BALTIMORE CITY COUNCIL

LABOR & WORKFORCE COMMITTEE

Mission Statement

*On behalf of the Citizens of Baltimore City, the mission of the **Labor and Workforce Committee** is committed to strengthening Baltimore's workforce by championing fair labor practices, equitable job opportunities, and economic mobility for all residents. The committee prioritizes policies that ensure safe and dignified working conditions, uphold workers' rights, and expand access to career pathways through job training and education.*

The Honorable

Jermaine Jones

CHAIR

PUBLIC HEARING

6/11/2025

2:00 PM

CLARENCE "DU" BURNS COUNCIL CHAMBERS

Bill:25-0042

Title: Retirement Savings Plan – Clarifying Amendment

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CITY OF BALTIMORE
BRANDON SCOTT – MAYOR
ZEKE COHEN - COUNCIL PRESIDENT

OFFICE OF COUNCIL SERVICES
NANCY MEAD – DIRECTOR
100 N. HOLIDAY STREET
BALTIMORE MD, 21202

Meeting: Legislative Oversight Hearing

Committee: Labor & Workforce

Bill # 25-0042

Title: Retirement Savings Plan – Clarifying Amendment

Purpose: For the purpose of clarifying the definition of "service" for the members of the Retirement Savings Plan; and providing for a special effective date.

REPORTING AGENCIES

Agency	Report
Baltimore City Solicitor	Approved for form & legal sufficiency
Baltimore City Department of Finance	**Report not received**
Employees' and Elected Officials Retirement System	Favorable

BACKGROUND

The City of Baltimore's Retirement Savings Plan (RSP) is responsible for the administration and operation of Baltimore City's two contribution retirement plans: the Hybrid Plan and the Non-Hybrid Plan. The RSP is required for most civilian employees hired or rehired on or after July 1, 2014.

Eligible Employees become participants in the plan after 180 days of employment. If no plan is selected, they are automatically enrolled in the Non-Hybrid Plan. To be eligible, employees must:

- Be newly hired or rehired by the City of Baltimore or Baltimore City Public Schools;
- Not be members of or receiving benefits from the Maryland State Teachers' Retirement System;
- Not be elected officials;
- Not be eligible for the Fire and Police Retirement System; and
- Work in a classification requiring more than 500 hours annually.

<u>Retirement Savings Plan Budget</u>

The Retirement Savings Plan aims to ensure that all City employees are retirement ready and able to retire with dignity. The activities include educating employees on available retirement options and provide resources for City employees to ensure they are retirement ready.

	Fiscal 2024 Actual		Fiscal 2025 Budget		Fiscal 2026 Budget	
Fund Name	**Dollars**	**Positions**	**Dollars**	**Positions**	**Dollars**	**Positions**
Special	454,552	4	915,664	4	966,567	4
Total	**454,552**	**4**	**915,664**	**4**	**966,567**	**4**

Retirement Savings Plan Expenditures

	Actual	Budget	
Object	**Fiscal 2024**	**Fiscal 2025**	**Fiscal 2026**
1 Salaries	330,499	347,455	363,087
2 Other Personnel Costs	119,775	129,884	150,817
3 Contractual Services	337	431,889	444,844
4 Materials and Supplies	200	2,080	2,143
5 Equipment - $4,999 or less	0	520	1,976
7 Grants, Subsidies and Contributions	3,740	3,836	3,700
Total	**454,552**	**915,664**	**966,567**

	Actual	Budget	
Activity	**Fiscal 2024**	**Fiscal 2025**	**Fiscal 2026**
Retirement Savings Plan (RSP) Administration	454,552	915,664	966,567
Total	**454,552**	**915,664**	**966,567**

The City's Employees' Retirement System (ERS) includes three membership classes:

- Class A and Class C are for employees hired prior to July 1, 2014. These classes are now closed to new or rehired employees.
- Class D applies to employees hired or rehired on or after July 1, 2014, who choose to participate in the Hybrid Plan. Class D members contribute to the ERS pension and receive a city contribution to a 401(a) account as part of the RSP.

