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FROM	NAME & TITLE	Robert Cename, Chief	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941		
	SUBJECT	City Council Bill #17-0035 Employees' Retirement System Funding Ratio		

TO

DATE:

January 11, 2018

The Honorable President and  
Members of the City Council  
Room 400, City Hall

Attention: Ms. Natawna Austin

This report is being issued in response to City Council bill 17-0035R, the purpose of which is for calling on representatives from the Baltimore City Employees' Retirement System (ERS) to appear before the City Council to discuss the system's current low funding ratio and its plans to ensure that the City will be able to meet all of its retirement obligations to its employees without placing an unreasonable burden on City taxpayers.

**Background**

While the ERS fund is only funded at 72.7% of its total liabilities, there are several factors that have improved the City's financial outlook related to ERS. In 2013 the City of Baltimore reformed its pension system. Class-C membership in ERS was closed to new hires, and existing members were required to contribute 5% of their salary on a phased in schedule. New employees now enter either the Retirement Savings Plan (RSP), where the City matches the employee's contribution to their 401(b), or enter a hybrid plan which is one part RSP and one part Class-D defined benefit.

The ERS Board has also adopted more conservative valuation methodologies. The board adopted a "closed" amortization schedule, which means that all unfunded liabilities must be paid down within 20 years of policy adoption by 2032. The Board also voted to reduce the investment return assumption from 7.75% to 7.5% in Fiscal Year 2016, and from 7.5% to 7% in Fiscal 2018.

**Conclusion**

Due to these changes BBMR believes that the fund is on a sustainable path.

cc: Henry Raymond