$77.6 million, a 30% growth compared to the \$59.6 million increase in fiscal year 2023. This marks a significant improvement, with the net position growing by \$17.97 million, or 30%, compared to the previous year's increase.

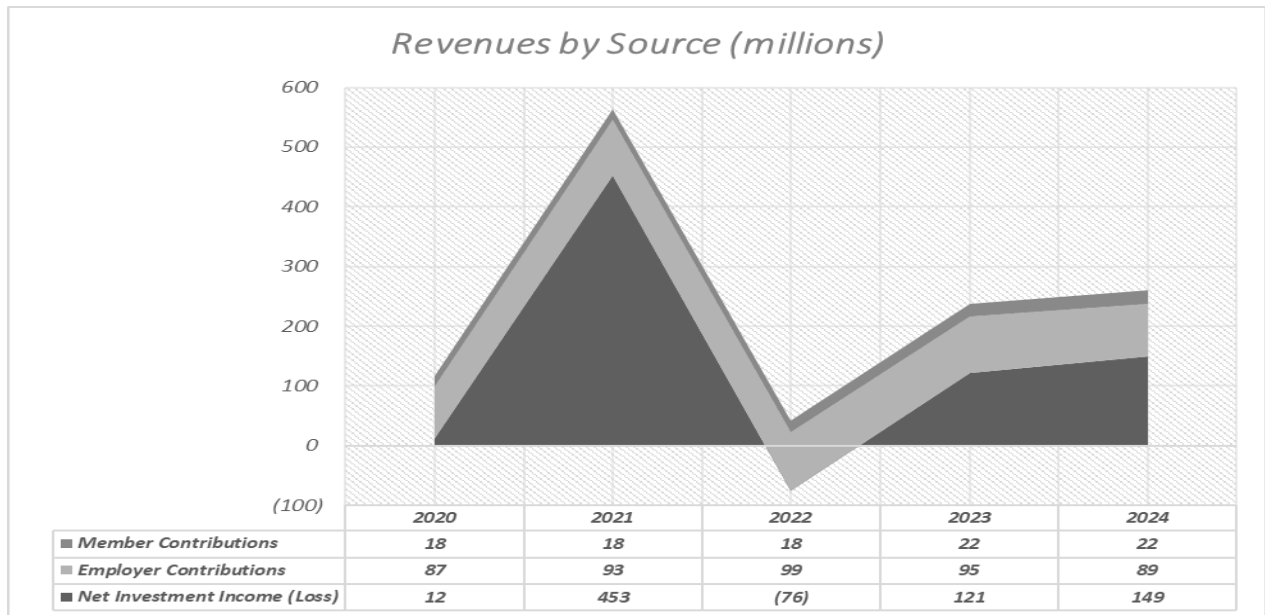
| Changes in Fiduciary Net Position | Fiscal Year 2024 | Fiscal Year 2023 | Increase / (Decrease) | Percentage Change |
|-----------------------------------|------------------|------------------|-----------------------|-------------------|
| Employer contribution | \$ 89,287,690 | \$ 94,788,090 | \$ (5,500,400) | -6% |
| Employee contribution | 22,006,003 | 22,144,404 | (138,401) | -1% |
| Net investment income (loss) | 148,973,976 | 120,788,368 | 28,185,608 | 23% |
| Net Securities Lending Income | 192,915 | 211,475 | (18,560) | -9% |
| Total additions | 260,460,584 | 237,932,337 | 22,528,247 | 9% |
| Retirement allowances | 174,651,915 | 170,579,131 | 4,072,784 | 2% |
| Administrative expenses | 5,316,122 | 5,068,850 | 247,272 | 5% |
| Refund of member's contribution | 1,711,402 | 1,770,228 | (58,826) | -3% |
| Death benefits | 1,177,121 | 870,469 | 306,652 | 35% |
| Lump Sum cash payments | 39,392 | 49,349 | (9,957) | -20% |
| Total deductions | 182,895,952 | 178,338,027 | 4,557,925 | 3% |
| Net increases (decreases) | \$ 77,564,632 | \$ 59,594,310 | \$ 17,970,322 | 30% |

Total additions, which include contributions and investment income, increased by 9% (\$22.5 million), rising from \$237.9 million in FY2023 to \$260.5 million in FY2024. This growth was driven primarily by a 23% (\$28.2 million) increase in net investment income, which totaled \$149.0 million in FY2024. However, contributions from both employers and employees decreased. Employer contributions declined by 6% (\$5.5 million) to \$89.3 million, while employee contributions dropped by 1% (\$138K) to \$22.0 million. Net securities lending income also saw a 9% reduction, amounting to \$193K.