Hybrid Plan

- Employees contribute 5% of earnable compensation to the Employees' Retirement System (ERS) Class D pension.
- The city contributes between 1.5% and 3% of compensation to a 401(a) account, depending on ERS funding status.

- Pension benefits vest after 10 years of service or upon reaching early or normal retirement eligibility. The 401(a) account vests after five years or under the same early vesting conditions as the Non-Hybrid Plan.
- Employees manage the investment of their 401(a) account.
- Retirement benefits include a monthly pension from ERS and any funds accumulated in the 401(a) account.

Non-Hybrid Plan

- Employees contribute 5% of earnable compensation to a 401(a) account.
- The city contributes 4% to the 401(a), plus up to an additional 1% match for employee contributions to the 457(b) Deferred Compensation Plan.
- Employees are fully vested in City contributions after five years of service, or earlier if they reach age 65, become disabled, or die.
- Employees choose how to invest their 401(a) funds.
- Distribution options include lump sum, installments, annuity, or rollover to another retirement account.

Bill Summary

Council Bill 25-0042 clarifies the definition of "service" under the Retirement Savings Plan. The bill defines "service" as the sum of each period of a member's employment with a participating employer. However, "service" does not include any period:

- That has been credited as service under any other City retirement plan for calculating the amount of a retirement benefit or a deferred vested retirement benefit; or
- During which the member was not on the active payroll of receiving earnable compensation for any portion of a pay period from the participating employer.

Important Exceptions:

- This exclusion does not apply to any period of employment credited to a hybrid member for service as a Class D member of the ERS.
- If a member transfers service to any other City retirement plan, that transferred service may not be counted to determine whether the member is vested in their employer contribution sub-account.

ADDITIONAL INFORMATION

Fiscal Note: This amendment should have no fiscal impact on city funds.

Information Source(s):

https://retirement-savings-plan.baltimorecity.gov/sites/default/files/City%20of%20Baltimore%20Retirement%20Savings%20Plan%20Plan%20Highlights.pdf

https://mayor.baltimorecity.gov/employee-elected-officials-retirement-board-info

https://www.bcers.org/retirement-savings-plan/

Analysis by: Juliane Jemmott Direct Inquiries to: Juliane.Jemmott@BaltimoreCity.gov
Analysis Date:6/4/2025

CITY OF BALTIMORE
COUNCIL BILL 25-0042
(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' and Elected Officials Retirement System

A BILL ENTITLED

AN ORDINANCE concerning

Retirement Savings Plan – Clarifying Amendment

FOR the purpose of clarifying the definition of "service" for the members of the Retirement Savings Plan; and providing for a special effective date.

BY repealing and re-ordaining, with amendments
Article 22A - Retirement Savings Plan
Section 4-1
Baltimore City Code
(Edition 2000)

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

Baltimore City Code

Article 22A. Retirement Savings Plan

Subtitle 4. Service

§ 4-1. "Service" defined.

(a) *In general.*

Except as otherwise provided in this section, "service" means the sum of each period of a member's employment with a participating employer.

(b) *Exclusions.*

Except as provided in subsection (c) of this section, "service" does not include any period of employment:

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

(1) that has been credited as service under any other City retirement plan for calculating the amount of a retirement benefit or a deferred vested retirement benefit; or

(2) during which the member was not [on the active payroll of] RECEIVING EARNABLE COMPENSATION FOR ANY PORTION OF A PAY PERIOD FROM the participating employer.

(c) *Exceptions.*

The exclusions of subsection (b) of this section do not apply to any period of employment credited to a hybrid member for service as a Class D member of the Employees' Retirement System.

(d) *Transfers of service.*

If a member transfers service to any other City retirement plan, that transferred service may not be counted to determine whether the member is vested in his or her employer contribution sub-account.

