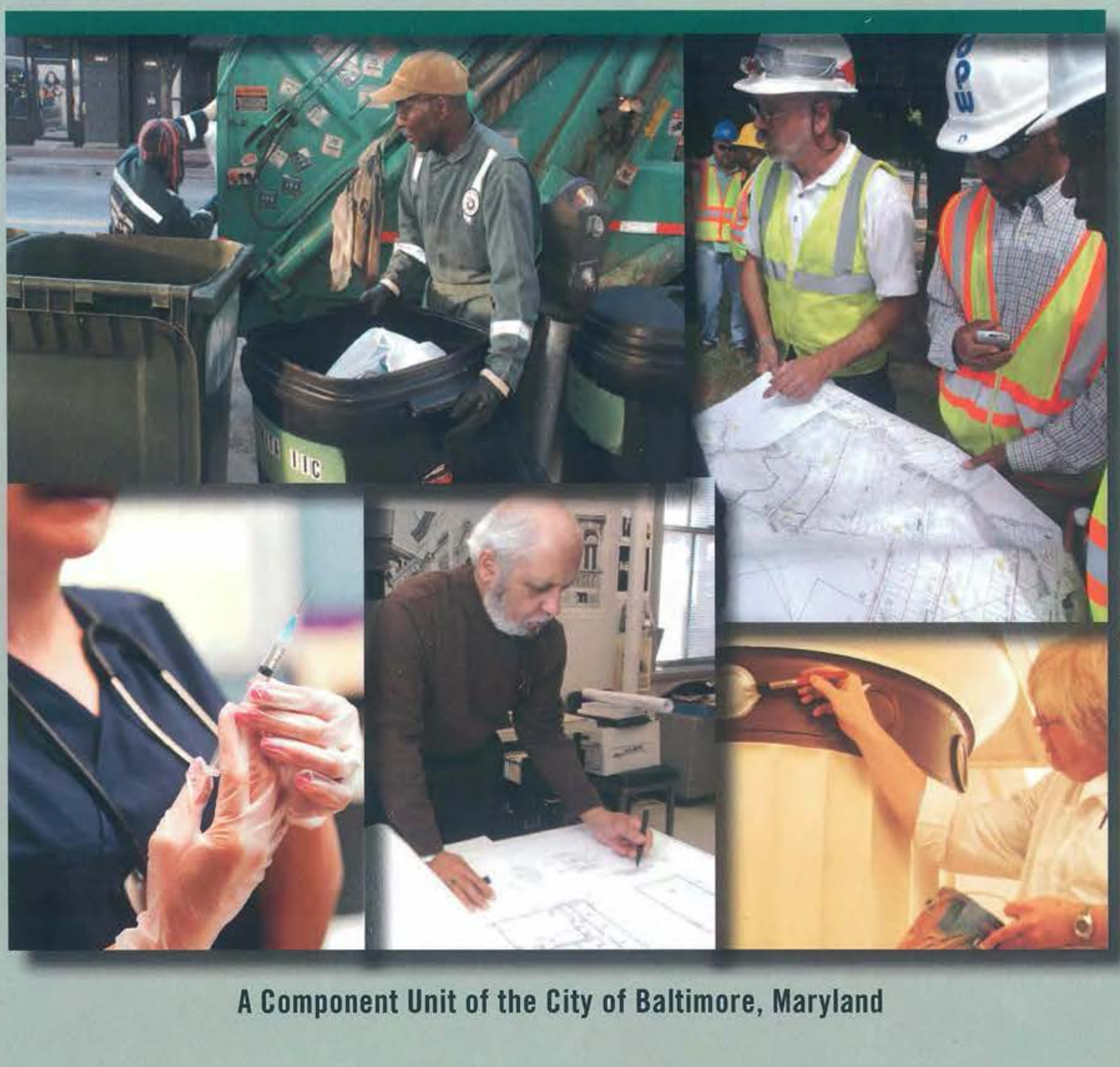
Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2009



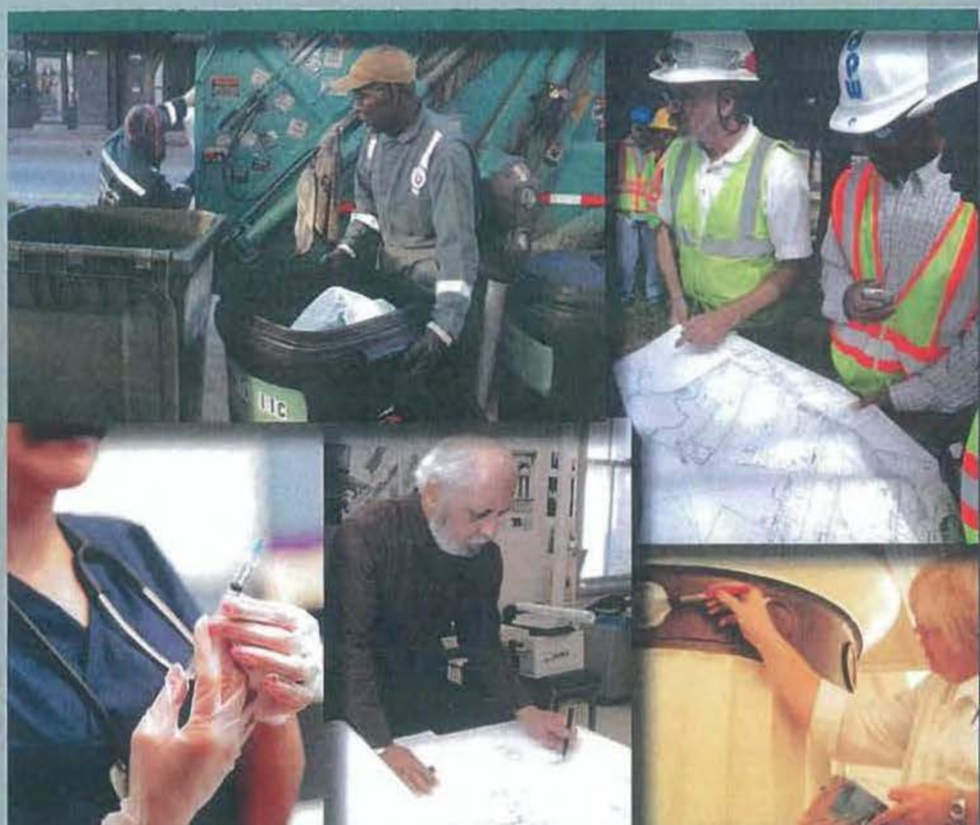
A Component Unit of the City of Baltimore, Maryland

ERS
EMPLOYEES'
RETIREMENT
SYSTEM
of the CITY OF BALTIMORE

Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2009



A Component Unit of the City of Baltimore, Maryland

PREPARED BY:

Roselyn H. Spencer, EXECUTIVE DIRECTOR

Bernita Y. Kittrell, DEPUTY DIRECTOR

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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Employees' Retirement System

Mission Statement

The System is committed to protecting and prudently investing member assets and providing accurate and timely retirement benefits with quality service to members and beneficiaries.

Standards of Conduct

As Trustees and Staff, we are committed to:

Safeguard the members' assets.

Strive for continuous improvement.

Maintain confidentiality as appropriate.

Effectively communicate accurate information.

Provide accountable and proactive leadership.

Conduct all business in a fair and respectful manner.

Foster an atmosphere of cooperation and teamwork.

Value members as clients and advocate on their behalf.

Comply with the System's plan provisions, policies and guidelines.

Work efficiently, simplify procedures, and minimize bureaucratic hurdles.

Form alliances and partnerships to benefit the membership and the System.

We expect all who interact with us to adhere to these standards of conduct.

Approved by the Board of Trustees February 21, 2002

Employees' Retirement System
City of Baltimore, Maryland
Comprehensive Annual Financial Report
Year Ended June 30, 2009

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System, City of Baltimore Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF BALTIMORE

SHEILA DIXON, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM

ROSELYN H. SPENCER, Executive Director
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202

December 31, 2009

The Board of Trustees and
Members of the Employees' Retirement System
Baltimore, Maryland

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Employees' Retirement System of the City of Baltimore, Maryland (ERS, System, and Plan) a component unit of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2009. The report is structured in five sections intended to provide the readers with introductory, financial, investment, actuarial, and statistical information. The System's administration is responsible for the accuracy of the data and the completeness of the presentation, including all disclosures. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the ERS' operations.

According to accounting principles generally accepted in the United States, management is required to provide a narrative introduction, overview and analysis of the financial statements of the System in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report in the Financial Section.

PROFILE OF THE PLAN

The ERS is a defined benefit plan, established January 1, 1926, by City Ordinance for eligible members who are employed in the general administrative service of the City and for certain non-teacher employees of the Baltimore City Public School System. Excluded from the ERS are uniformed Fire and Police Department employees (who are eligible for membership in the City's Fire and Police Employees' Retirement System) and Elected Officials (who are eligible for membership in the City's Elected Officials' Retirement System). Also excluded are teachers of the Baltimore City Public School System and Enoch Pratt Free Library personnel, who become members of the Maryland State Retirement System.

All System-related administrative and benefit provisions are established by City Ordinance, as contained in Article 22 of the Baltimore City Code, and may be amended only by the Mayor and City Council. The Plan provisions provide a contractual relationship for the membership, whereby benefits may not be diminished or impaired in any way. Benefits provided include: service and disability retirement, and widows and survivors benefits. Non-contributory members qualify for vested benefits after ten years of ERS membership service, and fifteen years for contributory members after they leave City employment. As of June 30, 2009, total plan membership was 19,447, an increase of 1.85% from 19,093 in 2008. This includes 9,719 active members, 8,618 retired members, and 1,110 terminated employees entitled to but not yet receiving benefits. For additional information about the plan provision, please refer to page 63 in the Actuarial Section.

MAJOR INITIATIVES

In terms of initiatives, the Board hired a new investment consultant, Marquette Associates, Inc., and spent a considerate amount of time discussing revisions to the System's asset allocation. The Board ultimately, agreed on a new asset allocation structure that is intended to further diversify the alternative asset classes with reduced focus on domestic equities. Infrastructure was added as a new asset class because of its sustainable yield characteristics and favorable long term expected returns. Since then, the Board has initiated an aggressive plan for manager searches, especially in the new asset classes.

Because information technology is so critical to the existence of the ERS, we are constantly monitoring and evaluating the process for sufficiency and reliability. Over the past year, the ERS data center was fitted with an additional air conditioning unit to ensure proper and constant temperature control. Electricity to the data center was also upgraded, to accommodate the new cooling unit, as well as additional servers and storage devices. Microsoft office 2003 has been upgraded to Microsoft Office 2007. The new servers will run Microsoft Server 2008 and Microsoft Exchange 2007, and will provide the necessary improvement and upgrade in security, for better controls of infringements from spyware and malware. A web-based benefits administration system coupled with document management program remains a high priority in the coming year.

FINANCIAL AND ECONOMIC SUMMARY

The devastating consequences of the capital markets and the global economic meltdown over the past 18 months dragged performance across the board, and in almost every asset class. The S&P 500, a leading market index dropped below 800 for the first time in nearly five years, due to adverse conditions stemming from a host of events including: high oil prices; credit freeze and market illiquidity; losses from subprime mortgages; bank failures and takeovers; unprecedented home foreclosures; and high unemployment. From an investment prospective, other than U.S. Treasuries, there was no place to hide, and most institutional pension funds, like the ERS, experienced significant decline in their asset values.

The ERS performance dropped to its lowest point in February 2009 by 27%, when net asset value declined to $988 million from the 6/30/08 value of $1.356 billion. Shortly after the end of our fiscal year, the market started to turn around as a result of the U.S. Government stimulus packages (such as the: Troubled Asset Relief Program, Term Asset-Backed Securities Loan Facility, and Public Private Investment Program, implemented in 2008 and 2009). Some of the key market indicators are turning upwards, signaling that the recession is ending, and a recover is underway. The Dow Jones Industrial Average (DJIA) for example, rose from 7,609 in March 2009 to over 10,000 by December 2009. The System's net asset value also rebounded to over a billion by the end of fiscal year 2009.

Notwithstanding, we believe that the road to recovery is going to be long and encumbered with cyclical bounces due to lingering market challenges. Judicious monetary controls, reduction of unemployment (which was up to 10% in November 2009), and lowering government and corporate debts will be critical in sustaining the recovery over the long term.

INVESTMENT SUMMARY

As provided by the Plan provisions, the Board of Trustees (Board) has full control of all investment of the ERS funds and is responsible for establishing reasonable investment objectives, developing investment policy guidelines, selecting and evaluating performance results to assure adherence to guidelines, and achievement of the fund's objectives.

The ERS' investment objective is to earn or exceed an 8% rate of return or to outperform the return of its policy benchmark. For fiscal year ended June 30, 2009, the performance fell short as total net assets declined to $1.03 billion, a 24% drop from last year's net asset value of $1.36 billion. The rate of return declined from (4.83)% to (17.90)%, resulting in the System underperforming its custom benchmark by 4.6%, ranking in the 69th percentile of the Wilshire Public Fund Universe. The decline is attributed to underperformance in domestic and international equities. The long-term track record was split, with a three year annualized return of (2.50)% and five year annualized return of 2.40%. In spite of the financial issues, some of the leading market indicators are starting to turn around. For example, both the S&P 500 and the DJIA indexes are up, suggesting that the global economy is emerging from the prolonged recession. With that in mind, the Board is moving forward with implementing the new target asset allocation plan that is strategically designed to consider short and long-term expected returns, with minimal risk. Please refer to the Investment Section for more details on the new target asset allocation.

FUNDING RESULTS

A principal measure of the health of a retirement system is the level of funding. The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. A better level of funding gives the participants a higher degree of assurance that their pension benefits are secure. The June 30, 2009 actuarial valuation reflected an increase of the unfunded actuarial liability from $188.5 million in fiscal year 2008, to $300.7 million in fiscal year 2009 representing a 60% increase. The increase is due primarily to two years of declining investment experience on the actuarial asset value and adverse demographics. ERS is a mature fund, with a growing amount of retiree payouts of more than $100 million annually. Continuation of such investment losses and benefit payouts will affect the unfunded liability and contributions. Total recommended contribution increased by 15.6% from $48.7 million for fiscal year 2010, to $62.4 million in fiscal year 2011. Although the funding level for fiscal year 2009 declined to 82.6%, from the previous year level of 88.7%, the long-term solvency of the System remains strong on an actuarial basis, as illustrated on page 32 in the "Schedule of Funding Progress". This schedule compares the accrued liabilities, calculated according to the plan funding method, to the actuarial value of assets.

ACCOUNTING SYSTEMS AND INTERNAL CONTROL

This report has been prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standard Board. The accrual basis of accounting is used to record assets and liabilities, and revenues and expenses. Revenues for the ERS are recorded when earned regardless of the date of collection, and expenses are recorded when liabilities are incurred regardless of when payment is made.

The System's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and the fair presentation of the financial statements and supporting schedules.

INDEPENDENT AUDIT

The Baltimore City Code stipulates that the City's Board of Estimates shall select an independent auditor for the Retirement System, and that the auditor shall report findings annually to the Board of Estimates and to the Board of Trustees. The Board of Estimates elected to have the Department of Audits render an opinion as to the fairness of the System's financial statements. The independent auditor's opinion is contained in the Financial Section of this report.

PROFESSIONAL SERVICES

The Board appoints consultants and investment managers, subject to approval by the City's Board of Estimates. These professionals are chosen based on their ability to provide services that are essential to the effective and efficient operation of the System. Trustees are also required to monitor and terminate investment managers as necessary for underperformance, or for other material reasons as determined by the Board. All of the professionals that provide services to the Board are listed in the Introductory and Investment Sections of this Report.

Trustees must exercise their fiduciary obligation in investing the System's assets in accordance with the "prudent person rule." The "prudent person rule" establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund. The "prudent person rule" states that fiduciaries shall discharge their duties solely in the interest of the System's participants and beneficiaries, and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The Board recognizes that the objective of a sound and prudent policy is to protect and grow the System's assets through positive investment results to meet the current and long term needs of the System. Investment portfolio diversification (as indicated on page 44) is therefore, regarded as an important factor to achieving both protection and growth of Plan assets.

AWARDS AND ACKNOWLEDGMENTS

It is gratifying to see the ERS was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the 26th consecutive year (fiscal years 1983-2008) that the ERS has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. I believe that this Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements. It will be submitted to the GFOA to determine its eligibility for another certificate.