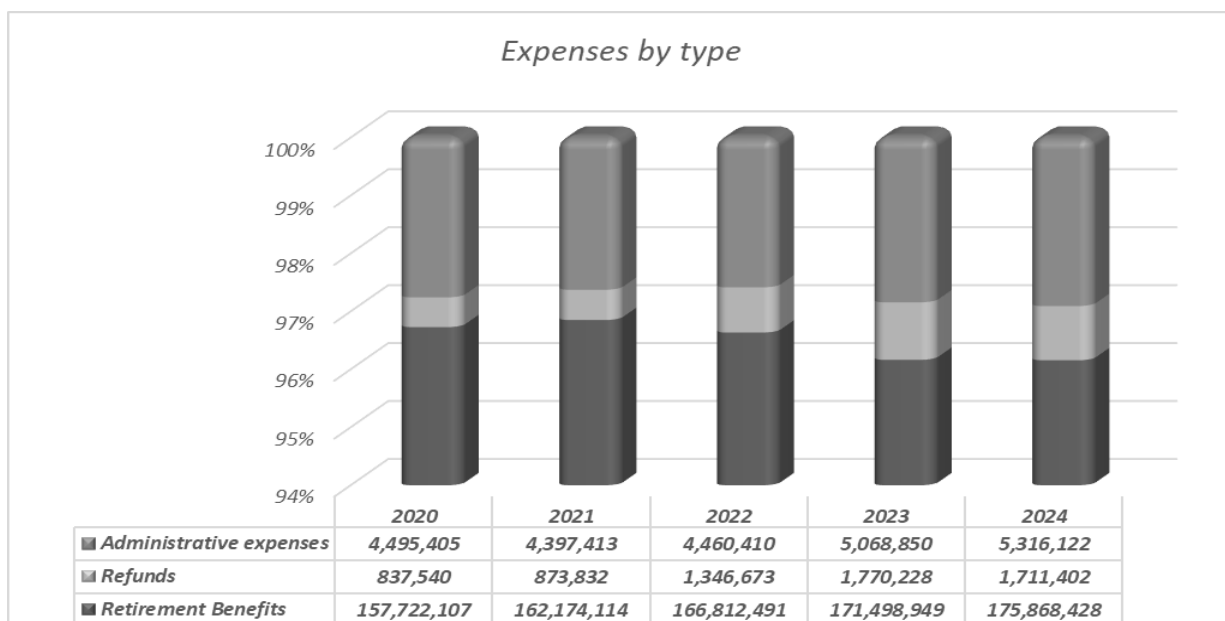
Deductions, which encompass retirement allowances, administrative expenses, refunds, death benefits, and lump-sum cash payments, grew by 3% (\$4.6 million), reaching \$182.9 million in FY2024. Retirement allowances, the largest deduction category, increased by 2% (\$4.1 million) to \$174.7 million. Administrative expenses rose by 5% (\$247K), totaling \$5.3 million. Death benefits saw the most significant percentage increase, jumping 35% (\$307K) to \$1.2 million, while refunds of member contributions decreased by 3% (\$59K), and lump-sum cash payments fell by 20% (\$10K).

Overall, the fiduciary net position improved significantly, with a net increase of \$77.6 million in FY2024, a 30% (\$18.0 million) growth compared to the \$59.6 million increase in FY2023. This strong performance was largely attributed to improved investment returns, which offset the slight declines in contributions and securities lending income.

Financials



Between FY2023 and FY2024, total expenses increased from \$178.3 million to \$182.9 million, reflecting a rise of \$4.6 million, primarily driven by retirement benefits. Retirement payments grew by \$4.4 million, from \$171.5 million to \$175.9 million, due to cost-of-living adjustments (2% for retirees aged 65+ and 1.5% for those under 65), despite a decline in the retiree population. Administrative expenses rose from \$5.1 million to \$5.3 million, an increase of \$247,272, reflecting slightly higher operational costs. Refunds of employee contributions declined by \$58,826, from \$1.77 million to \$1.71 million, indicating fewer non-vested employees leaving. The increase in total expenses highlights the impact of COLAs on retirement benefits and modest growth in administrative costs, even with a declining retiree population.