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: 25-0042

Title: Retirement Savings Plan – Clarifying Amendment

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
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 25-0042 – Retirement Savings Plan – Clarifying Amendment

Dear President and City Council Members:

The Law Department has reviewed City Council Bill 25-0042 for form and legal sufficiency. The bill would delete the phrase "on the active payroll of" from Section 4-1(b)(1) of Article 22A of the City Code and substitute "receiving earnable compensation for any portion of a pay period from." The term "earnable compensation" is a term of art in pension calculations. *See, e.g.*, Anenson & Gershberg, *The Legal and Ethical Implications of Public Pension Reform: Analyzing the New Constitutional Cases*, 36 Notre Dame J.L. Ethics & Pub. Pol'y 117, 134 (2022) ("pension plans use an employee's "earnable compensation" in the formula to calculate benefits") (and cases cited therein).

The City has the power to create pension and retirement benefits for the officers and employees of the City and related entities and to "fix the terms of and restrictions on admission to such system and the classifications therein." 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,

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 25-0042, Retirement Savings Plan – Clarifying Amendment

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Position: Favorable

BILL SYNOPSIS

Bill 25-0042
Major Change to Article 22A

A bill to amend Article 22A to change the definition of "Service" to specifically exclude periods during which a member was not receiving earnable compensation for any portion of a pay period. The change clarifies that the calculation of service excludes pay periods when a member is on the payroll but is not receiving compensation.

SUMMARY OF POSITION

City Council Bill 25-0042 was referred to the Retirement Savings Plan ("RSP") for comment. Bill's stated purpose is to clarify the definition of service in Article 22A of the Baltimore City Code, as outlined in the above Bill Synopsis. The bill will clean up the language by making the terms and definitions more consistent by eliminating ambiguity. Lastly, 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 RSP supports City Council Bill 25-0042.

FISCAL IMPACT

None

AMENDMENTS

None

Baltimore City Council

Labor & Workforce

Committee

Bill: 25-0042

Title: Retirement Savings Plan – Clarifying Amendment

Agency Reports

EMPLOYEES' RETIREMENT SYSTEM

City of Baltimore, Maryland

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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.

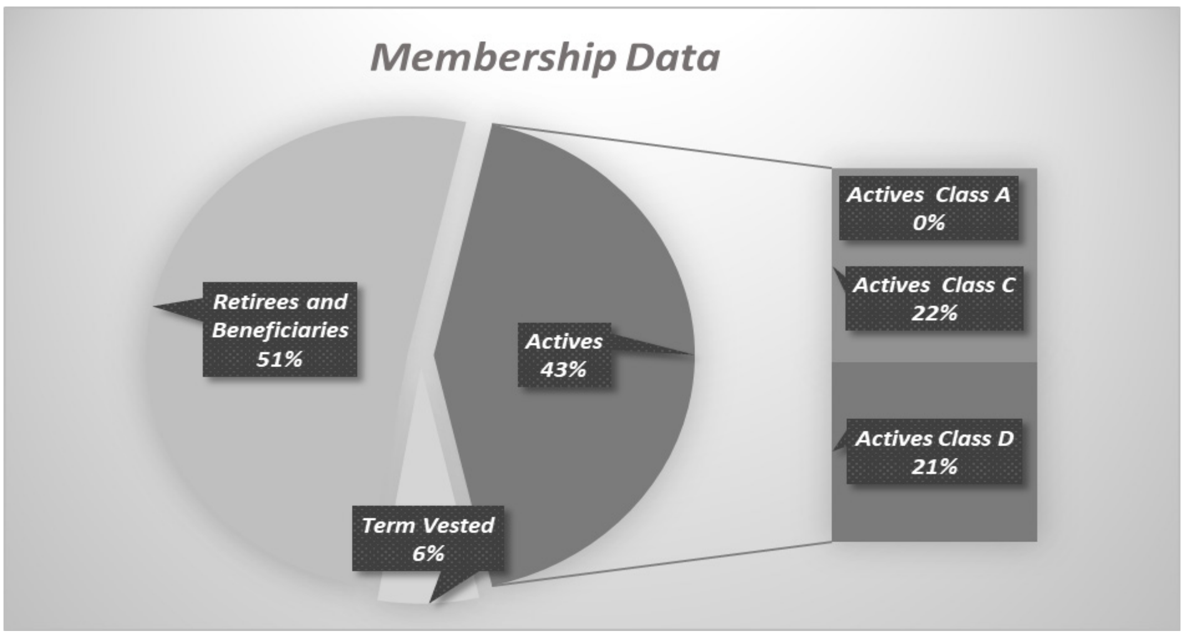
I would like to express my gratitude to our staff for their dedication. I also want to thank the Board of Trustees for their commitment to overseeing the ERS.