The compilation of this CAFR reflects the combined effort of ERS' accounting and administrative staff. I would like to express my thanks to all who contributed to its preparation.

This report is being forwarded to the Mayor, the Comptroller, the President and members of the City Council, other members of the Board of Estimates, and to all City Agencies, for their information. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and determining responsible stewardship for the assets contributed by the members and the City of Baltimore.

The successful operation of the ERS over the past year is attributed to a few people whose time, commitment and advice I constantly relied upon. Accordingly, I would like to express my thanks and appreciation to the Board of Trustees, the ERS' dedicated staff, our investment consultant, actuary, and money managers who worked diligently alongside us in managing and navigating the operations of the System. I could not have done it without them.

Sincerely,

Roselyn H. Spencer

Roselyn H. Spencer,
Executive Director

CITY OF BALTIMORE

SHEILA DIXON, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM

ROSELYN H. SPENCER, Executive Director
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202

December 31, 2009

To: All Members, Retirees, and Beneficiaries
City of Baltimore Employees' Retirement System

I am pleased to report that the recession has ended. As you know, fiscal year 2009 was an extraordinarily difficult year. The economic meltdown affected everyone in the market including the Employees' Retirement System (ERS, System), which posted a negative performance of 17.9% for the June 30, 2009 fiscal year. The net asset value of the fund also declined by 24% from last year's value. Although we have a broad and strategic asset allocation plan in place, it was not a panacea. Every industry sector was hit, with most of the fund losses coming from investments in international and domestic equities.

The funded status of the System also dropped to 82%, but is expected to improve gradually as the market rebounds. Keep in mind that from an actuary standpoint, the ERS is a mature retirement plan with a total of 19,000 plus members and a 1:1 ratio of active to retired members. People are living longer and new entrants, such as beneficiaries added to the payroll, are contributing to the funding status of the System.

Notwithstanding the market performance and activities, let me assure you that your pension is secure, and if you are eligible, you will continue to receive your full pension benefit every month. Market trends are difficult to predict. However, a good sign that things are improving is the recent 12% increase in the System's net asset value in November 2009.

In terms of developments, we hired a new investment consultant, Marquette Associates, Inc., who hit the ground running, with a new asset allocation plan that reduced traditional equities and slightly increased the allocation to private equity. We also added international small capital equity and infrastructure to help us achieve the expected 8% rate of return. These efforts are expected to further stabilize the portfolio and position it for steady growth as the market recovers.

In closing, I would like to commend my fellow Trustees for their unwavering commitment and valuable contributions, as they take on every challenge, to ensure that the ERS is stable and financially sound. I also want to thank the Executive Director, Roselyn H. Spencer and her staff, the System's portfolio managers and consultants, who constantly make every effort to provide the highest quality service to the Board and to our members.

Finally, I would also like to thank you, our members, for your confidence in the ability of the Board and staff to service your ongoing pension needs. I am looking forward to the future with much optimism.

Sincerely,

Joan M. Pratt, CPA
Chair, Board of Trustees

Employees' Retirement System
City of Baltimore, Maryland
BOARD OF TRUSTEES

Joan M. Pratt, CPA
Chair
Ex-officio
Comptroller of the City of Baltimore, Maryland

Deborah F. Moore-Carter
Vice Chair
Term expires December 31, 2011
Mrs. Moore-Carter is the Labor Commissioner for the City of Baltimore.
She was elected by the active membership to serve a four-year term.

Dorothy L. Bryant
Term Expires December 31, 2011
Ms. Bryant is a Phlebotomist with the City of Baltimore Health Department.
She was elected by the active membership to serve a four-year term.

Brenda J. Clayburn
Term expires December 31, 2009
Ms. Clayburn is currently the President of the City of Baltimore Union (CUB).
Her official City job function is Office Supervisor in the Baltimore City Police Department.
She was elected by the active membership to serve a four-year term.

Ernest J. Glinka
Term expires December 31, 2011
Mr. Glinka is a Retired Administrator for the City of Baltimore Retirement Systems.
He was elected by the retired membership to serve a four-year term.

Carlotta Oliver
Term expires December 6, 2011
Ms. Oliver is a Managing Director with Black Knight Asset Management Company in Washington, DC.
She was appointed by the Mayor.

Thurman W. Zollicoffer, Jr., Esq.
Term expires December 31, 2011
Mr. Zollicoffer is an Attorney with Whiteford, Taylor, & Preston, LLP in Baltimore, Maryland.
He was appointed by the Mayor.

Both appointed and elected trustees serve four-year terms. Appointed trustees continue to serve until replaced by the Mayor, or until the expiration of two consecutive full terms. There are no limitations on the number of terms an elected trustee may serve.

LEGAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

ACTUARY

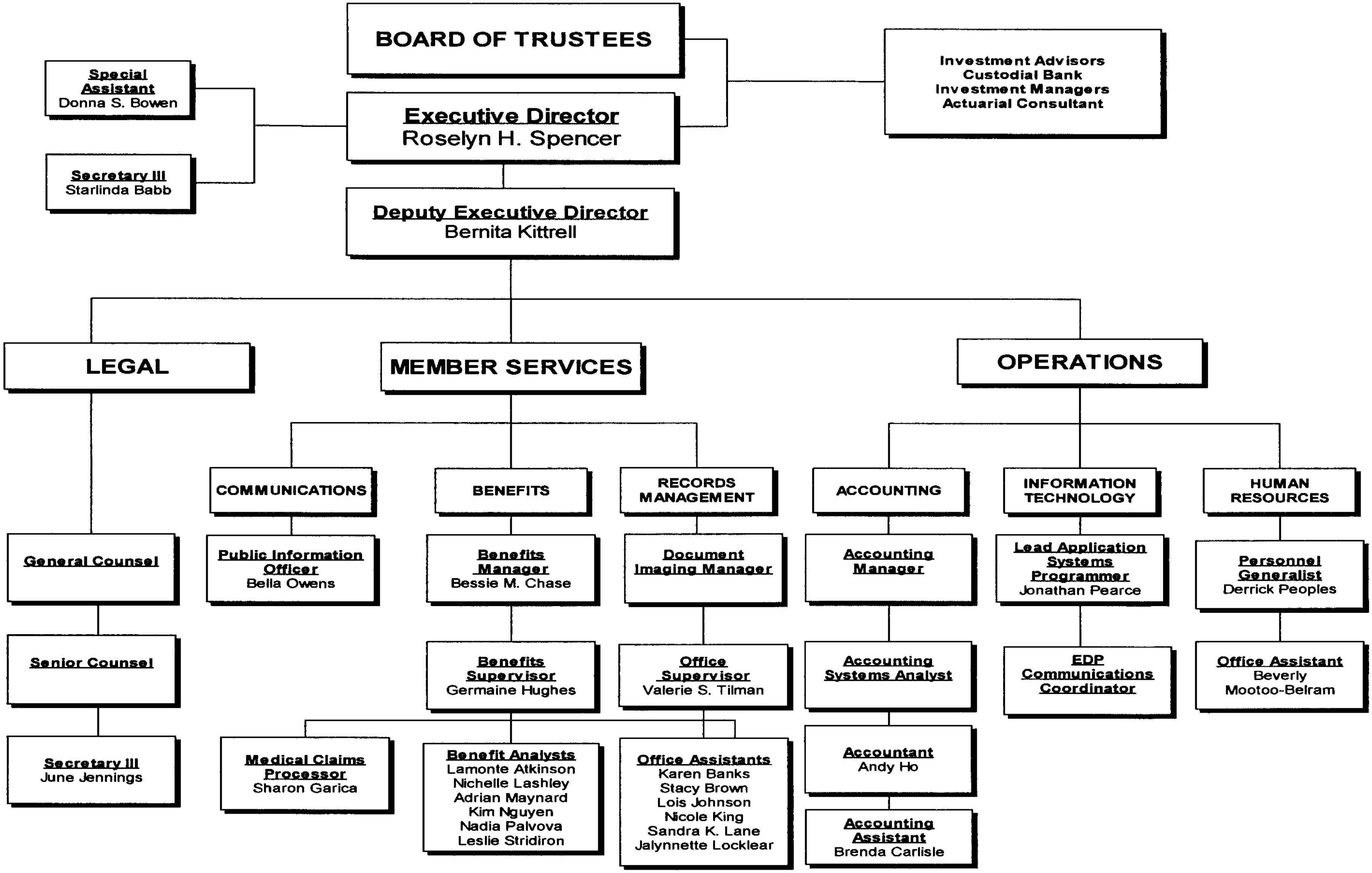
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

City of Baltimore
Department of Audits
Robert L. McCarty, Jr., CPA

See pages 50 to 52 in the Investment Section for a list of investment professionals.

Employees' Retirement System
City of Baltimore, Maryland
Organization Chart



Financial Section

EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

CITY OF BALTIMORE

SHEILA DIXON, Mayor

DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

December 31, 2009

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates of the
City of Baltimore
Board of Trustees of the
Employees' Retirement System

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Baltimore, Maryland, a component unit of the City of Baltimore, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Employees' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Employees' Retirement System's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Employees' Retirement System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Employees' Retirement System as of June 30, 2009, and the respective changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 31, 2009, on our consideration of the Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Employees' Retirement System's basic financial statements. The introductory section, required supplementary information and supporting schedules, investment section, actuarial section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information and supporting schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robert L. McCarty, Jr., CPA
City Auditor

We are pleased to provide this analytical overview of the financial activities of the Employees' Retirement System (ERS) for the fiscal year ended June 30, 2009. ERS is the administrator of a cost-sharing multiple employer defined benefit local government retirement plan (the Plan). Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Transmittal Letter, which begins on page 7 of this report.

Financial Highlights

- The net assets of the Plan at the close of the fiscal year 2009 are $1.036 billion. All of the net assets are available to meet the Plan's ongoing obligations to plan participants and their beneficiaries.

- The Plan's total net assets held in trust for pension benefits decreased by $319.7 million, compared to last year's decrease of $132.5 million. The decrease of the net investment income was primarily due to the performances of domestic and international equity markets.

- The rate of return for the fiscal year ended June 30, 2009 was (17.9)% compared to the fiscal year ended June 30, 2008 return of (4.83)%. The negative rate of return is attributed to the collapse of the financial market during the second quarter of the fiscal year.

- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2009, the funded ratio for the Plan was 82.6%. In general, this indicates that the Plan has approximately $0.83 of assets to cover every dollar of benefits due.

- Revenues (Additions to Plan Net Assets) for the year were $(211.2) million. Revenues include member and employer contributions of $43.8 million, net investment loss of $(255.6) million, and net securities lending income of $0.5 million.

- Expenses (Deductions from Plan Net Assets) increased by $2.9 million to $108.5 million from the prior year expenses of $105.6 million. The expenses are primarily comprised of retirement allowances and post-retirement benefits.

Overview of Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Plan's financial statements and the Financial Section of this report.

The **Statement of Plan Net Assets** provides a snapshot of the financial position of the Plan at June 30, 2009, the end of the Plan's financial year. It indicates the total assets and total liabilities at June 30, 2009 and the net assets available for future payment of retirement benefits and operating expenditures.

The **Statement of Changes in Plan Net Assets**, on the other hand, summarizes the Plan's financial activities that occurred during the Plan's financial year from July 1, 2008 through June 30, 2009.

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The statements and the notes are in conformity with the accounting principles generally accepted in the United States. These principles require certain financial statement presentations and disclosures including the use of the accrual basis of accounting to record assets and liabilities, and revenues and expenses.

The Statement of Plan Net Assets presents the Plan's assets and liabilities, as well as, the net assets available for future retirement benefits and operating expenses at June 30, 2009. The assets comprise receivables, mainly from investment activity, investments at fair market value and securities lending collateral. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Purchases and sales of investments are recorded on a trade date basis. The fair value of real estate holdings is estimated based primarily on appraisals by third-party appraisers. The fair value of private equity investments is estimated based primarily on audited financial statements provided to the individual fund managers. The payables comprise securities lending collateral, certain investment activity, retirement benefits and administrative expenses.

The Statement of Changes in Plan Net Assets presents information showing how the Plan's net assets changed during the year. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when a formal commitment has been made by the City to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All investment gains and losses are shown at trade date. Both realized and unrealized gains and losses are shown on investments.

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets can be found on pages 23 and 24 of this report.

The **Required Supplementary Information** that follows immediately after the notes to the basic financial statements provide two schedules showing ten year historical trend information concerning the funded status of the ERS and contributions made to the plan by the employer. See the Required Supplementary Information beginning on page 32 of this report.

The remaining supplemental schedules provide additional detailed information concerning operating expenses, investment expenses and payments to consultants. All of this information is considered useful in understanding and evaluating the financial activities of the Plan.

Financial Analysis

Net assets may serve over time as a useful indicator of the Plan's financial position. At June 30 2009, assets exceeded liabilities by $1.036 billion. All of the net assets are available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2009, total net assets decreased by 23.6% over the prior year, primarily due to the performances of domestic and international equity markets as a result of the collapse of the both domestic and international financial markets that began the second quarter of the fiscal year. Management believes that the Plan remains in a strong financial position to meet its obligations to the members, retirees and their beneficiaries.

PLAN NET ASSETS	Fiscal Year 2009	Fiscal Year 2008	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,076,590,336	$1,486,016,603	$(409,426,267)	(27.5)%
Other Assets	47,769,479	75,530,400	(27,760,921)	(36.8)%
Total Assets	1,124,359,815	1,561,547,003	(437,187,188)	(28.0)%
Total Liabilities	87,946,579	205,464,842	(117,518,263)	(57.2)%
Total Net Assets	$1,036,413,236	$1,356,082,161	$(319,668,925)	(23.6)%

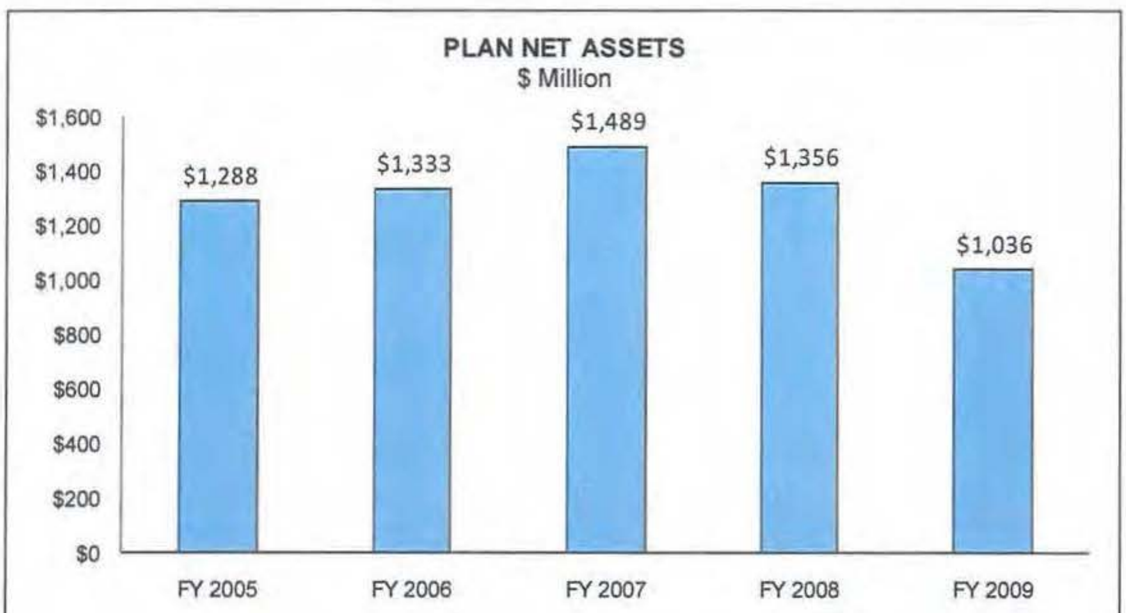
Investment Assets

ERS is a long-term investor and manages the Plan's assets with long-term objectives in mind. A primary element of the Plan's investment philosophy is to employ a diversification of assets as the best possible way to achieve its goals. After conducting an asset-liability study with the Plan's investment consultant, the Board of Trustees established an asset allocation plan taking into account the risk associated with each asset class as well as the financial objectives of the Plan. Investments are stated at fair value rather than at cost and include the recognition of unrealized gains and losses in the current period. The rate of return on investments for the year ended June 30, 2009 was (17.9)%, a (13.3)% decrease compared to the fiscal year 2008 rate of return (4.83)%. The annualized rate of return for the last three and five year periods ended June 30, 2009 were (2.50)% and 2.40%, respectively. The Plan's long-term actuarial investment return assumption is 8.0%.