Investments

The primary investment objectives of the System are to preserve the inflation-adjusted capital value of its assets, maintain sufficient liquidity to meet benefit liabilities as they become due, achieve the actuarial interest rate assumptions, and, where possible without compromising these priorities, surpass the investment return objective through prudent management of the System's assets.

Investment performance is measured against a policy benchmark comprising a pro rata representation of the asset allocation, using indices detailed in the Investment Policy. Additionally, the System's performance is compared to the Investment Metrics Public Fund Universe, which reflects the performance of 64 Public Funds with over \$1 billion in assets. Performance analysis is supported by Marquette through the InvestorForce Performance Reporting network, a sophisticated platform utilized by over 100 investment consulting firms across the United States.

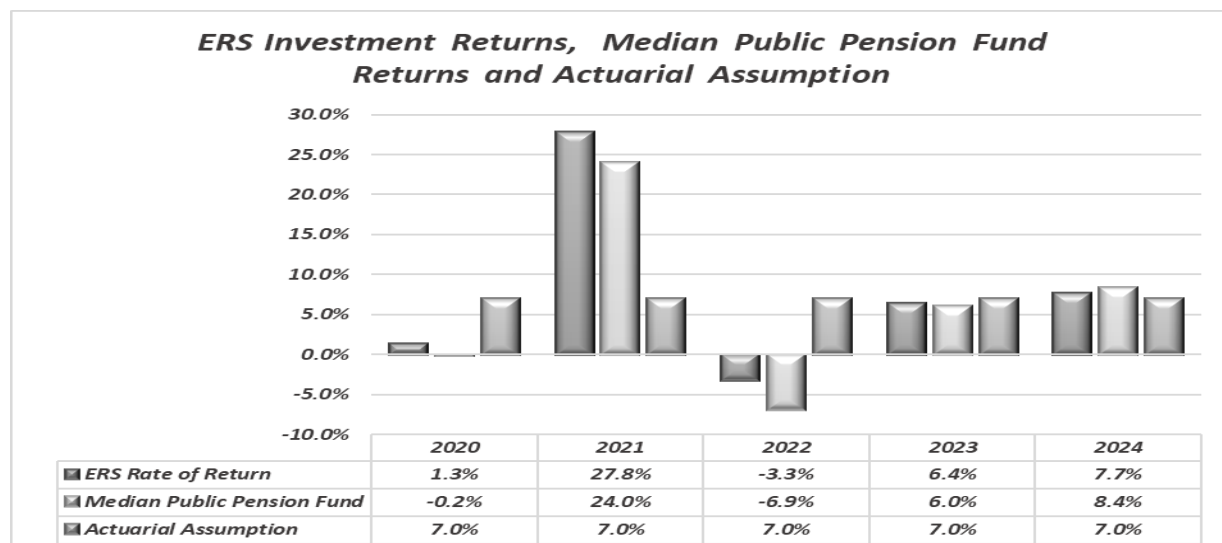
The asset allocation strategy aims to balance a favorable rate of return with an appropriate level of risk. Following an asset allocation analysis, the System increased its exposure to private credit investments to enhance long-term returns, manage risk, and diversify the portfolio. The table below highlights the ERS's investment returns relative to its benchmarks.