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.

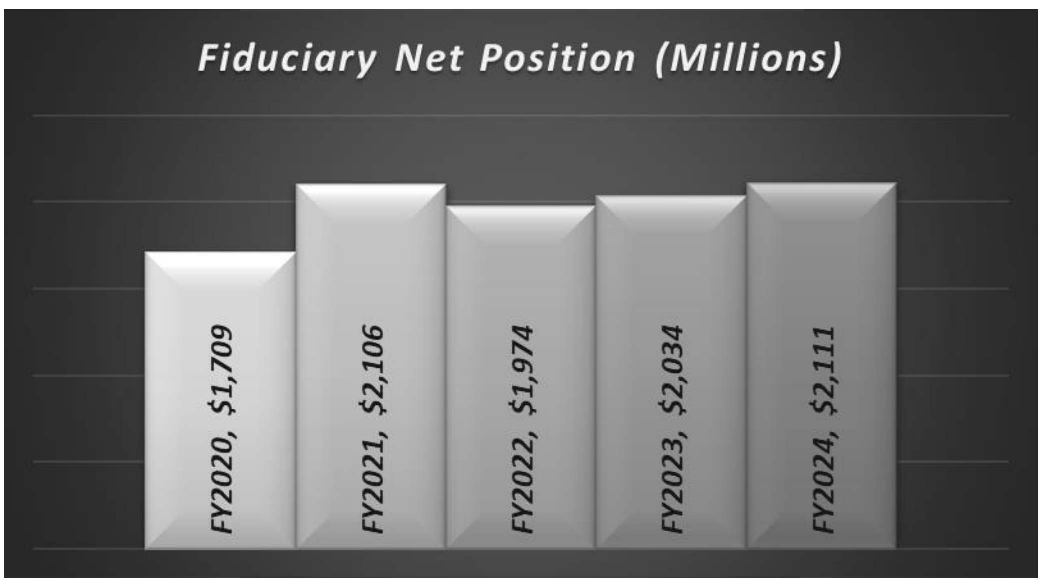
Active members contribute a percentage of their earnable compensation, which excludes overtime and other types of pay and refers to their authorized annual salary. Class A members contribute 4%, while Classes C and D contribute 5%. Class A members are eligible for retirement at age 60 with 5 years of 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.