The negative rate of return for the period can be attributed to extremely challenging global economic conditions, cited as the worst economic contraction since the Great Depression. Fundamental events during the year, such as the failure of several large financial institutions, had their impact on global economies and investor confidence. Markets slowly recovered toward the end of the fiscal year June 30, 2009, but not sufficiently to offset the large capital losses that occurred during the year. As of November 30, 2009, five months subsequent to the fiscal year end, the market value of investments increased by 12%, or $124,704,403.

The Plan invests in domestic equities, international equities, domestic fixed income, real estate, tactical asset allocation strategy (which are investments in domestic equities and domestic fixed income), and alternative investments. The Plan also participates in a securities lending program, which is managed by the Plan's custodian bank. External investment management firms selected by the Plan's Board of Trustees manage all of the assets. BNY Mellon Bank, the Plan's custodian bank, holds all marketable securities.

The Investment Section beginning on page 40 gives detailed information on the Plan's investment policies. See page 46 of this report for charts showing the asset allocation targets established by the Board of Trustees and the actual asset allocation of System assets at June 30, 2009.



Liabilities

The current liabilities are payables incurred by the transaction activity of the investment assets, the retirement benefit expenses, and operating expenses of the Plan's office.

CHANGES IN PLAN NET ASSETS	Fiscal Year 2009	Fiscal Year 2008	Increase / (Decrease)
Additions			
Employer Contribution	$43,673,027	$43,918,411	$(245,384)
Members Contributions	172,567	345,637	(173,070)
Net Investment Income	(255,572,191)	(71,835,001)	(183,737,190)
Net Securities Lending Income	533,727	701,208	(167,481)
Total Additions	(211,192,870)	(26,869,745)	(184,323,125)
Deductions			
Retirement Allowances	104,166,249	101,461,516	2,704,733
Administrative Expenses	3,138,612	2,913,458	225,154
Death Benefits	881,569	1,061,050	(179,481)
Lump Sum Cash Payments	289,626	177,877	111,749
Refund of Members' Contribution		9,161	(9,161)
Total Deductions	108,476,056	105,623,062	2,852,994
Net Decrease	$(319,668,926)	$(132,492,807)	$(187,178,119)

Contributions and Investment Income

Employer contributions decreased slightly over last year's contributions. The employer's contributions are actuarial based and are calculated a fiscal year in advance. The salary increases of the current active membership and the actuarial changes to the rates are used to calculate the normal cost of the benefits for the members required the employer's contribution. Member contribution's decreased by 50% as the size of contributory members reduced to less than 1% of active fund members and the decline of repurchases of membership service. The depreciation in the fair value of investments by ($255.6) million is due the negative performance of investments. The net investment income includes investment expenses as a deduction. Investment expenses decreased from $6.3 million in 2008 to $5.4 million in 2009.The decrease is attributed to the decline of the market value of investments for the fiscal year.

Retirement Benefits and Administrative Expenses

The Plan was created to provide lifetime service retirement benefits, survivor benefits and disability benefits to eligible members and their beneficiaries. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the cost of administering the Plan. The primary source of expense during fiscal year 2009 was for the payment of continuing retirement benefits totaling $104.2 million, which compares to $101.5 million for fiscal year 2008. Retirement allowances increased $2.7 million due to an increase in the number of benefit recipients and the annual cost of living adjustment of 1.5%.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances and to account for the money it receives to the Board of Trustees, the Mayor and City Council, the Plan's membership and the City's taxpayers. Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to: The Executive Director, Employees' Retirement System, 7 E. Redwood Street, 12th Floor, Baltimore, Maryland 21202.

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Employees' Retirement System
City of Baltimore, Maryland
Statement of Plan Net Assets
June 30, 2009

Assets			
Cash and cash equivalents			$ 31,586,142
Receivables			
Investments sold	$ 12,777,641		
Accrued income	2,394,392		
Other receivables	(394,300)		
Total receivables			14,777,733
Capital assets			
Leasehold improvements	1,443,078		
Depreciation - leasehold improvements	(364,388)		
Net leasehold improvement total		1,078,690	
Office furniture	342,733		
Depreciation - office furniture	(181,284)		
Net office furniture total		161,449	
Office equipment	226,164		
Depreciation - office equipment	(60,698)		
Net office equipment total		165,466	
Total capital assets			1,405,605
Investments, at fair value			
Stocks	474,107,752		
Bonds	284,322,536		
International stock	127,090,185		
Real estate	101,781,651		
Hedge funds	53,987,011		
Total investments			1,041,289,135
Securities lending collateral			35,301,200
Total assets			1,124,359,815
Liabilities			
Securities lending collateral	35,301,200		
Investments purchased	50,326,998		
Adminstrative expenses payable	963,492		
Investment management fees payable	694,131		
Other accounts payable	660,758		
Total liabilities			87,946,579
Net assets held in trust for pension benefits			$ 1,036,413,236

The notes to the basic financial statements are an integral part of this statement.

Employees' Retirement System
City of Baltimore, Maryland
Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2009

Additions		
Contributions		
Employer	$ 43,673,027	
Plan members	172,567	
Total contributions		$ 43,845,594
Investment Income		
Net depreciation in fair value of investments	(278,688,103)	
Interest, dividends, and real estate income	28,522,723	
Less: Investment expenses	(5,406,811)	
Net investment income		(255,572,191)
Securities lending income	762,206	
Less: Securities lending fees	(228,479)	533,727
Total additions		(211,192,870)
Deductions		
Retirement allowances	104,166,249	
Adminstrative expenses	3,138,612	
Death benefits	881,569	
Lump cash payments	289,626	
Total deductions		108,476,056
Net decrease		(319,668,926)
Net assets held in trust for pension benefits		
July 1, 2008		1,356,082,161
June 30, 2009		$ 1,036,413,235

The notes to the basic financial statements are an intergral part of this statement.

1. Plan Description:

The Employees' Retirement System of the City of Baltimore (ERS) is the administrator of a cost-sharing multiple employer defined benefit local government retirement plan (the Plan). Established January 1, 1926, the Plan covers City employees and the Baltimore City Public School System employees with the exception of those required to join the Maryland State Retirement System, or the two other Baltimore City retirement systems, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System. Based on criteria established by the Governmental Accounting Standards Board, the ERS is a component unit of the City of Baltimore and is included in the City's financial report as a public employees' retirement system (PERS).

At June 30, 2009, the ERS membership consisted of:

Active Plan Members	9,719
Retirees and Beneficiaries - currently receiving benefits	8,618
Terminated Plan Members - entitled to but not yet receiving benefits	1,110
Total Membership	19,447

The Plan provides service retirement benefits as well as death and disability benefits in accordance with the Plan Provisions, Article 22 of the Baltimore City Code. The Mayor and City Council may only amend the Plan Provisions. The reduction of benefits is precluded by the City Code.

The ERS is composed mainly of non-contributory members, 99.5% of the membership. The non-contributory class consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the contributory class.

Only 0.5% of active members remain as contributory class members. The contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to the non-contributory class. Membership was mandatory on the member's second anniversary of employment. However, the member could voluntarily enroll within the first two years of employment.

Post-retirement benefit increases are granted each year to eligible retirees and beneficiaries. A 1.5% minimum benefit increase is provided by the Plan Provisions. However, additional percentage increases are granted if the Plan is determined at June 30 to have excess investment earnings. Additional increases may be provided when investment performance exceeds 6.8% provided for all participants in pay status for more than 18 months. During fiscal year 2009, the Plan lost (17.9)% on a market value basis. Therefore, no additional benefit increase will be granted beyond the guaranteed 1.5% cost of living adjustment.

2. Summary of Significant Accounting Policies:

Basis of Presentation:
The accounting and financial reporting policies of the Plan included in this report conform with accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board, which designates accounting principles and financial reporting standards applicable to PERS. This report includes solely the accounts of the Plan, a component unit of the City of Baltimore. There are no component units of the Plan based on the nature of operational or financial relationships.

Basis of Accounting:
These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Member contributions are

recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments:
Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. The real estate holdings are based on the most recent appraisal (either internal to the manager or third party) as then presently available. Investments that do not have an established market are reported at estimated fair value.

3. Contributions and Reserves:

Contributory members are required by the Plan provisions to contribute 4% of regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. The valuation method is stipulated in the Plan provisions. Administrative expenses are paid from investment earnings.

The Plan provisions, Article 22 of the Baltimore City Code, establish the following reserves:

Annuity Savings Reserve:
Accumulated in this reserve are members' contributions inclusive of interest credits, less amounts distributed upon termination of employment or death, or transferred to another reserve for retirement.

Annuity Reserve:
Upon retirement, the accumulated contributions of members are transferred to this reserve. From this reserve, the members' accumulated contributions are paid as a life annuity.

Pension Accumulation Reserve:
Employer contributions are credited and accumulated with earnings in this reserve. Certain death benefits are paid from here. In addition, when a member retires, an amount equal to the member's pension reserve is transferred to the pension reserve.

Pension Reserve:
From this reserve is paid the pension portion of the member's retirement allowance. The pension represents benefits for life derived from the contributions made by the employer and accumulated investment earnings.

At June 30, 2009, the balances in the legally required reserves are as follows:

Reserves	Balance
Annuity Savings Reserve	$4,245,369
Annuity Reserve	26,224,886
Pension Accumulation Reserve	214,370,784
Pension Reserve	791,572,197
Total Reserves	$1,036,413,236

At the date of the last actuarial valuation report, June 30, 2009, the above reserves were underfunded. The pension accumulation reserve had an actuarially determined accrued liability in excess of assets in the amount of $300,728,039.

4. Securities Lending:

The Plan has a Securities Lending Authorization Agreement with BNY Mellon Bank (the Custodian). All individual securities which are readily marketable and which are not restricted due to an outstanding short option are eligible for loan at the discretion of the Custodian. The investment manager may loan securities held in custody of commingled accounts if authorized in the manager's contract with the ERS.

Collateral received in exchange for securities loaned is collected in an escrow account for the Plan's benefit for the duration of the loan. At no time will the Plan lose custody of the loaned securities. Collateral in exchange for the principal loaned may be in the form of cash, or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. Irrevocable Letters of Credit from banks approved by the Custodian may not be used as collateral. The minimum levels of collateral will be set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral will be collected to maintain the appropriate minimum level. All collateral amounts are marked to market daily. The Plan does not have the right to sell or pledge securities received as collateral without borrower default.

At June 30, 2009, the Plan had no credit risk exposure to borrowers because the amounts the Plan owes borrowers exceeded the amounts the borrowers owed the Plan. The market value of securities on loan at June 30, 2009 was $33,928,925 and the market value of the collateral received for those securities on loan was $35,301,200. The Plan did not impose any restrictions during the fiscal year on the amount of loans the Custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the Custodian indemnify the Plan against: (1) the failure to demand adequate and appropriate collateral from a borrower; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; and (4) the failure to make a reasonable determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrower or the Custodian.

Substantially, all securities loans can be terminated on demand either by the Custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the Custodian's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar weighted average maturity of holdings should not exceed 90 days.

5. Cash and Investments:

The Plan's cash deposits are entirely covered by federal depository insurance at all times.

The Board of Trustees (the Board) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the Code. The Board accomplishes the daily management of the Plan's investments through an external investment advisor who acts as a fiduciary for the Plan and through external investment managers. The Board invests the assets of the Plan using the "prudent person standard" which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would in a similar situation. The Board has adopted an investment policy and guidelines to formally document its investment objectives and responsibilities.

Investments of the Plan are held under custodial agreement with BNY Mellon Financial Corporation.

The Plan's investments as of June 30, 2009 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Treasury Notes and Bonds	$148,684,761
U.S. Government Agency Bonds	14,768,586
Corporate Bonds	120,869,189
Cash and Cash Equivalents	31,586,142
Total Debt Securities	315,908,678
Other:	
Stock	474,107,752
International Stock	127,090,185
Real Estate	101,781,651
Hedge Funds	53,987,011
Securities Lending Collateral	35,301,200
Total Other	792,267,799
Total Investments	1,108,176,477
Less: Cash and Cash Equivalents	31,586,142
Total Net Investments	$1,076,590,335

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The Plan has selected the duration method to disclose the debt securities exposure to changes in interest rates. The Plan does not have a formal policy to limit interest rate risk.

Investment Type	Fair Value	Duration (Years)
Debt securities:		
U.S. Treasury Notes and Bonds	$148,684,761	2.78
U.S. Government Agency Bonds	14,768,586	10.56
Corporate Bonds	120,869,189	5.85
Cash and Cash Equivalents	31,586,142	0.09
Total Debt Securities	$315,908,678	

Credit Risk by Quality

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board has not adopted a formal policy to limit credit risk. ERS-rated debt investments as of June 30, 2009 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale:

	Investments at Fair Value / Credit Risk by Quality Rating				
Investment Type	AAA - A	BBB - B	CCC - C	Not Rated	Total
Debt securities:					
U.S. Treasury Notes and Bonds	$148,684,761				$148,684,761
U.S. Government Agency Bonds	8,728,496			$6,040,090	14,768,586
Corporate Bonds	85,341,197	$26,555,964	$4,851,526	4,120,502	120,869,189
Cash and Cash Equivalents				31,586,142	31,586,142
Total Debt Securities	242,754,454	26,555,964	4,851,526	41,746,734	315,908,678

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2009, the ERS has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Foreign Currency Exposure Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. At June 30, 2009 the Employees' Retirement System did not hold any hedging foreign investment positions. ERS does not have a formal policy to limit foreign currency risk. ERS foreign currency risk at June 30, 2009 is presented in the following table:

Currency	Total
Euro Currency Unit	$35,097,132
British Pound Sterling	22,532,584
Japanese Yen	16,350,083
Hong Kong Dollar	8,794,463
Swiss Franc	7,002,975
Danish Krone	4,163,107
Canadian Dollar	3,617,873
Australian Dollar	3,198,034
Chinese Yuan Renminbi	2,493,831
Norwegian Krone	1,945,573
Swedish Krona	1,492,059
Brazil Real	1,187,400
Singapore Dollar	1,139,162
New Turkish Lira	446,270
Russian Ruble	180
Mexican New Peso	(411,044)
Total Foreign Currency Securities	109,049,682
U.S. Dollars held by International Investment Managers	26,100,103
Total Foreign Currency Exposure	$135,149,785

6. Capital Assets

The capital assets purchased during the fiscal year ending June 30, 2009 consist of leasehold improvements, office equipment and office furniture. All capital assets are recorded at cost less accumulated depreciation.

Capital Assets	Accumulated Cost	Net Appreciation	Capital Assets
Leasehold Improvements	$1,443,078	$(364,388)	$1,078,690
Office Furniture	342,733	(181,284)	161,449
Office Equipment	226,164	(60,698)	165,466
Total Capital Assets	$2,011,975	$(606,370)	$1,405,605

7. Funding Policy

Funding of the System is accomplished through member and employer contributions, and the investment earnings. The System uses the projected unit credit funding method. The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. A ten year schedule of the funding progress is on page 32 of this report.

Funding Progress Schedule

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/ c)
06/30/09	$1,424,202,643	$1,724,930,682	$300,728,039	82.6%	$398,009,463	75.6%

The information presented below is in the required supplementary schedules of this report on page 34 and is determined as part of the actuarial valuation dated June 30, 2009.

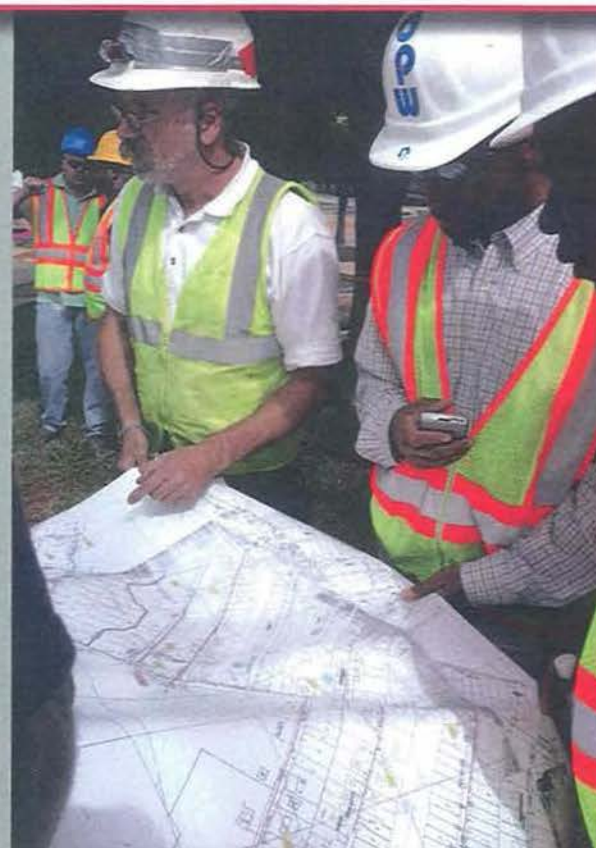
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar, Open
Amortization Period:	20-year period re-established each year.