| | FY2024 | 3 Years | 5 Years | 10 Years |
|---|---------------|----------------|----------------|-----------------|
| TOTAL PORTFOLIO | 7.7% | 3.5% | 7.5% | 7.2% |
| <i>Median Public Pension Fund</i> | 8.4% | 2.5% | 6.5% | 6.5% |
| <i>Target Rate of Return</i> | 7.0% | 7.0% | 7.0% | 7.0% |
| DOMESTIC EQUITIES | 14.5% | 3.5% | 9.8% | 9.8% |
| <i>Russell 3000</i> | 23.1% | 8.1% | 14.1% | 12.1% |
| DEFENSIVE EQUITIES | 11.9% | 6.2% | 9.5% | - |
| <i>CBOE Put Write Index</i> | 9.1% | 7.3% | 8.2% | 6.8% |
| <i>50% S&P 500/50% 91 Day T-Bill</i> | 14.9% | 6.9% | 8.8% | 7.3% |
| INTERNATIONAL EQUITIES | 13.2% | 0.4% | 6.9% | 5.6% |
| <i>MSCI ACWI ex-US</i> | 12.2% | 1.0% | 6.1% | 4.3% |
| Xponance | 10.5% | 0.5% | 6.9% | 5.5% |
| <i>InvMetrics Public DB ex US Eq Gross Rank</i> | 11.6% | 0.5% | 5.5% | 4.9% |
| FIXED INCOME | 6.8% | -0.4% | 1.8% | 2.5% |
| <i>Bloomberg US Aggregate TR</i> | 2.6% | -3.0% | -0.2% | 1.3% |
| REAL ESTATE | -12.2% | 0.0% | 1.9% | 5.7% |
| <i>NFI-ODCE</i> | -9.3% | 1.9% | 3.1% | 6.4% |
| <i>CPI + 5%</i> | 8.1% | 10.2% | 9.4% | 7.9% |
| PRIVATE EQUITY COMPOSITE | 7.1% | 15.3% | 19.5% | 16.5% |
| <i>Cambridge Associates All PE</i> | 4.9% | 6.8% | 15.1% | 14.1% |
| <i>CPI + 6%</i> | 9.7% | 12.0% | 10.4% | 9.0% |
| Low Volatility Composite | 13.7% | 5.6% | - | - |
| <i>S&P 500 Low Volatility</i> | 6.2% | 4.7% | 5.9% | 8.8% |

Investments

The economy remained steadfast though signs of weakness began to emerge towards the close of the fiscal year. Larger corporations and higher income households became more bifurcated from smaller firms and lower income households respectively, as the effects of inflation pricing continued to hurt the consumer. Similarly, the labor market while healthy, reflected a steady increase from 3.5% to 4.1% during the 12-month period. The markets were generally attentive to the Federal Reserve as expectations of a rate cut continued to be delayed throughout the year. On the global economic front, parallels to the United States emerged with developed countries generally reporting a fall in inflation. The European Central Bank cut its key rate in June 2024. China continued to reflect struggles in the country as domestic consumer demand remained weak after a challenging post-COVID recovery. Global equities continued to reflect strong returns in 2024. U.S equities once more led their international developed and emerging markets counterparts with double digit gains of 23.1% for the U.S. stock market and 11.5% for the international stocks. Fixed income markets were volatile, though generally closed the year in positive territory. Investment-grade bonds saw muted returns of 2.6% as the yield curve remained inverted. Sub-investment grade debt, once more posted gains, with bank loans outperforming high-yield debt given their floating-rate characteristics. Real Estate continued to weigh on investors returns as the lack of movement in interest rates kept transaction volume low throughout the year as the asset class reflected a second consecutive negative year with a -9% return.

For the fiscal year ending June 30, 2024, the System posted a positive gain of 7.7% return which underperformed the policy benchmark of 8.4% and lagged in the peer group. During a period of marginally increasing rates, fixed income returns were additive once more due to the exposure to floating rate debt. Domestic equity investment strategies struggled against their respective benchmarks over the fiscal year due to a narrow market where a handful of positions led the markets. Growth-oriented investments were in favor throughout the year with the larger sized corporations faring better than their smaller counterparts.