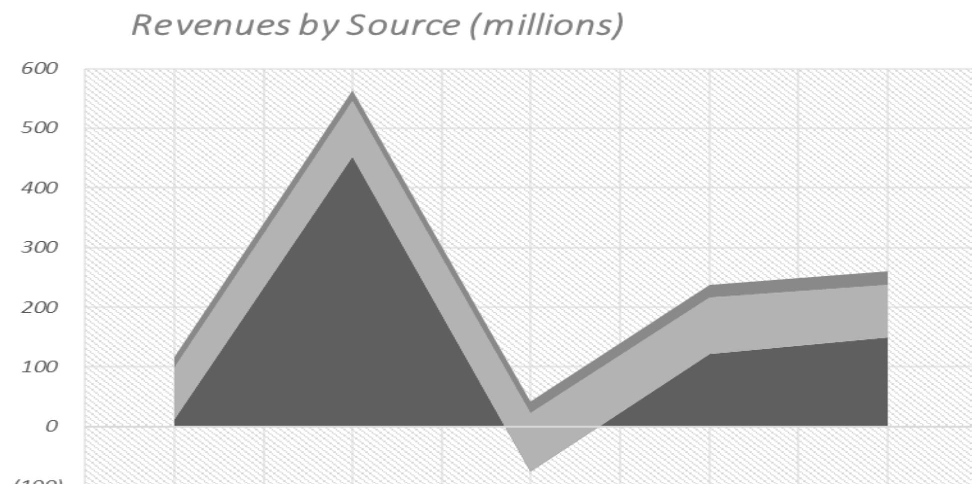
Changes in Fiduciary Net Position	Fiscal Year 2024	Fiscal Year 2023	Increase / (Decrease)	Percentage Change
Employer contribution	$ 89,287,690	$ 94,788,090	$ (5,500,400)	-6%
Employee contribution	22,006,003	22,144,404	(138,401)	-1%
Net investment income (loss)	148,973,976	120,788,368	28,185,608	23%
Net 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).

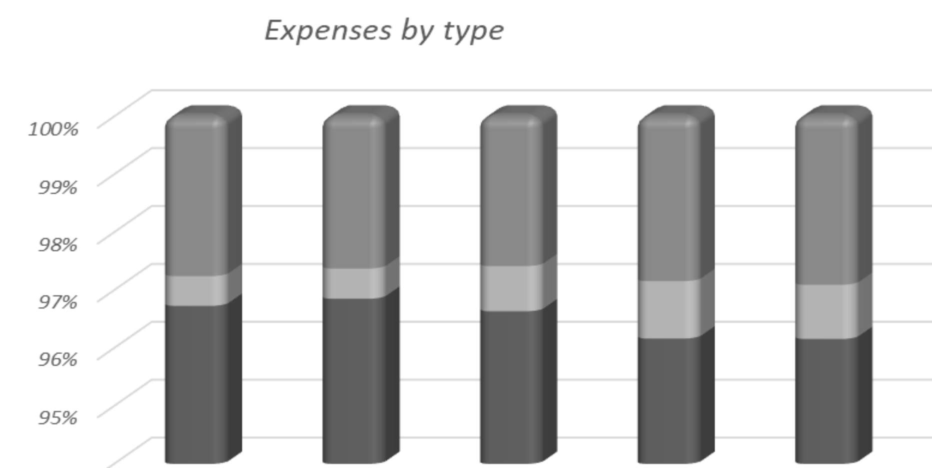
Overall, the fiduciary net position improved significantly, with a net increase of $77.6 million in FY2024, a 30% ($18.0 million) growth compared to the $59.6 million increase in FY2023. This strong performance was largely attributed to improved investment returns, which offset the slight declines in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

Financials



	2020	2021	2022	2023	2024
Member Contributions	18	18	18	22	22
Employer Contributions	87	93	99	95	89
Net Investment Income (Loss)	12	453	(76)	121	149

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.



	2020	2021	2022	2023	2024
Administrative expenses	4,495,405	4,397,413	4,460,410	5,068,850	5,316,122
Refunds	837,540	873,832	1,346,673	1,770,228	1,711,402
Retirement Benefits	157,722,107	162,174,114	166,812,491	171,498,949	175,868,428

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.