Asset Valuation Method:
Market value adjusted for investment surpluses and deficits over a five year period. The actuarial value of assets is the market value less cumulative unallocated earnings. Any contribution receivable of the upcoming fiscal year (as determined in the prior year's valuation) is added to the results.

Actuarial Assumptions:

Investment Rate of Return - Pre-retirement:	8.00%
Investment Rate of Return - Post-retirement:	6.80%
Projected Salary Increases:	Inflation rate approximately 3%.
Cost-of-living Adjustments:	1.5%, with variable based on excess investment returns.

Required Supplementary Information and Supporting Schedules



ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Employees' Retirement System
City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
6-30-00	$ 1,309,547,725	$ 1,217,621,669	$ (91,926,056)	107.5%	$ 308,895,853	(29.8)%
6-30-01	1,374,100,736	1,283,030,273	(91,070,463)	107.1	309,602,035	(29.4)
6-30-02	1,365,617,359	1,271,606,212	(94,011,147)	107.4	305,521,211	(30.8)
6-30-03	1,408,545,332	1,374,747,918	(33,797,414)	102.5	316,311,022	(10.7)
6-30-04	1,397,581,780	1,429,231,020	31,649,240	97.8	322,914,690	9.8
6-30-05	1,403,206,754	1,466,857,297	63,650,543	95.7	320,985,908	19.8
6-30-06	1,411,165,977	1,530,526,367	119,360,390	92.2	331,888,366	36.0
6-30-07	1,447,196,612	1,598,682,178	151,485,566	90.5	346,391,734	43.7
6-30-08	1,475,533,717	1,664,078,322	188,544,605	88.7	367,517,243	51.3
6-30-09	1,424,202,643	1,724,930,682	300,728,039	82.6	398,009,463	75.6

See notes to required supplementary information.

Employees' Retirement System
City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed
2000	$18,869,253	100%
2001	16,592,465	100
2002	17,714,152	100
2003	17,736,030	100
2004	17,352,473	100
2005	23,624,914	100
2006	31,003,063	100
2007	36,841,351	100
2008	43,918,411	100
2009	43,673,027	100

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented in the required supplementary schedules was determined as part of the actuarial valuation dated June 30, 2009. Additional information follows from the latest actuarial valuation report.

Actuarial cost method:	Projected unit credit cost
Amortization method:	Level dollar, open
Amortization period:	20-year period re-established each year; only one amortization base
Asset valuation method:	Market value adjusted for investment surpluses and deficits over a five year period. The actuarial value of assets is the market value less cumulative unallocated earnings. Any contribution receivable of the upcoming fiscal year (as determined in the prior year's valuation) is added to the results.
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	8.00%
Post-retirement	6.80%
Projected salary increases	Inflation rate approximately 3%.
Cost-of-living adjustments	1.5% annual increase with a variable base on excess investment returns

2. Effective April 1, 2001, amendments were made to the Plan provisions. These amendments included: increasing the formulas for service and non-line-of-duty disability retirement for all classes of membership; establishing a new non-line-of-duty death benefit for members who have 20 or more years of service credit; lowering the eligibility requirements for line-of-duty disability; reducing the Workers Compensation offset provisions for disability and death benefits; and increasing or establishing survivorship benefits for eligible spouses and eligible minor children of members who selected the maximum benefit and retired prior to June 29, 1989.

   The City Administration elected to pay the $63.2 million cost of these improvements for the first 20 years by utilizing a portion of the System's net unallocated excess earnings as of June 30, 2000, which totaled $86.4 million at that date.

3. Changes in actuarial assumptions include a change to generational tables for pre-retirement non-line-of-duty, service retirement and beneficiaries of service retirements. Withdrawal age-based rates decreased for the first year and increased in the second and third years. Disability rates reduced for non-line-of-duty for ages between 55 and 59, and Class C line-of-duty was reduced by one-third. Disability retirement rates increased for retirements after age 60 with less than 30 years of service. The taxable wage base was decreased to 4.0% and the inflation rate to 3.0%. All of the assumption changes will result in a $4.5 million increase in annual City cost. Changes are effective as of June 30, 2002.

4. Changes in the actuarial assumptions included a change to generational tables for pre-retirement non-line-of-duty, service retirement and beneficiaries of service retirements. Disability rates increased for non-line-of-duty for all ages ranging in a rate increase between .05% and .08%. Line of duty disability rates for A, B and C members' remain unchanged. Withdrawal age-based salary rates were lowered to 4.25% with an average salary rate change from 5.6% to 5.2%. Service retirement rates increased for those with less than 30 years of service by .02%. Members with 30 years of service or more retirement rates decreased by at least .01% depending on the age of the retiree.

5. Effective July 1, 2006, amendments were made to the Plan provisions. These amendments included combining the assets of the Plan and increasing the cost of living adjustment. The investments in the paid up benefit and the contingency reserve funds were passively invested and not used in the actuary's valuation of the Plan's assets. The new Plan provision no longer separates the paid up benefit fund and the contingency reserve fund. The combining of assets allow the Plan to have all assets actively invested. The cost of living adjustment was changed to a guaranteed adjustment of 1.5% with an additional variable increase based on excess investment returns.

   All of the assumption and Plan provision changes resulted in a .056%, or $245,384, decrease in annual City cost for the fiscal year as well as an increase of the unfunded liability from $119.4 million to $151.5 million. The changes to the Plan provision paid an additional ad hoc cost of living adjustment of $13.1 million or a one time increase of 1.45% to all retirees and beneficiaries with a retirement date on or before June 30, 2006 which was paid during fiscal year ending June 30, 2007. Changes are effective as of June 30, 2007.

6. The actuarial asset value return was 6.49% which produced a net loss of $25.2 million to the Plan for fiscal year 2008. The unfunded actuarial liability increased from $151.5 million on June 30, 2007 to $188.5 million on June 30, 2008, primarily due to the investment experience on actuarial asset value and adverse demographic experience.

   The total recommended contributions increased by 13.08% from $43,673,028 for fiscal year 2009 to $48,748,396 for fiscal year 2010 as a reflection of the prior year's experience and increased unfunded actuarial liability as of June 30, 2008. This represents a projected increase in cost as a percent of pay from 12.61% to 13.26%.

7. The actuarial asset value return was 0.75%, which produced a net loss of $104.0 million for the Plan fiscal year 2009. The unfunded actuarial liability increased from $188.5 million on June 30, 2008 to $300.7 million on June 30, 2009, primarily due to economic conditions, the investment experience on actuarial asset value, and to a lesser degree adverse demographic experience.

   The total recommended contribution increased by 28% from $48,748,396 for fiscal year 2010 to $62,374,397 for fiscal year 2011 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2009. This represents a projected increase in cost as a percent of pay from 13.26% to 15.67%.

   The valuation for fiscal year 2009 reflects a significant increase in the number of active participants for the Baltimore City Public School System that will be covered under the Plan. The membership increased from 1,548 in 2008 to 1,787 in 2009.

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2009

Salaries and wages:		
Permanent full-time salaries	$ 1,374,550	
Contract salaries and wages	32,494	
Total salaries and wages		$ 1,407,044
Other personnel costs:		
Social security	238,525	
Medical insurance and health care	226,557	
Other	8,300	
Total other personnel costs		473,382
Contractual services:		
Lease purchase agreements	229,405	
Computer network services	173,307	
Retirement payroll processing	159,180	
Actuarial services	116,323	
Data processing services	83,131	
Professional services	69,101	
Legal fees	44,145	
Printing	38,121	
Audit fees	36,319	
Postage	29,332	
Telephone systems	25,398	
Trustee education	15,340	
Miscellaneous	8,502	
Equipment maintenance	8,287	
Lease of business machines	5,680	
Advertising	5,402	
Staff training	4,457	
Dues and publications	3,806	
Total contractual services		1,055,236
Materials and supplies:		
Office supplies		12,432
Other		13,024
Depreciation expense		177,494
Total administrative expenses		$ 3,138,612

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2009

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 5,068,780
Custodial fees	127,531
Investment consultant fees	210,500
Subtotal	5,406,811
Securities lending fees	228,479
Total investment expenses	**$ 5,635,290**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
Cheiron	$ 116,323	Actuarial Services
Smith and Downey	44,145	Legal Fees
Baltimore City Department of Audits	36,319	Financial Audit
NRP Financials	10,980	Investment Consultant Search
Total of payments to consultants	**$ 207,767**	

Note: A schedule of fees and commissions is also illustrated in the Investment Section on page 49.

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Investment Section

EMPLOYEES' RETIREMENT SYSTEM of the CITY OF BALTIMORE

INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the City of Baltimore Employees' Retirement System (ERS) by Marquette Associates, Inc. is based on information supplied by the System's custodian, Mellon Bank, N.A (Mellon). Mellon provides Marquette Associates, Inc. with beginning and ending market values, cash flows, transactions, and positions for the ERS as well as each manager, where applicable. Mellon audits the information contained in its accounting reports monthly. Investment information is reported to the greatest degree possible in conformance with the presentation standards of Global Performance Investment Standards (GIPS) formerly known as AIMR.

On October 29, 2008, the City of Baltimore Employees' Retirement System (ERS) retained Marquette Associates, Inc. as the full retainer investment consultant.

Distinction of Responsibilities

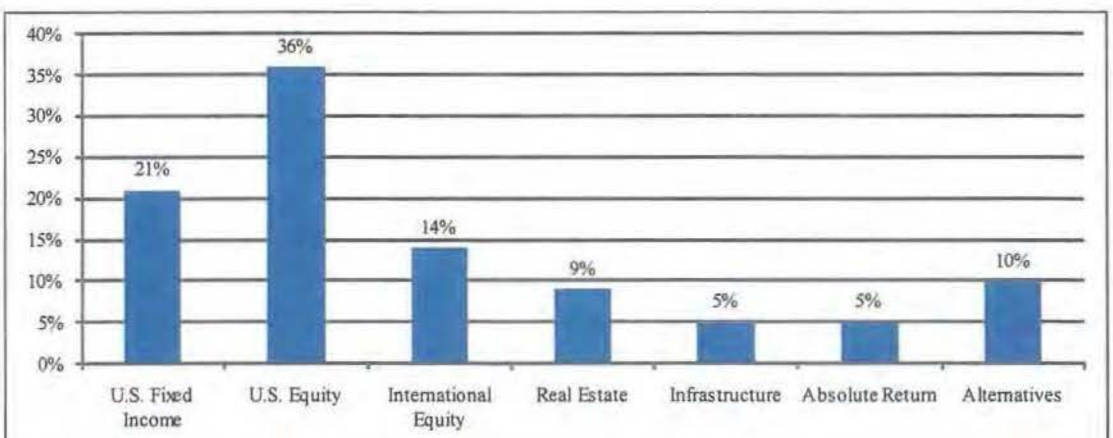
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner that is consistent with the retirement objectives of the System's members. These responsibilities are detailed in the Investment Guidelines.

The primary investment objectives of the System are to preserve the capital value of the System assets adjusted for inflation, to ensure adequate liquidity to meet benefit liabilities as they fall due, to meet the actuarial interest rate assumptions, and without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of System assets.

The investment managers appointed to execute the policy will invest ERS assets in accordance with the policy guidelines and with their judgment concerning relative investment values. In particular, the investment managers are accorded full discretion to: (1) select individual securities, (2) make periodic strategic adjustments to the mix of the common stock and fixed income securities, where applicable and (3) diversify their portfolios.

Investment Asset Allocation Structure

The System recently reviewed the asset allocation structure in an effort to enhance the risk adjusted return characteristics over the long term. A new asset allocation structure was approved in May of 2009 and will be implemented over the course of the next year. The goal of the new asset allocation structure is to provide a favorable rate of return coupled with a prudent level of risk. Diversification of asset classes is critical to achieve long term return objectives while reducing risk. The following table outlines the ERS's investment policies that shall be effective upon implementation of the new asset allocation:



The new asset allocation structure further diversified the alternatives asset classes with reduced focus on traditional domestic equities. Infrastructure was introduced as a new asset class due to its favorable long term return objectives and favorable characteristics to institutional investors such as sustainable yield, inflation adjusted return characteristics and growth opportunity for growth. Also, within each asset class, the Trustees have distinct target weights to specific investment styles to further improve diversification. The Trustees have employed both active and passive investment strategies to obtain the desired asset allocation mix in the most cost effective and efficient manner.

Investment Objective

The ERS's investment objective is to outperform the return of a policy portfolio consisting of 41% Russell 3000, 14% MSCI ACW ex US, 26% Barclays Capital Agg, 9% CPI+6%, 5% Tbills plus 5%, and 5% Venture Economics. In addition, the ERS's performance is evaluated relative to the Wilshire Public Fund Universe, a universe representing the performance of 216 Public Funds. Marquette utilizes the Wilshire co-operative database, a diverse collection of information from over 60 different investment consulting firms located throughout the United States. The Universe statistics consist of over 1,600 total funds and several thousand individual portfolios. In addition, each individual manager portfolio is evaluated against the appropriate peer group (style) universe.

Market Overview

The fiscal year ended June 2009 was an unprecedented year of market volatility. The financial crisis that climaxed in the fall of 2008 drove all equity markets across the globe into negative territory over a relatively short period of time. Although the global stock market rebounded beginning in March of 2009, the one year return ended June 30, 2009 posted a loss. The domestic stock market as proxied by the Russell 3000 Index returned (26.6)%, the international stock market as proxied by the MSCI All Country World ex-US Index returned (30.5)%, and domestic fixed income as proxied by the Barclays Capital Aggregate Index returned 6.1%.

Investment Performance

For investment performance measurement purposes, the total investment portfolio was combined incorporating "actively managed" accounts and "other" assets. The "other" assets previously consisted of the Cash Reserve, held for the payment of benefits and administrative expenses, and "Post Retirement" assets held in immunized portfolios dedicated solely for the purpose of paying post retirement benefit increases. All assets are displayed below.

For the fiscal year ended June 30, 2009, the ERS's rate of return as negatively impacted by declining markets posted a (17.9)% return and lagged the custom benchmark by 4.6% the the median public pension fund by 2.8%, ranking in the 69th percentile of the public fund universe. Underperformance from both the domestic equity and fixed income portfolios detracted from results.

The market value of the ERS assets decreased from $1.36 billion on June 30, 2008, to $1.03 billion on June 30, 2009. The decrease in total fund reported value for this report was attributable to capital depreciation and cash flow activity. At the end of fiscal year 2009, the System's assets were allocated as follows:

			Fiscal Year Rate of Return	
	Market Value (in millions)	Percent of Total	ERS	Benchmark
U.S. Equity	$358.3	34.7%	(27.1)%	(26.6)%
International Equity	130.4	12.6%	(30.0)%	(30.5)%
U.S. Fixed Income	352.1	34.1%	1.7%	6.1%
Real Estate	96.9	9.4%	(24.9)%	(19.6)%
Private Equity	35.2	3.4%	(6.8)%	(22.9)%
Hedge Funds	54.0	5.2%	(14.5)%	(15.2)%
Cash Equivalents	6.2	0.6%		
Total Fund	$1,033.1	100.0%	(17.9)%	(13.3)%

Nichole Roman-Bhatty

Nichole Roman-Bhatty, Managing Partner

OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives
The primary investment objectives of the Employees' Retirement System (the Plan) are set forth below. It is recognized that maximizing any one objective may compromise the achievement of other objectives. For example, maximizing liquidity may reduce investment return; seeking maximum investment return may subject capital preservation to higher risk. Accordingly, the following investment objectives are given in descending order of priority:

1. To preserve the capital value of the Plan adjusted for inflation;
2. To ensure adequate Plan liquidity to meet benefit liabilities as they fall due;
3. To meet the actuarial interest rate assumptions; and
4. Without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of funds.