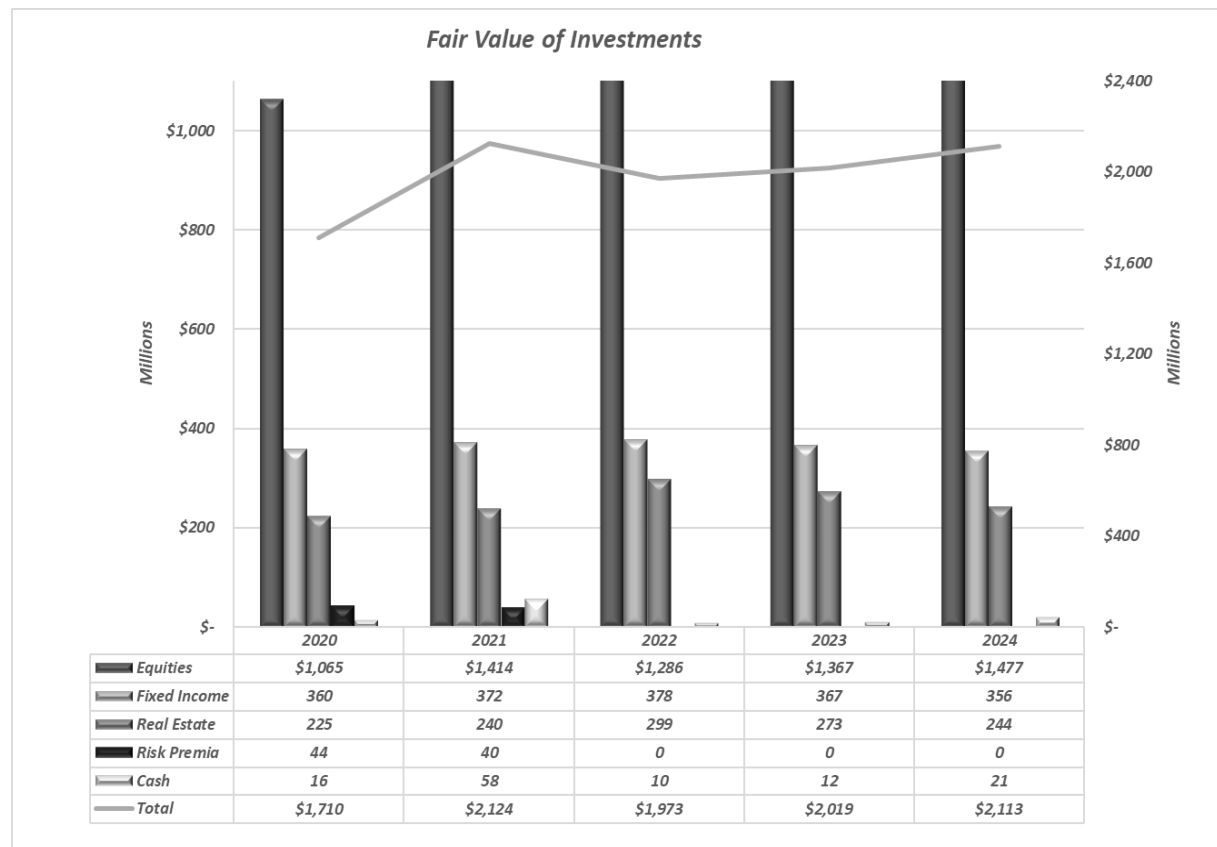
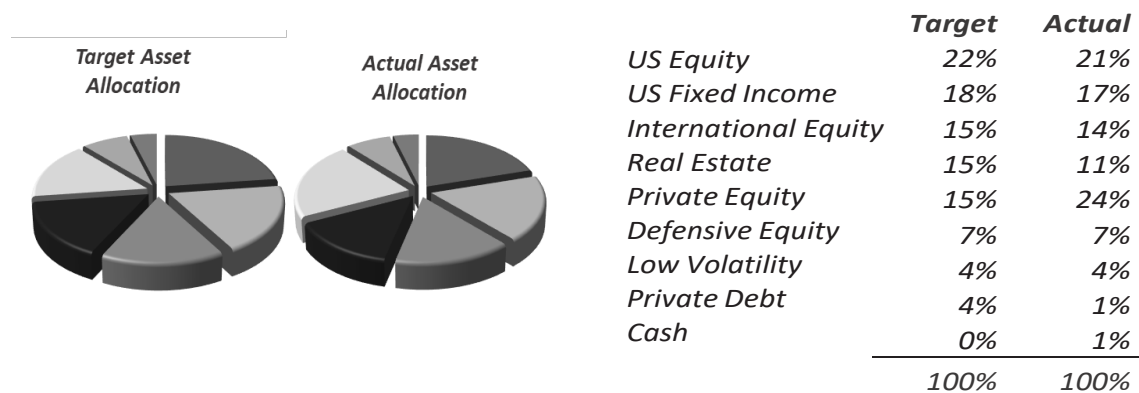


Investments

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.