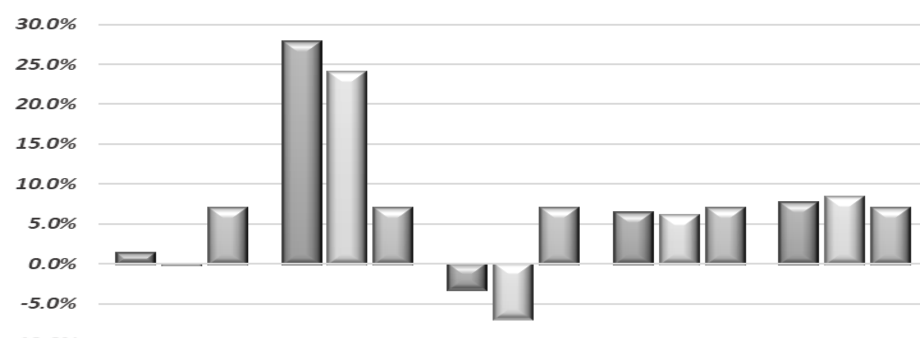
	FY2024	*3 Years*	*5 Years*	*10 Years*
TOTAL PORTFOLIO	***7.7%***	***3.5%***	***7.5%***	***7.2%***
Median Public Pension Fund	*8.4%*	*2.5%*	*6.5%*	*6.5%*
Target Rate of Return	*7.0%*	*7.0%*	*7.0%*	*7.0%*
DOMESTIC EQUITIES	***14.5%***	***3.5%***	***9.8%***	***9.8%***
Russell 3000	*23.1%*	*8.1%*	*14.1%*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

ERS Investment Returns, Median Public Pension Fund Returns and Actuarial Assumption



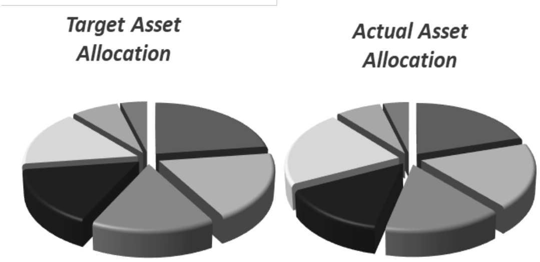
	2020	2021	2022	2023	2024
ERS Rate of Return	1.3%	27.8%	-3.3%	6.4%	7.7%
Median Public Pension Fund	-0.2%	24.0%	-6.9%	6.0%	8.4%
Actuarial Assumption	7.0%	7.0%	7.0%	7.0%	7.0%

Investments

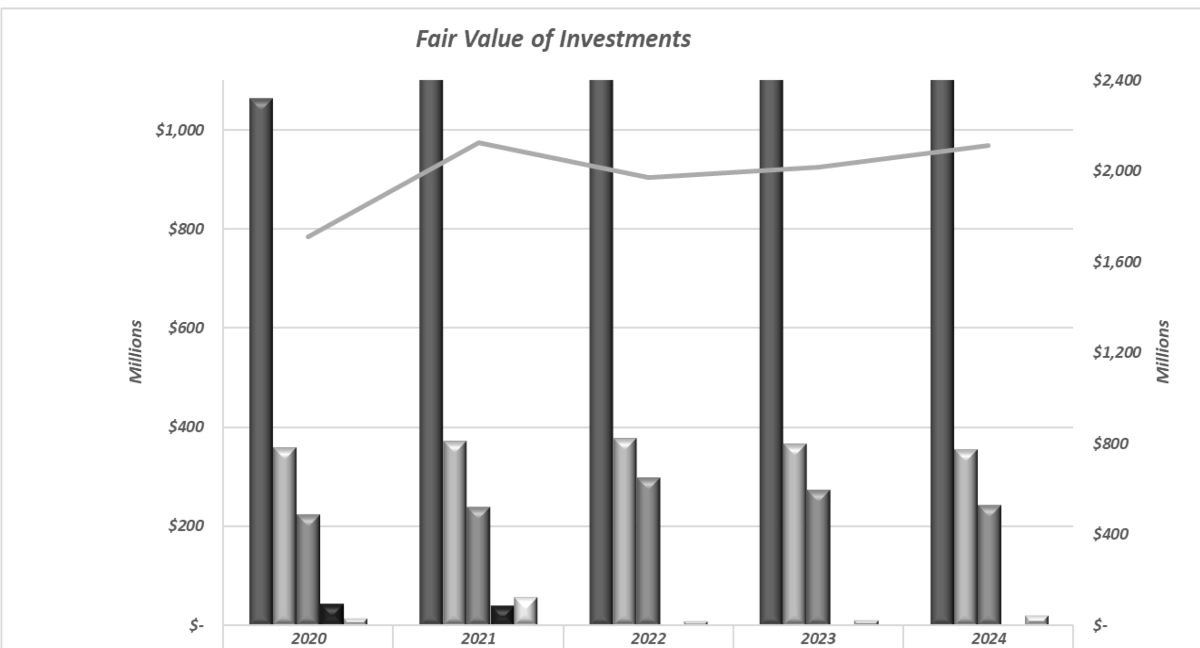
In June 2016, Ordinance 16-488 was signed into law, which provides for reduction in the actuarial interest rate to 7.5% in fiscal years 2017 and 2018, subsequently to 7.0% for fiscal year 2019 and afterwards.