General Investment Policy
The Employees' Retirement System must comply with investment restrictions imposed by the laws of the City of Baltimore and any other State or Federal laws dealing with investment of public retirement plan assets. The Plan's investment managers are expected to familiarize themselves with these laws.

Investment policy for the Plan relates to the portfolio of all assets that comprise the total holdings of the Plan. The Board of Trustees (Board) recognizes that the objective of a sound and prudent policy is to produce investment results that will preserve the assets of the Plan, as well as, to maximize earnings of the Plan consistent with its long-term needs. These long-term needs have been ascertained through various studies performed on behalf of the Board by its actuary and its investment advisor. Investment policy and the long-term average allocation of plan assets to which they refer are deemed to be consistent with the projected pattern of cash flows to the Plan and its projected benefit payments. Should the projected finances of the Plan change significantly, the applicable Federal or State statutes be amended, or changes in the Plan's asset valuation methods be adopted, these policies and average asset allocations will be reviewed and modified by the action of the Board, if appropriate.

In general, the Board recognizes that large pools of assets must be diversified over several different security classifications in order to reduce risk. The following asset allocation has been established as an overall objective for the total holdings of the Plan:

Asset Category	Target
Domestic equity	36%
Fixed income	21%
International equity	14%
Real Estate	9%
Alternatives	10%
Absolute Return	5%
Infrastructure	5%

Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to be familiar with the investment provisions in Article 22 of the Baltimore City Code. Subject to these objectives and guidelines, and the Plan laws referenced herein, the investment managers shall have full discretion in investment decisions. Managers are
Employees' Retirement System
City of Baltimore, Maryland

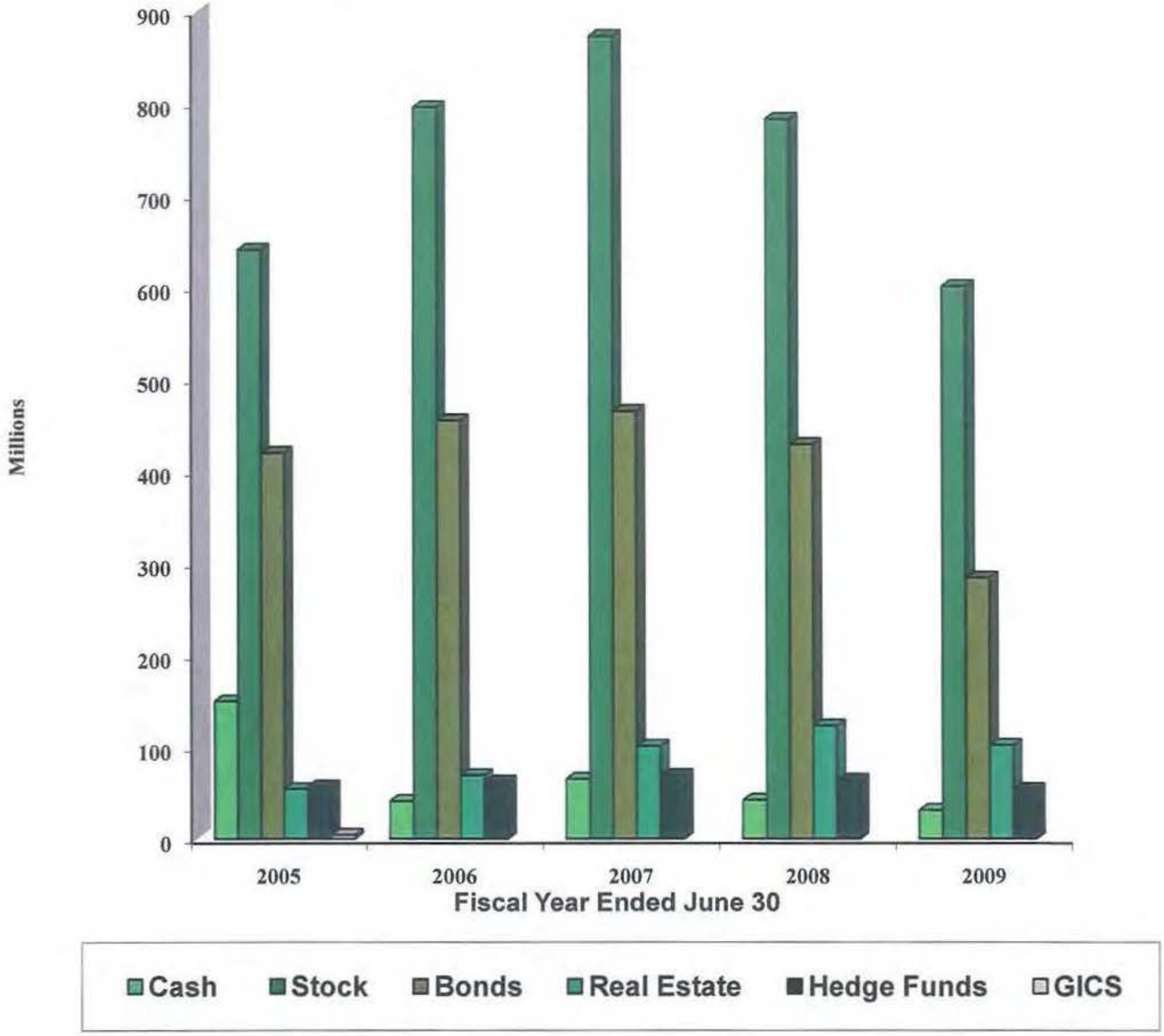
advised to notify the Board in writing if these objectives cannot be met or if the guidelines constrict performance, and are encouraged to suggest changes in these guidelines at any time.

Proxy Voting

Pursuant to a U.S. Department of Labor directive, the Board of Trustees has a long standing policy that, when solicitations of proxies with respect to securities are received by an investment manager, the decisions as to whether and how to vote such proxies are delegated to that investment manager.

The Board also recognizes however, that the investment manager's decisions must be made in accordance with applicable legal standards and that the Board has an obligation to ensure that those standards are being observed. Therefore, the Board requests that annually (June 30) each management firm furnish the Plan with a written statement of their policy and practices with respect to the voting of securities held in their employee benefit plan asset portfolios, together with their written assurance that such policies and practices are being followed. These statements and assurances will be included, and will be given appropriate weight, in the Board's continuing evaluation of each manager's overall investment performance.

Employees' Retirement System
City of Baltimore, Maryland
PORTFOLIO COMPOSITION
MARKET VALUE OF INVESTMENTS



(amounts expressed in millions)

	2005		2006		2007		2008		2009	
Cash	$ 150	11%	$ 41	3%	$ 65	4%	$ 42	3%	$ 31	3%
Stock	641	48	796	56	873	56	783	54	601	56
Bonds	420	32	455	32	465	30	429	30	284	26
Hedge Funds	57	4	62	4	69	6	64	4	54	5
Real Estate	54	4	69	5	101	4	123	9	102	10
GICS	4	1								
Total	$ 1,326	100%	$ 1,423	100%	$ 1,573	100%	$ 1,441	100%	$ 1,072	100%

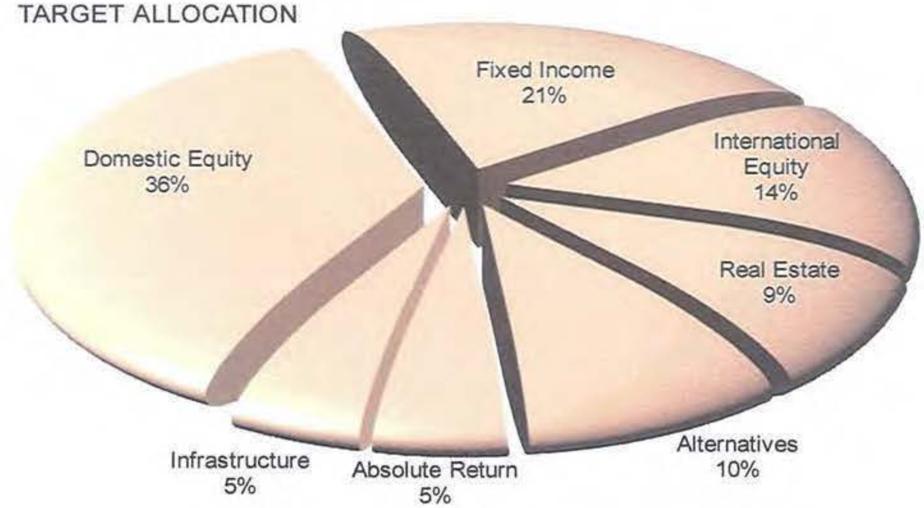
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

		Annualized	
	FY 2009	3 Years	5 Years
TOTAL PORTFOLIO	(17.90)%	(2.50)%	2.40%
Median Public Pension Fund	(15.10)	(2.20)	1.80
DOMESTIC EQUITIES	(27.10)	(8.10)	(1.60)
Wilshire 5000	(26.10)	(3.80)	1.90
FIXED INCOME	1.70	4.20	3.60
BarCap Aggregate	6.10	4.60	5.10
INTERNATIONAL EQUITIES	(30.10)	(6.70)	3.50
MSCI ACWI ex-US	(30.50)	2.20	7.10
REAL ESTATE	(24.90)	(3.00)	(3.60)
NCREIF	(19.60)	(5.10)	8.10
HEDGE FUNDS	(14.50)	(0.80)	0.00
HFR Hedge Fund-of-Fund	(15.20)	1.80	3.80

Note: The calculations above were prepared by the Employees' Retirement System's investment advisor, Marquette Associates, using a time weighted rate of return, based on market value. The performance shown for the Total Portfolio does not include "Other Assets" dedicated to the payment of post-retirement benefit increases. The Median Public Pension Fund exhibits the overall rate of return for the average Public Pension Plan as measured by the Wilshire Universe.

Employees' Retirement System
City of Baltimore, Maryland
ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS
June 30, 2009

TARGET ALLOCATION



ACTUAL ALLOCATION

Note: For asset allocation purposes, only actively managed accounts are included. Assets in the commingled funds are allocated between domestic equity and domestic fixed income based on the percentage held by the investment managers at June 30, 2009. Assets in the cash reserve are also excluded from this illustration. These assets are for the purpose of providing cash for the payment of benefit and administrative expenses.

Employees' Retirement System
City of Baltimore, Maryland
TOP TEN EQUITY AND FIXED INCOME HOLDINGS BY MARKET VALUE

		Shares	Market Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	Exxon Mobil Corp	78,052	$5,456,615
2	IBM Corp	42,127	4,398,901
3	Chevron Corp	58,714	3,889,803
4	Apple Inc	20,905	2,977,499
5	Johnson & Johnson	47,883	2,719,754
6	Goldman Sachs Group Inc	18,080	2,665,715
7	Occidental Pete Corp	38,427	2,528,881
8	Pfizer Inc	154,340	2,315,100
9	JP Morgan Chase & Co	67,863	2,314,807
10	Du Ponte E I De Nemours & Co	87,759	2,248,386
	Total	614,150	$31,515,461
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	Batterymarch Global Emerging Markets Fund	20	$16,395,037
2	Telefonica SA	89,976	2,034,422
3	Novartis AG	47,797	1,935,525
4	Axa	95,880	1,800,769
5	Banco Santander SA	145,687	1,749,218
6	BNP Paribas	26,630	1,727,556
7	Roche Hldg AG	12,282	1,668,017
8	Carnival PLC	59,571	1,576,539
9	Teva Pharmaceutical	31,650	1,561,611
10	Aviva PLC	276,355	1,554,219
	Total	785,848	$32,002,913
TOP TEN DOMESTIC FIXED INCOME HOLDINGS			
1	Fed Natl Mortgage Assn 5.000% 06/01/2035 DD 05/01/05	40,847,849	$41,758,756
2	Commitment to purch FNMA Sf Mtg 5.500% 07/01/2039 DD 07/01/09	13,000,000	13,418,470
3	Commitment to purch Fhlmc Sf Mtg 5.500% 07/01/2038 DD 07/01/09	11,000,000	11,354,090
4	Fed Natl Mortgage Assn 5.500% 07/01/2038 DD 6/01/08	7,000,001	7,235,761
5	Fed. Home Loan Mortgage Corp 04/01/2038 DD 04/01/08	5,880,644	6,079,057
6	Gov Natl Mortgage Assn 6.000% 07/15/2038 DD 07/01/08	4,541,660	4,736,633
7	Fed Natl Mortgage Assn 4.500% 02/01/2039 DD 01/01/09	3,825,527	3,822,887
8	Credit Default Swap SP CDX.NA.IG.9 5YR R 60BP 2012 DEC 20	3,806,400	3,651,032
9	Fed Natl Mortgage Assn 5.000% 05/01/2038 DD 04/01/08	3,941,829	3,560,793
10	Fed Natl Mortgage Assn 6.500% 12/01/2047 DD 12/01/07	3,327,486	3,525,105
	Total	97,171,396	$99,142,584

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2009

	Market Value	Percentage of Market Value
Stock:		
Technology	$45,921,775	4.4 %
Financial	30,059,577	2.9
Energy	27,978,550	2.7
Health care	28,451,775	2.7
Consumer services	22,742,953	2.2
Capital goods	19,516,842	1.9
Consumer nondurables	15,129,439	1.5
Basic industries	9,081,379	0.9
Chemicals	5,986,738	0.6
Transportation	3,282,962	0.3
Utilities	4,968,960	0.5
Business services	4,176,684	0.4
Media	2,203,699	0.2
Consumer durables	1,295,143	0.1
Wholesale Distribution	721,400	0.1
Total stock	221,517,876	21.4
Other		
International stock	127,090,185	12.2
Private equity	34,857,042	3.3
Commingled funds	217,732,834	20.7
Total other	379,680,061	36.2
Total stock	**601,197,937**	**57.6**
Bonds:		
U.S. securities and agencies		
U.S. agencies	148,684,761	14.3
Treasury notes and bonds	14,768,586	1.4
Total U.S. securities and agencies	163,453,347	15.7
Corporate		
Financial	98,474,941	9.5
Industrial	12,417,948	1.2
Utilities	9,976,300	1.0
Total corporate	120,869,189	11.7
Total bonds	**284,322,536**	**27.4**
Other investments:		
Real estate	101,781,651	9.8
Hedge Funds	53,987,011	5.2
Total other investments	**155,768,662**	**15.0**
Total investments	**$ 1,041,289,135**	**100.0** %

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2009

	Assets Under Management	Fees
Investment managers' fees		
Fixed income	$284,322,536	$644,422
Domestic equity	221,517,797	1,376,120
Commingled funds	217,732,834	71,249
International equity	127,090,185	564,839
Real estate	101,781,651	1,214,829
Hedge funds	53,987,011	389,305
Private equity	34,857,042	808,016
Total investment managers' fees		**$5,068,780**
Other investment service fees:		
Custodial fees		127,531
Investment consultant fees		210,500
Total other investment service fees		**$338,031**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2009 amounted to $660,558. A list of the brokers receiving more than $4,800 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Finl Partners LTD, Lake Success	$83,761	Pulse Trading LLC, Boston	$9,549
FRS Secs LLC, Silver Spring	37,438	Merrill Lynch (KSI), London	7,366
Merrill Lynch Pierce Fenner, Smith Inc NY	31,152	Wells Fargo Securities LLC, Charlotte	7,205
BNY Convergex,New York	25,509	Merrill Lynch Pierce Fenner, Wilmington	6,802
Citigroup GBL Mkts Inc, New York	20,087	Pershing Securities LTD, London	6,119
Liquidnet Inc, Brooklyn	17,883	Neonet Securities AB, Stockholm	6,085
Deutsche Bk Secs Inc, NY (NWSCUS33)	17,844	Calyon Securities (Setclear), New York	5,894
UBS Securities LLC, Stamford	17,521	GRW Capital Corp, Jersey City	5,814
Goldman Sachs & Co, NY	17,024	Barclays Capital LE, Jersey City	5,469
Credit Suisse, New York (CSFBUS33XXX)	15,619	Goldman Sachs Execution & Clearing, NY	5,217
Morgan JP Secs Inc, New York	15,296	UBS Equities, London	5,139
Loop Capital Mkts LLC, Dallas	14,615	Oppenheimer & Co Inc, New York	4,998
Morgan Stanley & Co Inc, NY	12,940	Israel A. Englander & Co Inc, New York	4,952
Investment Technology Group, New York	11,556	Baird, Robert W & Co Inc, London	4,922
Jeffries & Co Inc, New York	11,244	Sanford C Bernstein & Co Inc, London	4,869
Stifel Nicolaus	11,209	Credit Agricole Cheuvreux, Courbevoie	4,842

Brokerage Commissions

Because of the highly visible nature of the Employees' Retirement System, it is important that the investment managers have as a primary objective in investment transactions to obtain the best execution in all cases. While the investment managers are permitted to direct a portion of commissions for research, it is expected that each manager will receive commission discounts which are commensurate with current discount practice. Investment managers are expected to give first preference whenever possible to brokerage firms with offices located in the Baltimore Metropolitan Area. However, the managers are expected to negotiate commission rates, and local brokerage firms should be given preference only when commission rates and transaction services are competitive with those available from other firms.