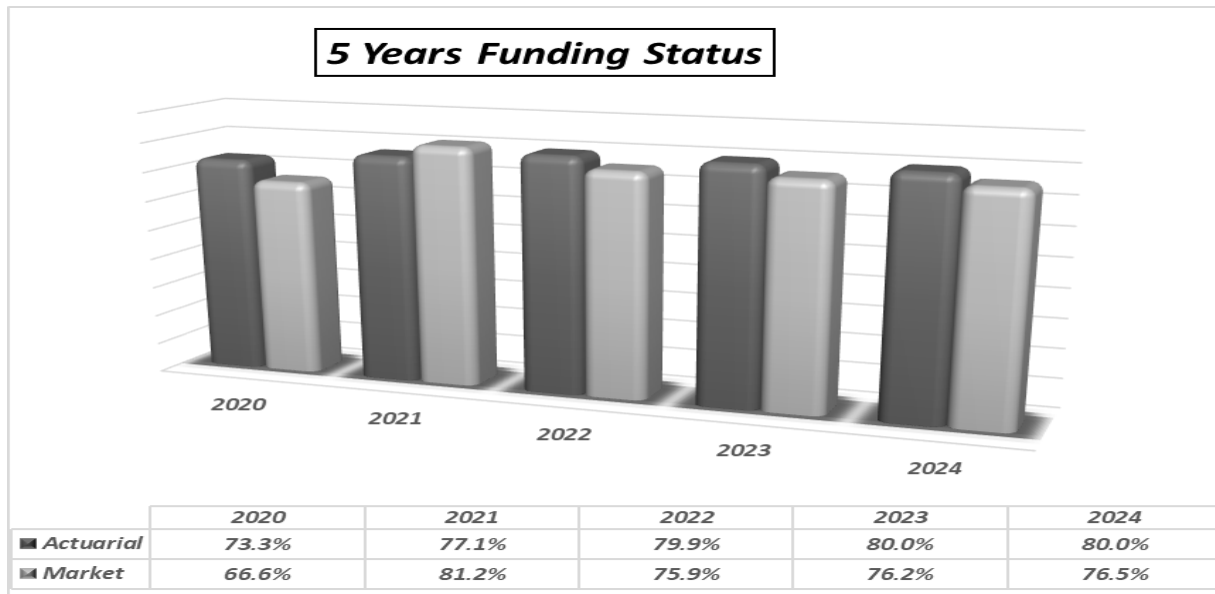
The current ERS asset allocation policy and actual allocation is as stated below:



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, 2024, the actuarial funded ratio held steady at 80.0%, reflecting no change from the prior year. In contrast, the market funded ratio increased from 76.2% in 2023 to 76.5% in 2024, marking a 0.3% improvement. This progress in market funding was driven by the employer contributing more than the periodic cost because of the funding plan to get to 100%.