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%*	*21%*
US Fixed Income	*18%*	*17%*
International Equity	*15%*	*14%*
Real Estate	*15%*	*11%*
Private Equity	*15%*	*24%*
Defensive Equity	*7%*	*7%*
Low Volatility	*4%*	*4%*
Private Debt	*4%*	*1%*
Cash	*0%*	*1%*
	100%	*100%*

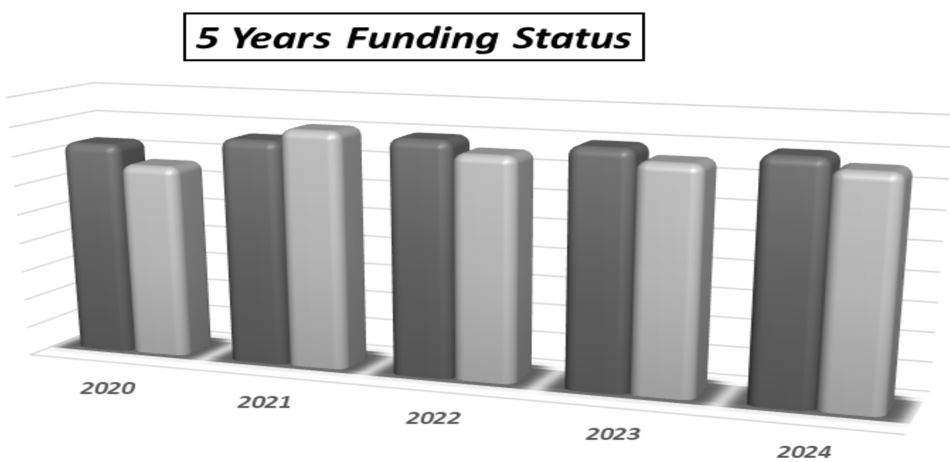


	2020	2021	2022	2023	2024
Equities	$1,065	$1,414	$1,286	$1,367	$1,477
Fixed Income	360	372	378	367	356
Real Estate	225	240	299	273	244
Risk Premia	44	40	0	0	0
Cash	16	58	10	12	21
Total	$1,710	$2,124	$1,973	$2,019	$2,113

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%.