EQUITY MANAGERS

Brown Investment Advisory, Inc.
Patricia Carroll
Baltimore, Maryland

Chicago Equity Partners
Michael Nairne
New York, New York

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

Palisades Inv. Partners, LLC
Quinn R. Stills
Santa Monica, California

Turner Investment Mgt., LLC
John Finnegan
Berwyn, Pennsylvania

Rothschild Asset Mgmt. Inc.
T. Radey Johnson
New York, New York

TimesSquare Capital Mgt. LLC
Jacqueline M. Zuklie
New York, New York

EQUITY FUND OF FUNDS

Group Advisor
FIS Funds Management, Inc.
Tina Byles Williams
Philadelphia, Pennsylvania

Atlanta Life Investment Advisors
Randell A. Cain, Jr., CFA
Atlanta, Georgia

Opus Capital Management
Kevin Whalen
Cincinnati, Ohio

Profit Investment Management
Eugene Profit
Silver Spring, Maryland

Thomas White International
Douglas M. Jackman, CFA
Chicago, Illinois

Apex Capital Mgmt. LLC
Mike Kalbfleisch
Dayton, Ohio

Lombardia Capital
Albert Chavez
Pasadena, California

OakBrook Investments
Janna L. Sampson
Lisle, Illinois

Fortaleza Asset Management
Margarita Perez, CFA
Chicago, Illinois

Denali Investment Advisors
Bob Snigaroff
San Diego, Calinformia

Mastrapasqua Asset Management
Ron Szejner
Nashville, Tennessee

Affinity Investment Advisors
Greg Lai
Irvine, California

BRC Investment Management
J. David DuRie
Greenwood Village, Colorado

INTERNATIONAL EQUITY MANAGERS

Philadelphia International Advisors, LP
James S. Lobb
Philadelphia, Pennsylvania

Thornburg Investment Advisors
Peter Trevisani, CFA
Santa Fe, New Mexico

Batterymarch Financial Management, Inc.
Mike Kinney
Boston, Massachusetts

HEDGE FUND MANAGERS

Attalus Capital
John Boles
Philadelphia, Pennsylvania

Grosvenor Capital Management, LLC
David Holmberg
Chicago, Illinois

FIXED INCOME MANAGERS

Utendahl Capital Management, L.P.
Thomas Mandel
New York, New York

Western Asset Management, Inc.
Joseph C. Carieri
Pasadena, California

PIMCO
Elizabeth Philipp, CFA
New York, NY

REAL ESTATE MANAGERS

American Realty Advisors
Stanley Iezman
Glendale, California

CBRE Global Real Estate Securities, LLC
William K. Morrill, Jr.
Baltimore, Maryland

Hancock Timber Resources Group
John T. Perda
Boston, Massachusetts

AREA Property Partners
Steven M. Wolf
Atlanta, Georgia

JP Morgan Investment Management, Inc.
Douglas P. Lawrence
New York, New York

Thor Equities, LLC
Joseph J. Sitt
New York, New York

VENTURE CAPITAL MANAGERS

Abbott Capital, Inc.
Charles H. van Horne
New York, New York

Fairview Capital III, L.P.
Laurence C. Morse
West Hartford, Connecticut

Maryland Venture Capital Trust
Lawrence J. Bach
Baltimore, Maryland

CASH MANAGEMENT

Standish Mellon
James Kohley, CFA
Pittsburgh, Pennsylvania

SECURITIES LENDING

BNY Mellon Global Securities Lending
Renee Rawls
Pittsburgh, Pennsylvania

GLOBAL CUSTODIAN

BNY Mellon Asset Servicing
Arlene C. Sefcik
Pittsburgh, Pennsylvania

INVESTMENT ADVISOR

Marquette Associates, Inc.
Nichole Roman-Bhatty
Chicago, Illinois

Actuarial Section

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Board of Trustees
Employees' Retirement System
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

December 9, 2009

Honorable Members of the Board of Trustees:

Cheiron Inc, performs an actuarial valuation of the System at the end of each fiscal year. The most recent valuation, as of June, 30 2009, determined the employer's contribution for the plan year beginning July 1, 2009. Because the contribution is always accrued, it is our understanding the contribution plus interest is historically made during the 2011 fiscal year.

The funding method used in the annual valuation is the Projected Unit Credit Cost method. This method tends to produce level contributions as a percentage of covered payroll as long as the average age of active membership does not change. If the average age were to increase, the Normal Cost portion of the employer's contribution would increase as a percentage of covered payroll. The employer's contribution is increased or decreased to amortize as a level dollar amount over 20 years the difference between the actuarial value of assets and the actuarial accrued liability.

The valuation is based on actuarial assumptions recommended by the actuary and approved by the Board of Trustees. The assumptions and methods used for funding purposes meet the parameters set forth in the disclosures presented in the financial section by Governmental Accounting Standards Board Statement No. 25. Some actuarial assumptions are incorporated into Article 22 of the Baltimore City Code. The plan provisions require a periodic review of the assumptions by the Actuary. The most recent review examined experience from 2002 to 2006 and resulted in changes that were incorporated in the June 30, 2007 valuation. The current assumptions are a reasonable estimate of the anticipated experience of the System.

The valuation is based on a closed group of membership; no new hires are assumed. The actuarial value of assets for this disclosure is equal to the market value adjusted for investment performance above or below the assumed rate of return. Such gains or losses are aggregated and recognized at the rate of 20% each year. Membership data used for the actuarial valuation are supplied by the Retirement System. The data is examined by the actuary for reasonableness and consistency with the prior year's data. Asset information is provided on an unaudited basis.

All supporting schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section have been prepared by the System and reviewed by Cheiron. The undersigned meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained in this letter and the actuarial report.

Sincerely,
Cheiron

Kenneth Kent, FSA, FCA
Consulting Actuary

Margaret Tempkin, FSA
Consulting Actuary

Method of Funding:	Liabilities and contributions shown in this report are computed using the Projected Unit Credit method of funding. The Plan's normal cost is the present value of the benefit deemed to accrue in the plan year less the amount of anticipated employee contributions, if applicable. The actuarial accrued liability is the sum of the individual's present value of accrued benefits at the beginning of the year. The current Unfunded Actuarial Liability is amortized over 20 years. This 20-year period is restarted each year. The Trustees can elect to change this period.
Asset Valuation:	The actuarial value of assets is equal to the market value, adjusted for investment surpluses and deficits over a five-year period. The actuarial value of assets is the market value less cumulative unallocated earnings. Any contribution receivable for the upcoming fiscal year (as determined in the prior year's valuation) is added to the result.
Post Retirement Benefit Increases:	Annual post-retirement benefit increases are 1.5%. Additional increases may be provided when investment performance exceeds 6.8% provided for all participants in pay status for more than 18 months.
Interest:	8.0% compounded annually until retirement except employee accumulations; 6.8% compounded annually after retirement.
Expenses:	Expenses are paid from the Plan operating account. It is assumed that the fund will have sufficient earnings to pay these expenses and meet the interest assumption.
Investment Return	A liability weighted return on assets is expected on the basis that an 8.0% return is achieved on the portion of assets attributable to active participants, and a 6.8% return is assumed for non-active based assets. The weighted expected return this year is 7.37%

Salary Scale:

Salary increases are assumed to vary with age. Sample rates are as follows:

Age	Annual Rate of Salary Increase
20	.0695
25	.0660
30	.0603
35	.0545
40	.0493
45	.0448
50	.0425
55	.0425
60	.0425
65	.0425
69	.0425

The interest rate and salary assumptions are based on an inflation rate of approximately 3.00%.

Social Security:

4.00% per year compounded annually.

Additional Assumptions:

Inflation:	3.00%
Cost of Living:	1.50%, with variable based on excess returns.
Percent married:	Males 80%, females 60%.
Spouse age:	Female spouse assumed 4 years younger.
Remarriage rates:	None

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS (continued)

Active decrements and service retirement rates are the same as presented in the June 30, 2009 actuarial valuation report. Sample rates as follow:

	Withdrawals			
Age	Less than 1	1	2	More than 3
25	0.2321	0.2100	0.1500	0.1150
30	0.2059	0.1780	0.1300	0.1050
35	0.1477	0.1380	0.1050	0.0800
40	0.1137	0.0980	0.0850	0.0550
45	0.1130	0.0980	0.0850	0.0450
50	0.1130	0.0980	0.0850	0.0450
55	0.1130	0.1100	0.0850	0.0500
60	0.1650	0.1600	0.1100	0.0750
65	0.4150	0.4100	0.3150	0.2800
69	0.4150	0.4100	0.3150	0.2800

	Rates of Retirement		
Age	Less than 30 years	30 years	More than 30 years
55-58	0.06	0.20	0.10
59	0.07	0.20	0.15
60	0.15	0.20	0.20
61	0.20	0.20	0.25
62	0.20	0.20	0.45
63-64	0.20	0.20	0.20
65	0.20	0.40	0.40
66-69	0.20	0.40	0.25
70	1.00	1.00	1.00

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS (continued)

Age	Non-Line-of -Duty Disability	Line-of-Duty Disability (Class A&B)	Line-of-Duty Disability (Class C)	Non-Line-of-Duty Death Male[1]	Non-Line-of-Duty Death Female[1]	Line-of-Duty Death
25	0.00050	0.00004	0.00008	0.0008	0.0003	0.00005
30	0.00059	0.00004	0.00008	0.0009	0.0003	0.00005
35	0.00115	0.00008	0.00016	0.0010	0.0005	0.00005
40	0.00236	0.00008	0.00016	0.0015	0.0008	0.00005
45	0.00425	0.00012	0.00024	0.0024	0.0010	0.00005
50	0.00675	0.00020	0.00039	0.0041	0.0016	0.00005
55	0.01043	0.00024	0.00047	0.0074	0.0027	0.00005
60	0.00579	0.00027	0.00055	0.0135	0.0054	0.00005
65	0.00130	0.00038	0.00076	0.0228	0.0103	0.00005
69	0.00078	0.00039	0.00078	0.0328	0.0146	0.00005

[1] Rates for individuals who are the age shown as of 6/30/09.

Mortality Rates for Retired and Disabled Members and Beneficiaries

Age	Retirees and Beneficiaries Male	Retirees and Beneficiaries Female	Disabled Members Male	Disabled Members Female
55	0.007479	0.002733	0.053921	0.025292
60	0.013692	0.005449	0.064351	0.031382
65	0.023038	0.010371	0.076791	0.040883
70	0.036067	0.015999	0.095577	0.055684
75	0.059228	0.027014	0.122980	0.078406
80	0.095397	0.046930	0.161151	0.112736

The post-retirement mortality for service retirement is based on the 1994 Uninsured Pensioners' Generational Mortality table with generational projections using 50% of the AA scale projected to 2016 (rates effective 6/30/2007).

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/2000	10,593	$308,895,853	$29,160	3.0%
6/30/2001	10,223	309,602,035	30,285	3.9
6/30/2002	9,827	305,521,211	31,090	2.7
6/30/2003	9,831	316,311,022	32,175	3.5
6/30/2004	9,722	322,914,690	33,215	3.2
6/30/2005	9,412	320,985,907	34,104	2.7
6/30/2006	9,193	331,888,366	36,102	5.9
6/30/2007	9,035	346,391,734	38,339	6.2
6/30/2008	9,280	367,517,242	39,603	3.3
6/30/2009	9,719	398,009,463	40,952	3.4

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls - End of Year			
Year Ended	No.	Annual Allowances*	No.	Annual Allowances*	No.	Annual Allowances*	% Increase In Annual Allowances	Average Annual Allowances
6/30/2000	341	$5,393,198	378	$2,443,889	8,055	$76,001,797	4.0 %	$9,435
6/30/2001	437	4,640,497	364	2,674,238	8,128	77,968,056	2.6	9,593
6/30/2002	622	6,861,717	427	3,078,931	8,323	81,750,842	4.9	9,822
6/30/2003	482	5,946,797	416	3,092,168	8,389	84,605,471	3.5	10,085
6/30/2004	534	6,850,549	436	3,591,049	8,487	87,864,971	3.9	10,353
6/30/2005	507	5,115,926	371	3,154,496	8,623	89,826,401	2.2	10,417
6/30/2006	473	5,572,251	408	3,239,121	8,688	92,159,531	2.6	10,608
6/30/2007	436	11,159,559	428	3,725,576	8,696	99,593,514	8.1	11,453
6/30/2008	382	7,846,827	440	3,953,061	8,638	103,487,280	3.9	11,980
6/30/2009	478	6,819,538	498	4,385,748	8,618	105,921,070	2.4	12,291

* Includes post-retirement adjustments.

Employees' Retirement System
City of Baltimore, Maryland
SOLVENCY TEST

The Employees' Retirement System's funding objective is to meet long-term benefit promises through contributions which spread the cost over the employees' service base. If the contributions to the System are soundly executed, the System will pay all promised benefits when due - the ultimate test of financial soundness.

A short term solvency test is one means of examining a System's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for future benefits to terminated vested members; and 4) The liabilities for service already rendered by active members. In a system which has been following the discipline of allocating cost on a consistent basis to valuation years, the liabilities for active member contributions on deposit (liability 1), the liabilities for future benefits to present retired lives (liability 2), and the liabilities for future benefits to terminated vested members (liability 3) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of present assets. Generally, the funded portion of liability 4 will increase over time. Liability 4 being fully funded is rare.

The schedule below illustrates the System's history of liability 4.

	Aggregate Accrued Liabilities For:					Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)
6/30/2000	$8,259,801	$739,088,699	$15,465,717	$454,807,452	$1,309,547,725	100%	100%	100%	120.2%
6/30/2001	7,646,329	755,957,926	18,247,395	501,178,623	1,374,100,736	100	100	100	118.2
6/30/2002	7,015,293	791,902,477	26,485,346	514,644,381	1,365,617,359	100	100	100	105.0
6/30/2003	6,591,612	824,483,064	21,613,489	522,059,753	1,408,545,332	100	100	100	106.5
6/30/2004	6,273,379	869,826,880	23,580,754	537,210,520	1,397,581,780	100	100	100	92.7
6/30/2005	5,585,067	898,978,213	27,015,479	545,367,724	1,403,206,754	100	100	100	87.8
6/30/2006	5,142,918	937,648,822	29,987,196	578,363,462	1,411,165,976	100	100	100	75.8
6/30/2007	4,891,816	991,713,294	33,164,687	568,912,381	1,447,196,612	100	100	100	73.4
6/30/2008	4,265,169	1,023,749,711	37,096,665	598,966,777	1,475,533,717	100	100	100	68.5
6/30/2009	3,875,023	1,039,839,384	40,657,298	640,558,977	1,424,202,643	100	100	100	53.1

**Gains and Losses in Accrued Liabilities During Fiscal Year
Resulting from Differences Between Assumed Experience and Actual Experience**

Type of Activity	Gain / (Loss) FY 2008	Gain / (Loss) FY2009
Age and Service Retirements If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher pays, a loss.	$ (13,574,866)	$ (15,849,875)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(3,880,000)	(6,280,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	2,440,000	3,910,000
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	370,000	4,060,000
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	3,230,000	(3,920,000)
Investment Income If there is greater investment income than assumed, there is a gain. If less, a loss.	(25,207,746)	(107,286,134)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	(14,590,000)	7,120,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(2,130,000)	(6,490,000)
Assumption and Asset Method Changes Changes due to assumption changes and the change in accounting and liability		
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	2,941,956	133,503
Loss During Year From Financial Experience	$ (50,400,656)	$ (124,602,506)

1. **EFFECTIVE DATE:**

The Employees' Retirement System was established by City Ordinance, effective January 1, 1926, and has been amended periodically.

