

**CITY OF BALTIMORE
COUNCIL BILL 17-0035R
(Resolution)**

Introduced by: Councilmember Middleton, President Young, Councilmembers Bullock, Costello,
Henry, Schleifer, Pinkett, Scott, Cohen, Stokes, Dorsey, Burnett, Sneed, Clarke, Reisinger

Introduced and read first time: July 17, 2017

Assigned to: Taxation, Finance and Economic Development Committee

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

A RESOLUTION ENTITLED

1 A COUNCIL RESOLUTION concerning

2 **Investigative Hearing – Employees' Retirement System Funding Ratio**

3 FOR the purpose of calling on representatives from the Baltimore City Employees' Retirement
4 System to appear before the City Council to discuss the system's current low funding ratio
5 and its plans to ensure that the City will be able to meet all of its retirement obligations to its
6 employees without placing an unreasonable burden on City taxpayers.

7 **Recitals**

8 The Baltimore City Employees' Retirement System (ERS) is responsible for investing the
9 City's and City employee's retirement contributions to ensure that employees in the general
10 administrative service of the City, and certain non-teacher employees of the Baltimore City
11 Public School System, receive the retirement benefits that they have earned. To achieve this goal
12 they manage an investment portfolio that was valued at more than \$1.6 billion in March of this
13 year.

14 In FY2016, the City contributed more than \$77 million to the fund, and employees
15 contributed another \$10 million. Despite these substantial contributions, and the large existing
16 balance in the fund, ERS' funded ratio, based on an actuarial value of assets, was only 71.2%.
17 This means that nearly 30% of expected future retirement payments are not currently funded.

18 Although ERS believes that the plan is sustainable due to the fact that current employees will
19 retire at different times over the years, one industry standard defines a "healthy" funded ratio as
20 no less than 80%, and many in the actuarial field believe that a 100% ratio is necessary.

21 ERS previously met both of these thresholds. In the early 2000s it routinely reported funding
22 ratios over 100% or in the high 90s. And as recently as 2009, after the onset of the Great
23 Recession, ERS' funded ratio was 82.6%.

24 Since then however, the funded ratio has remained troublingly low. Changes to the pension
25 system under the previous administration seem to have halted the decline of the funded ratio, but
26 it is not clear that a plan is in place to move it back to a fully funded status.

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

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1 It is important that City employees be able to rely on the promises of retirement income that
2 they have earned, and that City taxpayers be assured that they will not face unexpected costs to
3 fund these promises in the future. If ERS has a realistic long-term plan to reach full funding of
4 its obligations, employees and the public deserve to know what that plan is and what milestones
5 they should look to to measure its success. If no such plan currently exists, then one must be
6 developed and implemented.

7 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the
8 Council calls on representatives from the Baltimore City Employees' Retirement System to
9 appear before it to discuss the system's current low funding ratio and its plans to ensure that the
10 City will be able to meet all of its retirement obligations to its employees without placing an
11 unreasonable burden on City taxpayers.

12 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Mayor, the
13 Executive Director & Chief Investment Officer of the Employees' Retirement System, and the
14 Mayor's Legislative Liaison to the City Council.