	2020	2021	2022	2023	2024
Actuarial	73.3%	77.1%	79.9%	80.0%	80.0%
Market	66.6%	81.2%	75.9%	76.2%	76.5%

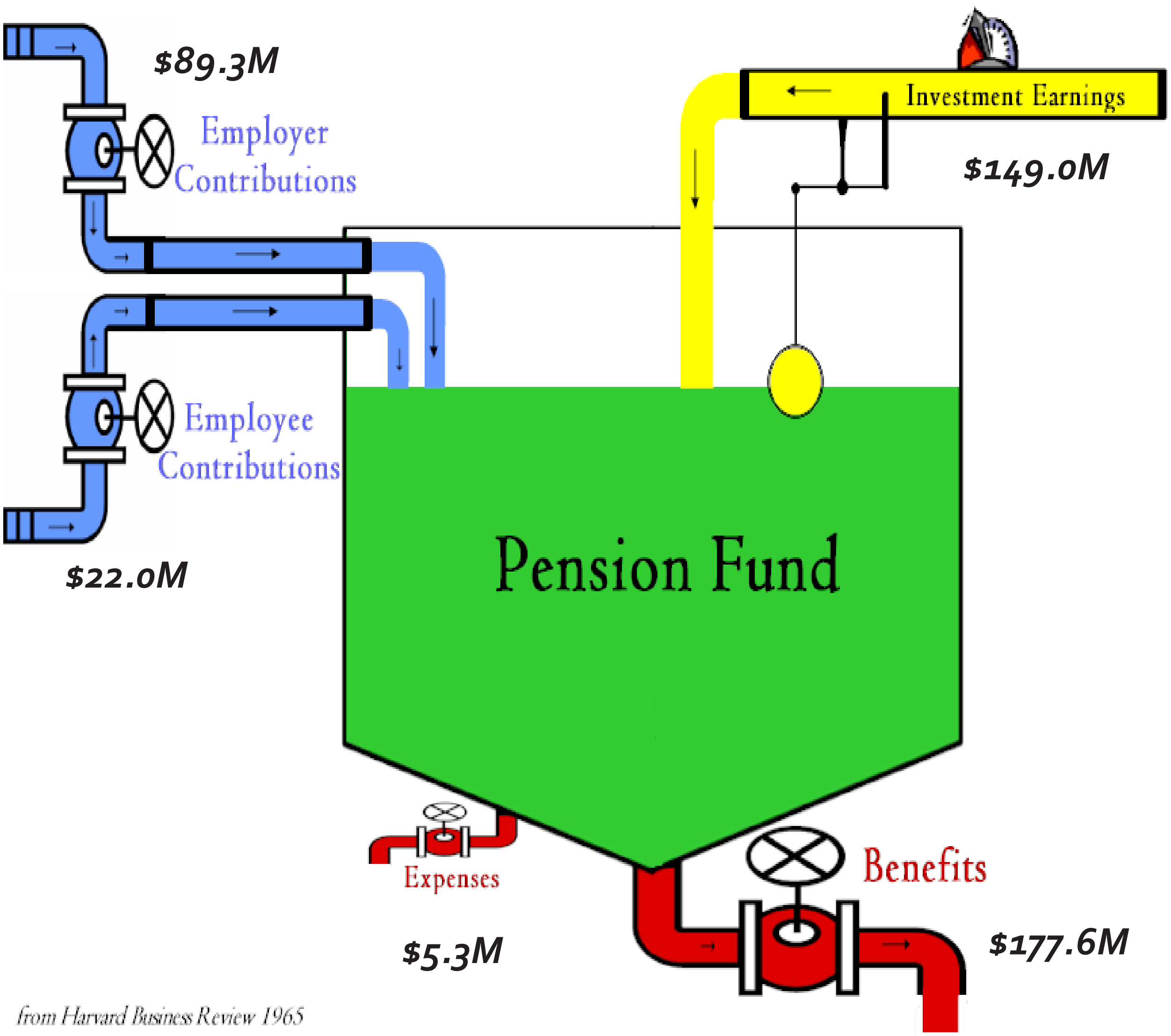
The funding policy previously adopted by the Board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by the fiscal year ending 2032 with a one-time, one-year extension adopted in 2019. For the June 20, 2024 valuation, the Board adopted 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. 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 2024 ACFR.