2. **ELIGIBILITY:**

Any regular and permanent officer, agent, or employee of the City with the exception of those required to join the Maryland State or other Retirement System will become a Class C member of the Employees' Retirement System upon completion of one year of employment. The Board of Estimates may authorize prospective membership for any class of part-time employees. There are three classes of members as follows:

Class A - Members who were hired before July 1, 1979, and entered membership on or after January 1, 1954, or who were employed and elected prior to April 1, 1954, to contribute at the higher Class A rate.

Class B - Members as of January 1, 1954, who did not elect Class A membership. Any Class B member may elect to become a Class A member by bringing his accumulated contributions and interest up to what they would be if he had elected Class A membership on January 1, 1954.

Class C - Members who were hired on or after July 1, 1979, or any other members who may have elected to transfer during various open transfer periods to Class C membership.

3. **MEMBER CONTRIBUTIONS:**

Class C members make no contributions. Class A and Class B members contribute 4% of earnable compensation. Contributions are not required upon attaining age 60 and completing 35 years of service.

4. **COMPENSATION:**

Earnable compensation is the annual salary authorized for the member, not including overtime, differential pay, environmental pay, hazardous duty pay, pay for conversion of leave or other fringe benefits, or any like additional payment.

Average final compensation is the average of the member's annual earnable compensation on January 1 for the three successive years of service when the member's earnable compensation is the highest or, if the member is in service on January 1 for less than three successive years, then the average during total service.

Covered compensation (for Class C members only) is the average of the FICA wage base for the 35 year period ending with the calendar year which ends immediately prior to the earlier of: (1) January 1, which is one year prior to January 1 of the calendar year in which member terminates employment; or (2) January 1 of the calendar year in which the member attains age 65.

5. **MILITARY SERVICE CREDIT:**

(A) **Classes A and B**

(1) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 60; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Reemployment Rights Act and the Uniformed Services Employment and Reemployment Rights Act of 1994.

(B) **Class C**

(1) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 62; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Re-employment Rights Act and the Uniformed Services Employment and Reemployment Rights Act of 1994.

6. **SERVICE RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:**

(a) Age 60 with five years of service; or

(b) 30 years of membership service, regardless of age.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension, which together with the annuity will be equal to 1.935% for Class A members and 1.785% for Class B members for each year of service, times the member's average final compensation.

(B) **Class C**

(1) **Eligibility Requirements:**

(a) Age 65 with five years of service;

(b) 30 years of service, regardless of age; or

(c) Age 55 with five years of service, payable at age 65 or reduced for payment before age 65.

(2) **Benefit Amount:** The sum of:

(a) a pension of 1.60% for each year of service (not to exceed 30), times the member's average final compensation; plus

(b) .25% for each year of service not to exceed 30, times member's average final compensation in excess of covered compensation; plus

(c) 1.85% for each year of service in excess of 30, times the member's average final compensation.

If a member elects to have his maximum or optional pension commence prior to normal retirement date, age 65 with less than 30 years, the amount of his pension will be reduced 6.667% for each of the first five years (prorated for shorter periods) and 3.333% for each of the next five years (prorated for shorter periods) by which the commencement of his pension precedes his normal retirement age 65.

(3) **Offset to Retirement Allowance:** Unemployment compensation will be offset from pension benefits.

7. **NON-LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** Five years of service and determined by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that the incapacity is likely to be permanent.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension which, together with the annuity will equal 1.90% for Class A members and 1.75% for Class B members for each year of service, times the member's average final compensation.

The member will receive, as a minimum, the benefit as stated above or 25% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) workers' compensation; and

(b) earnings in excess of base amount (current earnable compensation in same job grade and step adjusted for longevity) with a $1 reduction for each $2 of the first $5,000 of excess and a $2 reduction for each $5 of additional excess earnings.

(B) **Class C**

(1) **Eligibility Requirements:** Five years of service and determination by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that the incapacity is likely to be permanent.

(2) **Benefit Amount:** The non-line-of-duty disability pension will be the greater of:

(a) a pension equal to the member's accrued service retirement benefit; or

(b) 15% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

8. **LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determined by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of duty without willful negligence.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of the member's accumulated contributions; plus

(b) a pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

(B) **Class C**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determination by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of duty without willful negligence.

(2) **Benefit Amount:** A pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by wokers' compensation.

9. **DISMEMBERMENT DISABILITY RETIREMENT (Class C only):**

(A) **Eligibility Requirement:** Immediate eligibility upon membership in the System and determination by a hearing examiner that the loss of any two or more of hands, feet, sight of eye(s), or combination thereof, was a direct result of bodily injury from an accident that occurred while in the actual performance of duty.

(B) **Benefit Amount:** A pension equal to 100% of the member's average final compensation.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

10. **TERMINATION OF EMPLOYMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 60, the completion of:

(i) 15 years of service; or

(ii) Five years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

(c) Eligible for a refund of accumulated contributions if not eligible for any other benefits.

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as if the member had retired with a non-line-of-duty disability retirement allowance.

(B) **Class C**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 65, completion of:

(i) 10 years of service; or

(ii) Five years of service, if removed from a position without fault or if an appointed official not re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an appointed official not re-appointed.

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as for age 65 service retirement.

11. **MAXIMUM ALLOWANCE AND OPTIONAL METHODS OF RECEIVING BENEFIT PAYMENTS:**

(A) **Lump Sum:** Under $12,500 or as adjusted by the Board of Trustees.

(B) **Maximum Allowance:** Upon retiree's death, 40% of retiree's maximum allowance to unremarried spouse or dependent children until the last dies or attains age 18 (age 22 if a full time student). All other options result in a lesser amount paid.

(C) **Reserve Guarantee Option:** Upon retiree's death, a cash refund to retiree's designated beneficiary based on present value of allowance at retirement less payments made.

(D) **100% Joint and Survivor Option:** Upon retiree's death, 100% of retiree's allowance to continue to designated beneficiary.

(E) **50% Joint and Survivor Option:** Upon retiree's death, 50% of retiree's allowance to continue to designated beneficiary.

(F) **50% Pop-Up:** Upon retiree's death 50% of retiree's allowance to continue to designated beneficiary. If designated beneficiary predeceases member, member receives Maximum and no survivorship benefit is paid.

(G) **100% Pop-Up:** Upon retiree's death 100% of retiree's allowance to continue to designated beneficiary. If designated beneficiary predeceases member, member receives Maximum and no survivorship benefit is paid.

(H) **Specific Benefit Option:** Upon the retiree's death and subject to the approval of the Board of Trustees, the member's designated beneficiary will receive:

(1) a specific lump sum amount; or

(2) a specific periodic allowance.

These options are available for service, termination, non-line-of-duty disability, and line of duty disability retirement. Any option and/or beneficiary may be changed by the retired member within 30 days after retirement.

12. **NON-LINE-OF-DUTY DEATH BENEFITS:**

(A) **Classes A and B**

(1) **Lump Sum Benefit:**

(a) **Eligibility Requirements:** Member who

(i) dies while actively employed; and

(ii) whose death does not qualify as a line-of-duty death.

(b) **Benefit Amount:** The designated beneficiary is paid:

(i) the member's accumulated contributions; plus

(ii) if member has one or more years of membership service, 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) **100% Survivorship Benefit:**

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he/she has been married for at least five years or his/her parent(s), provided the Member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(iii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 60 and dies anytime between the effective retirement date at age 60 and no later than 30 days following the attainment of age 60.

(b) **Benefit Amount:** The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service Retirement 100% Joint and Survivor Option.

(3) 40% Survivorship Benefit:

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse with whom he has been married for at least one year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the Member:

(i) died in active service; and

(ii) had more than 20 years of service as of the date of death.

(b) **Benefit Amount:** The eligible beneficiary spouse or children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) **Offset to Death Benefits:** These benefits are offset by any pension benefits paid before the members' death.

(B) **Class C**

(1) Lump Sum Benefit:

(a) **Eligibility Requirements:** Member who:

(i) dies while actively employed; and

(ii) has one or more years of membership service, but whose death does not qualify as a line-of-duty death.

Benefit Amount: The designated beneficiary is paid:

(i) the member's accumulated contributions, if any; plus

(ii) one-time payment of 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) **100% Survivorship Benefit:**

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he/she was married for at least 5 years or his parent(s), provided the member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(ii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 65 and dies anytime between the effective retirement date at age 65 and no later than 30 days following the attainment of age 65.

(b) **Benefit Amount:** The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service Retirement 100% Joint and Survivor Option.

(3) 40% Survivorship Benefit:

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he has been married for at least one year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the member:

(i) died in active service; and

(ii) had more than 20 years of service as of the date of death.

(b) **Benefit Amount:** The eligible beneficiary spouse or eligible children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) Offset to Death Benefits: These benefits are offset by workers' compensation.

13. **LINE-OF-DUTY DEATH BENEFITS:**

(A) **Eligibility Requirements:** A determination by a hearing examiner that the death of a member was:

(1) the direct result of bodily injury though accidental means independent of any pre-existing physical or medical conditions;

(2) occurring while in the actual performance of duty; and

(3) not caused by willful negligence on the part of the member.

(B) **Benefit Amount:** The sum of:

(1) the member's accumulated contributions (if any); plus

(2) an annual pension of 100% of current earnable compensation, payable to:

(a) the spouse during widow(er)hood, provided: (1) there is no voluntary separation agreement renouncing rights of inheritance; and (2) the member has not designated his children as beneficiaries;

(b) if no eligible spouse, or if the spouse dies or remarries, the child or children, equally, until age 18 (age 22 if a full-time student);

(c) if no eligible spouse or child surviving, then to the deceased's father and/or mother equally, or to the survivor;

(d) for Classes A and B, any member who retires and dies within 30 days after the effective date of accidental disability retirement will receive the above benefits if death is the result of injuries in the line-of-duty.

If no beneficiary and if intestate without heirs, then contributions will remain part of the System, and no death benefit is paid.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation, net of legal and medical fees.

14. **POST-RETIREMENT BENEFIT INCREASES:**

Benefit increases are guaranteed annually at the rate of 1.5%. Additional increases are provided each year based on investment performance that exceeds 6.8% at June 30. Only retirees and their beneficiaries, who have been receiving periodic benefit payments as of the June 30 determination date, and members who have been retired for a minimum of 18 months are eligible for the increase. The actuarially determined increase is payable as an equal percentage increase to all eligible retirees and beneficiaries commencing the 1st of January after the June 30 investment performance determination date.

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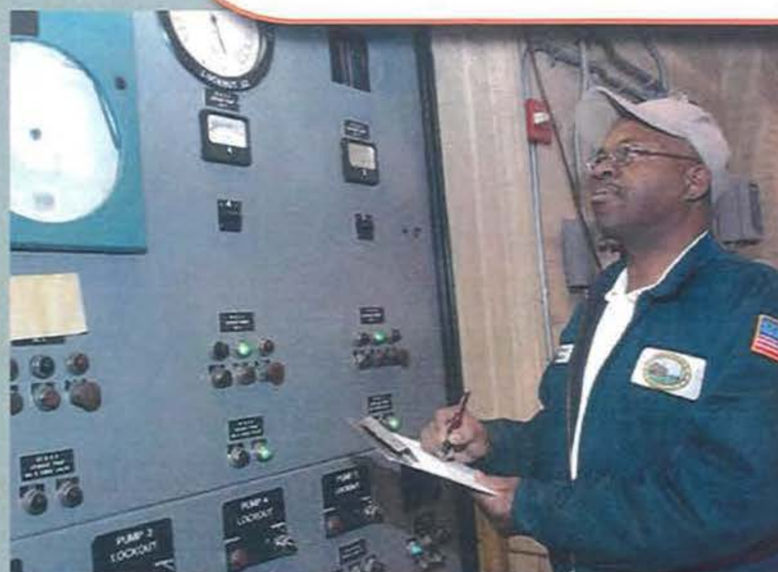
Statistical Section



ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

STATISTICAL SECTION SUMMARY

The statistical section of the Employees' Retirement System's (System) comprehensive annual financial report presents detailed information as a context for helping the reader understanding what the information in the financial statements, notes disclosures, required supplementary information, and the System's overall financial health for the last ten fiscal years. The different reports contained in this section are listed below.

Financial Trends

Plan Net Assets and Changes of Plan Net Assets schedules detail the System's financial performance from year to year.

Revenue Capacity

The Revenue by Source schedule list the different income streams of the System.

Expenses Capacity

The Expense by Type schedules contains information about the major costs of the System.

Demographic Information

The demographic schedules consist of various membership information used by the Actuary to determine or monitor the demographic assumptions. The tables which are used to compare current assumptions with actual experience to determine recommended assumption changes include:

- The Schedule of Active Members by Years of Service, which provides active membership information including the average service credit and member's age for each fiscal year;
- The Schedule of Retirees by Attained Age and Type of Retirement, provides the number of retirees by age and the type of retirement, and
- The Schedule of Beneficiaries By attained Age and Type of Retirement that provides membership information on beneficiaries by age and type of the member's retirement.

Benefit Expenses by Type: is a report of benefit related expenses by the type of retirement and payment for each year of service.

Average Monthly Benefit Payments: is a schedule of monthly benefit payments based on years of credited service. For each year, the schedule provides the average monthly benefit payment, Average – average Final Compensation and number of retirees grouped in years of credited service.

Employees' Retirement System
City of Baltimore, Maryland
Statement of Plan Net Assets
For the Last Ten Fiscal Years

	2000	2001	2002	2003	2004
Assets					
Cash and cash equivalents	$ 65,069,215	$ 53,846,353	$ 39,094,689	$ 71,631,548	$ 43,506,881
Receivables					
Investments sold	$ 6,265,166	$ 14,965,007	$ 27,058,691	$ 16,917,583	$ 9,493,458
Accrued income	8,395,775	8,197,001	6,600,379	6,139,029	4,829,446
Other receivables	626,460	653,461	413,516	378,036	390,381
Total receivables	$ 15,287,401	$ 23,815,469	$ 34,072,586	$ 23,434,648	$ 14,713,285
Capital assets					
Leasehold improvements					
Depreciation -leasehold improvements					
Net leasehold improvement totaloffice furniture total					
Office furniture					
Depreciation - office furniture					
Net office furniture total					
Office equipment					
Depreciation - office equipment					
Net office equipment total					
Total capital assets					
Investments, at fair value					
Stocks	$ 503,884,753	$ 410,638,790	$ 371,156,677	$ 390,224,941	$ 446,773,579
Mutual Funds	289,261,685	273,822,624	248,841,885	195,366,241	296,603,177
Bonds	498,344,440	552,389,948	546,400,963	562,196,489	471,177,498
Real estate	28,383,250	25,235,077	21,862,843	13,431,419	29,871,370
Guaranteed investment contract	19,755,267	19,800,887	11,107,442	10,679,860	4,090,327
International stock					
Hedge funds					
Total investments	$ 1,339,629,395	$ 1,281,887,326	$ 1,199,369,810	$ 1,171,898,950	$ 1,248,515,951
Securities lending collateral	197,612,754	204,357,140	175,164,462	244,967,723	202,110,275
Total assets	$ 1,617,598,765	$ 1,563,906,288	$ 1,447,701,547	$ 1,511,932,869	$ 1,508,846,392
Liabilities					
Securities lending collateral	$ 197,612,754	$ 204,357,140	$ 175,164,462	$ 244,967,723	$ 202,110,275
Investments purchased	37,694,509	48,780,693	56,504,944	68,608,276	54,416,722
Adminstrative expenses payable	114,773	284,270	311,318	131,383	308,621
Investment management fees payable	889,165	854,862	999,876	887,122	1,236,844
Retirement allowance payable	1,672,430	1,934,748	2,230,798	2,532,532	3,122,366
Other accounts payable	214,896	127,090	194,545	342,071	335,078
Total liabilities	$ 238,198,527	$ 256,338,803	$ 235,405,943	$ 317,469,107	$ 261,529,906
Net assets held in trust for pension benefits	$ 1,379,400,238	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486

Employees' Retirement System
City of Baltimore, Maryland
Statement of Plan Net Assets (continued)
For the Last Ten Fiscal Years