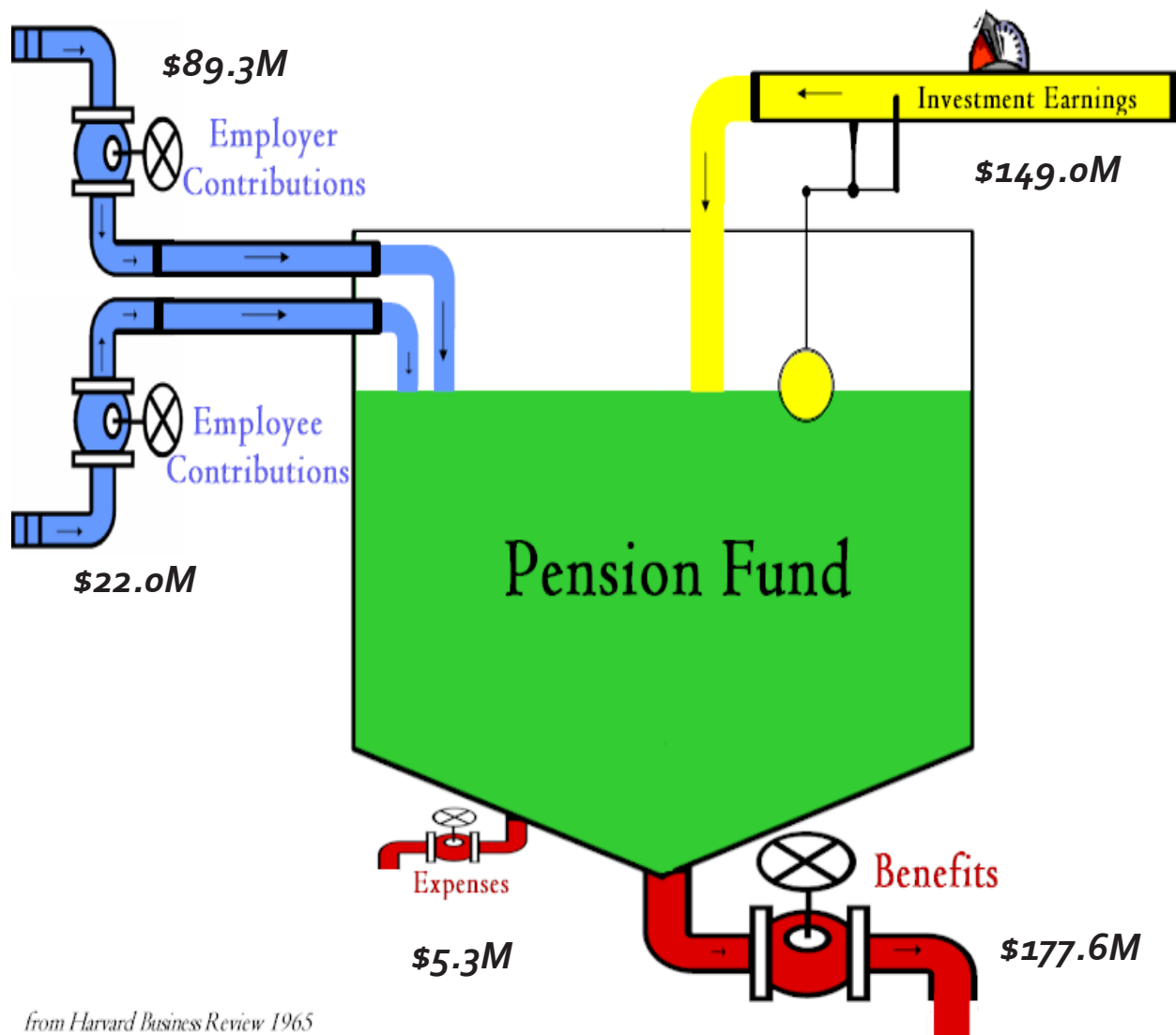
The funding policy previously adopted by the Board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by the fiscal year ending 2032 with a one-time, one-year extension adopted in 2019. For the June 30, 2024 valuation, the Board adopted a change in amortization method such that future changes in unfunded liability due to experience gains or losses and changes in actuarial assumptions will be amortized over separate ("layered") 15-year periods. The expected UAL as of June 30, 2023, based on the prior year is amortized over the remaining amortization period of 8 years.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Total Pension Liability | \$ 2,567,398,628 | \$ 2,593,420,191 | \$ 2,600,520,742 | \$ 2,669,719,349 | \$ 2,760,157,452 |
| Plan Fiduciary Net Position | 1,709,154,733 | 2,105,524,981 | 1,974,303,144 | 2,033,897,454 | 2,111,462,086 |
| Unfunded Liability | \$ 759,541,810 | \$ 858,243,895 | \$ 487,895,210 | \$ 626,217,598 | \$ 648,695,366 |

Actuarial

Based on the actuarial valuation performed at the end of fiscal year 2022, the total contributions due from the employer for fiscal year 2024 was \$89.3 million. For the past 5 years, the City of Baltimore, which is the employer, has contributed 100% of the actuarially determined contributions to the Plan.

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 89,287,690 | \$ 94,788,090 | \$ 98,640,176 | \$ 92,637,051 | \$ 86,953,801 |
| Actual employer Contributions | 89,287,690 | 94,788,090 | 98,640,176 | 92,637,051 | 86,953,801 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 507,685,584 | \$ 458,637,682 | \$ 439,326,244 | \$ 455,219,365 | \$ 437,242,419 |
| Contributions as a percentage of payroll | 17.59% | 20.67% | 22.45% | 20.35% | 19.89% |



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**Employees' Retirement System, City of Baltimore
Maryland**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell
Executive Director/CEO

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Employees' Retirement Systems
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Baltimore, MD 21202

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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 2024 ACFR.