	2005	2006	2007	2008	2009
Assets					
Cash and cash equivalents	$150,295,548	$41,446,410	$64,626,981	$42,396,549	$31,586,142
Receivables					
Investments sold	$50,009,583	$12,163,576	$21,326,885	$26,309,928	$12,777,641
Accrued income	3,692,408	4,187,385	4,251,234	5,346,910	2,394,392
Other receivables	302,672	283,537	204,785	152,633	(394,300)
Total receivables	$54,004,663	$16,634,498	$25,782,904	$31,809,471	$14,777,733
Capital assets					
Leasehold improvements	$699,212	$1,355,429	$1,355,429	$1,355,429	$1,443,078
Depreciation -leasehold improvements		(90,362)	(177,821)	(268,183)	(364,388)
Net leasehold improvement totaloffice furniture total	$699,212	$1,265,067	$1,177,608	$1,087,246	$1,078,690
Office furniture	$121,676	$295,823	$315,156	$315,156	$342,733
Depreciation - office furniture		(42,260)	(87,283)	(132,305)	(181,284)
Net office furniture total	$121,676	$253,563	$227,873	$182,851	$161,449
Office equipment	$22,765	$33,379	$82,673	$82,673	$226,164
Depreciation - office equipment		(4,768)	(16,579)	(28,390)	(60,698)
Net office equipment total	$22,765	$28,611	$66,094	$54,283	$165,466
Total capital assets	$843,653	$1,547,241	$1,471,575	$1,324,380	$1,405,605
Investments, at fair value					
Stocks	$575,540,207	$607,809,264	$649,341,128	$603,503,352	$474,107,673
Mutual Funds					
Bonds	424,403,222	455,850,487	464,775,513	428,908,859	284,322,536
Real estate	54,269,398	69,341,967	101,055,111	123,381,407	101,781,651
Guaranteed investment contract					
International stock	65,535,957	186,697,741	223,344,820	178,408,560	127,090,185
Hedge funds	56,850,631	61,576,629	69,051,687	64,216,773	53,987,011
Total investments	$1,176,599,415	$1,381,276,088	$1,507,568,259	$1,398,418,951	$1,041,289,056
Securities lending collateral	118,206,648	172,338,228	215,754,226	87,597,652	35,301,279
Total assets	$1,499,949,927	$1,613,242,465	$1,815,203,945	$1,561,547,003	$1,124,359,815
Liabilities					
Securities lending collateral	$118,206,648	$172,338,228	$215,754,226	$87,597,652	$35,301,200
Investments purchased	92,675,719	105,699,411	108,338,765	114,960,410	50,326,998
Adminstrative expenses payable	384,955	497,594	1,102,347	1,296,257	963,492
Investment management fees payable	769,026	787,958	544,735	993,026	694,131
Retirement allowance payable		260,708	500,303		
Other accounts payable	342,361	434,918	388,601	617,497	660,758
Total liabilities	$212,378,709	$280,018,817	$326,628,977	$205,464,842	$87,946,579
Net assets held in trust for pension benefits	$1,287,571,218	$1,333,223,648	$1,488,574,968	$1,356,082,161	$1,036,413,236

Employees' Retirement System
City of Baltimore, Maryland
Statement of Changes in Plan Net Assets
For the Last Ten Fiscal Years

	2000	2001	2002	2003	2004
Additions					
Contributions					
Employer	$ 18,869,253	$ 16,592,465	$ 17,714,152	$ 17,736,030	$ 17,352,473
Plan members	457,620	381,124	864,270	526,918	443,001
Total contributions	$ 19,326,873	$ 16,973,589	$ 18,578,422	$ 18,262,948	$ 17,795,474
Investment Income					
Net appreciation in fair value of investments	$ 55,312,040	$ (58,275,242)	$ (71,950,424)	$ 15,973,576	$ 92,483,936
Interest, dividends, and real estate income	56,266,620	53,591,482	44,860,628	36,351,746	35,587,011
Less: investment expenses	(4,520,696)	(3,776,176)	(3,444,410)	(3,081,224)	(3,821,829)
Net investment income	$ 107,057,964	$ (8,459,936)	$ (30,534,206)	$ 49,244,098	$ 124,249,118
Securities lending income	$ 890,269	$ 828,317	$ 993,700	$ 777,933	$ 642,610
Securities lending fees	(267,068)	(288,009)	(298,042)	(232,922)	(192,744)
Net securities lending income	$ 623,201	$ 540,308	$ 695,658	$ 545,011	$ 449,866
Total additions	$ 127,008,038	$ 9,053,961	$ (11,260,126)	$ 68,052,057	$ 142,494,458
Deductions					
Retirement allowances	$ 74,757,885	$ 77,268,674	$ 80,623,760	$ 82,854,969	$ 85,923,130
Adminstrative expenses	1,501,828	1,887,026	1,265,645	945,073	1,637,315
Death benefits	609,813	1,514,343	1,834,181	1,729,237	1,896,655
Lump cash payments	165,794	215,953	287,314	311,763	170,322
Refund of Contributions	42,173	718	855	42,857	14,312
Total deductions	$ 77,077,493	$ 80,886,714	$ 84,011,755	$ 85,883,899	$ 89,641,734
Net increase(decrease)	$ 49,930,545	$ (71,832,753)	$ (95,271,881)	$ (17,831,842)	$ 52,852,724
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,329,469,693	$ 1,379,400,238	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762
Ending Balance	$ 1,379,400,238	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486

Employees' Retirement System
City of Baltimore, Maryland
Statement of Changes in Plan Net Assets (continued)
For the Last Ten Fiscal Years

	2005	2006	2007	2008	2009
Additions					
Contributions					
Employer	$ 23,624,914	$ 31,003,063	$ 36,841,351	$ 43,918,411	$ 43,673,027
Plan members	476,490	422,548	308,703	345,637	172,567
Total contributions	$ 24,101,404	$ 31,425,611	$ 37,150,054	$ 44,264,048	$ 43,845,594
Investment Income					
Net appreciation in fair value of investments	$ 80,660,869	$ 79,600,767	$ 177,595,751	$ (111,674,879)	$ (278,688,103)
Interest, dividends, and real estate income	31,462,451	36,965,510	47,136,147	46,115,481	28,522,723
Less: investment expenses	(3,097,848)	(5,464,823)	(5,684,475)	(6,275,603)	(5,406,811)
Net investment income	$ 109,025,472	$ 111,101,454	$ 219,047,423	$ (71,835,001)	$ (255,572,191)
Securities lending income	$ 442,098	$ 548,678	$ 468,902	$ 1,001,675	$ 762,206
Securities lending fees	(132,598)	(164,580)	(140,643)	(300,467)	(228,479)
Net securities lending income	$ 309,500	$ 384,098	$ 328,259	$ 701,208	$ 533,727
Total additions	$ 133,436,376	$ 142,911,163	$ 256,525,736	$ (26,869,745)	$ (211,192,870)
Deductions					
Retirement allowances	$ 90,034,033	$ 93,706,033	$ 97,104,170	$ 101,461,516	$ 104,166,249
Adminstrative expenses	1,882,368	2,496,211	2,615,247	2,913,458	3,138,612
Death benefits	1,124,669	983,714	1,294,666	1,061,050	881,569
Lump cash payments	137,471	72,775	155,325	177,877	289,626
Refund of Contributions	3,103		5,008	9,161	
Total deductions	$ 93,181,644	$ 97,258,733	$ 101,174,416	$ 105,623,062	$ 108,476,056
Net increase(decrease)	$ 40,254,732	$ 45,652,430	$ 155,351,320	$ (132,492,807)	$ (319,668,926)
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,247,316,486	$ 1,287,571,218	$ 1,333,223,648	$ 1,488,574,968	$ 1,356,082,161
Ending Balance	$ 1,287,571,218	$ 1,333,223,648	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235

Employees' Retirement System
City of Baltimore, Maryland
REVENUES BY SOURCE

Fiscal Year	Net Investment Income (Loss)	Employer Contributions Amount	Employer Contributions % of Covered Payroll	Member Contributions	Total Income (Loss)
2000	$107,681,165	$18,869,253	6.1%	$457,620	$127,008,038
2001	(7,919,628)	16,592,465	5.4	381,124	9,053,961
2002	(29,838,548)	17,714,152	5.8	864,270	(11,260,126)
2003	49,789,109	17,736,030	5.6	526,918	68,052,057
2004	124,698,984	17,352,473	5.4	443,001	142,494,458
2005	109,334,972	23,624,914	7.4	476,490	133,436,376
2006	111,485,552	31,003,063	9.3	422,548	142,911,163
2007	225,820,282	36,841,351	10.6	308,703	262,970,336
2008	(71,133,793)	43,918,411	11.5	345,637	(26,869,745)
2009	(255,038,464)	43,673,027	11.0	172,567	(211,192,870)

Note: Employer contributions were made in accordance with actuarially determined contribution requirements.

Employees' Retirement System
City of Baltimore, Maryland
EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Total
2000	$75,533,492	$42,173	$1,501,828	$77,077,493
2001	79,371,653	718	1,514,343	80,886,714
2002	82,176,719	855	1,834,181	84,011,755
2003	84,111,805	42,857	1,729,237	85,883,899
2004	87,730,767	14,312	1,896,655	89,641,734
2005	91,296,173	3,103	1,882,368	93,181,644
2006	94,762,522		2,496,211	97,258,733
2007	98,554,161	5,008	2,615,247	101,174,416
2008	102,700,443	9,161	2,913,458	105,623,062
2009	105,337,444		3,138,612	108,476,056

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ACTIVE MEMBERS BY YEARS OF SERVICE

Years of Credited Service	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
0-4	2,567	2,396	2,292	2,351	2,401	2,572	2,188	2,124	2,306	2,714
5-9	1,357	1,397	1,537	1,798	1,876	1,708	1,833	1,789	1,812	1,826
10-14	2,417	2,169	1,765	1,300	996	896	940	1,093	1,304	1,406
15-19	1,497	1,304	1,331	1,585	1,755	1,684	1,560	1,286	949	724
20-24	1,438	1,516	1,447	1,343	1,244	1,201	918	974	1,166	1,320
25-29	932	947	905	880	847	784	1042	1036	976	929
30+	385	494	550	574	603	567	712	733	767	800
Total Members	10,593	10,223	9,827	9,831	9,722	9,412	9,193	9,035	9,280	9,719
Average Service Credit	13.07	13.39	13.50	13.36	13.35	13.58	13.80	13.83	13.56	13.17
Average Age	46.32	46.86	47.08	47.34	47.51	47.89	48.32	48.64	48.66	48.61

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2009

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
25-29	1				1	
30-34	8				8	
35-39	22			1	21	
40-44	91	1		29	59	2
45-49	290	52		95	135	8
50-54	734	235	187	163	142	7
55-59	1078	421	332	174	143	8
60-64	1278	615	392	143	119	9
65-69	1200	591	387	128	82	12
70-74	976	461	355	110	37	13
75-79	833	489	236	67	28	13
80-84	523	348	124	31	13	7
85 and up	217	192	16	—	7	2
Totals	7,251	3,405	2,029	941	795	81
Average Annual Benefit	$13,282	$17,656	$6,007	$17,228	$7,941	$18,220

*Type of Retirement
0 - Normal retirement for age and service
1 - Early retirement
2 - Discontinued service retirement
3 - Non-line-of-duty disability
4 - Line-of-duty disability

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF BENEFICIARIES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2009

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	20	4	1	3	11		1	
25-29								
30-34								
35-39								
40-44	8	2	2		3	1		
45-49	13	2	3		5		3	
50-54	46	19	2	4	13		8	
55-59	83	33	6	8	31		5	
60-64	109	47	14	10	22	3	12	1
65-69	143	56	19	12	31	3	19	3
70-74	191	78	49	9	37	2	13	3
75-79	247	130	55	14	23	5	19	1
80-84	237	132	47	4	28	1	17	8
85 and up	270	186	29	9	19	4	14	9
Totals	1,367	689	227	73	223	19	111	25
Average Annual Benefit	$7,032	$7,969	$3,245	$8,539	$4,534	$7,650	$10,070	$19,496

*Type of Retirement
0 - Normal retirement for age and service
1 - Early retirement
2 - Discontinued service retirement
3 - Non-line-of-duty disability
4 - Line-of-duty disability
5 - Non-line-of-duty death, member eligible for service retirement at death
8 - Line-of-duty death

Employees' Retirement System
City of Baltimore, Maryland
BENEFIT EXPENSES BY TYPE

Year	Age and Service Benefits			Death Benefits			Disability Benefits			
							Retirees			
Ending	Retirees	Beneficiaries	Lump Sum	Duty	Non-Duty	Lump Sum	Duty	Non-Duty	Beneficiaries	Total
2000	$63,212,361	$4,283,950	$ 165,794	$ 655,266	$ 817,664	$360,918	$ 1,511,295	$ 3,673,671	$ 852,573	$75,533,492
2001	66,714,579	3,969,755	215,953	755,822	801,375	558,783	1,525,524	4,010,065	819,797	79,371,653
2002	68,940,301	4,121,599	287,314	726,433	848,808	450,464	1,486,797	4,423,073	891,930	82,176,719
2003	70,560,229	4,564,997	311,763	677,107	826,497	374,450	1,442,354	4,461,284	893,124	84,111,805
2004	73,208,782	4,905,876	170,322	680,257	899,065	300,153	1,462,961	5,159,191	944,160	87,730,767
2005	76,164,209	5,322,454	137,471	739,882	953,954	504,029	1,486,171	5,044,970	943,033	91,296,173
2006	79,170,397	5,615,443	72,775	726,565	835,966	632,410	1,463,097	5,249,509	996,360	94,762,522
2007	81,936,778	5,611,389	155,325	691,165	961,009	893,948	1,529,265	5,755,332	1,019,950	98,554,161
2008	85,680,282	6,378,604	324,170	516,418	981,229	177,877	1,503,083	5,994,761	1,144,019	102,700,443
2009	86,813,655	6,856,655	289,626	502,613	1,100,267	881,569	1,513,339	6,214,941	1,164,778	105,337,443

Employees' Retirement System
City of Baltimore, Maryland
AVERAGE MONTHLY BENEFIT PAYMENTS

Retirement Effective Dates	Years of Credited Service					
From July 1, 1999 to June 30, 2009	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/99 to 6/30/00						
Average Monthly Benefit	$ 326	$ 489	$ 854	$ 1,024	$ 1,305	$ 1,578
Average-Average Final Compensation	3,910	5,866	10,244	12,287	15,658	18,940
Number of Active Retirees	35	42	51	59	64	34
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	229	367	818	1,016	1,279	1,543
Average-Average Final Compensation	2,752	4,410	9,820	12,193	15,343	18,513
Number of Active Retirees	37	57	67	64	70	50
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	249	439	721	1,056	1,305	1,727
Average-Average Final Compensation	2,990	5,266	8,647	12,669	15,664	20,722
Number of Active Retirees	38	60	81	70	105	54
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	243	455	792	1,070	1,365	1,627
Average-Average Final Compensation	2,922	5,460	9,504	12,839	16,385	19,528
Number of Active Retirees	31	47	44	71	89	71
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	385	452	773	1,101	1,506	1,742
Average-Average Final Compensation	4,615	5,427	9,277	13,214	18,069	20,900
Number of Active Retirees	42	56	69	66	91	89

Employees' Retirement System
City of Baltimore, Maryland
AVERAGE MONTHLY BENEFIT PAYMENTS (continued)

Retirement Effective Dates	Years of Credited Service					
From July 1, 1999 to June 30, 2009	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	318	553	649	1,126	1,493	1,719
Average-Average Final Compensation	3,813	6,635	7,794	13,515	17,916	20,630
Number of Active Retirees	45	55	71	57	72	94
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	340	511	767	1,076	1,503	1,613
Average-Average Final Compensation	4,082	6,133	9,202	12,912	18,037	19,353
Number of Active Retirees	37	19	44	41	50	145
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	274	247	623	1,325	1,191	1,308
Average-Average Final Compensation	3,289	2,967	7,473	15,906	14,291	15,692
Number of Active Retirees	18	14	27	21	25	227
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	278	379	868	1,191	1,575	1,841
Average-Average Final Compensation	3,331	4,546	10,411	14,291	18,903	22,097
Number of Active Retirees	39	40	44	45	48	89
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	351	457	855	1,240	1,796	2,237
Average-Average Final Compensation	4,217	5,490	10,265	14,883	21,556	26,846
Number of Active Retirees	60	62	57	31	55	106
Period 7/1/99 to 6/30/09						
Average Monthly Benefit	299	435	772	1,123	1,432	1,693
Average-Average Final Compensation	3,592	5,220	9,264	13,471	17,182	20,322
Number of Active Retirees	382	452	555	525	669	959

EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Employees' Retirement System
City of Baltimore, Maryland
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202
443-984-3180