Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2010

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, 2010

PREPARED BY:

Roselyn H. Spencer, EXECUTIVE DIRECTOR

Bernita Y. Kittrell, DEPUTY EXECUTIVE DIRECTOR

A Component Unit of the City of Baltimore, Maryland

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, 2010

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Introductory Section

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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, 2009

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

STEPHANIE RAWLINGS-BLAKE, 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

January 28, 2011

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

I am pleased 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, 2010. We believe that the enclosed data and financial statements are presented accurately in all material respects, to fairly present the financial position and results of the ERS' operations. Responsibility for the accuracy of the data, as well as, the completeness and fairness, including all disclosures, rests with the ERS administration.

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.

For easy reference, we have structured the report in five sections: introductory, financial, investment, actuarial, and statistical. The Introductory Section includes a letter of transmittal, the Board of Trustees and an organization chart. The Financial Section highlights the MD&A and the basic financial statements. The Investment Section provides the Investment Consultant's Report on Investment Activity, and investment professionals. Finally, the Actuarial and Statistical Sections contain the Independent Actuary's Disclosure Certification, actuarial assumptions tables, Summary of Plan Provisions, and membership statistics.

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. Total plan membership decreased slightly from 19,477 in 2009 to 19,411 as of June 30, 2010. This includes 9,680 active members, 8,637 retired members, and 1,094 terminated employees entitled to, but not yet receiving, benefits. For additional information about the plan provisions, please refer to page 65 in the Actuarial Section.

MAJOR INITIATIVES: Information system resources remained a focal point as we invested in crucial business continuity areas. In prior years, we worked on protecting the data center by upgrading the air conditioner unit and applied sealants to allow for adequate temperature control and fire suppression. Servers and operational software were upgraded to provide security, sufficiency and reliability.

This year, Information system resources are focused on scanning members' paper files into a digital storage and retrieval system. The scanners, computers and software required to scan the paper files have been acquired, installed, and placed into production. As an operational tool, this system will improve counseling and retirement services to our members by making their information instantly available online in the near future. It is also a valuable disaster recovery tool since the digital files will be backed up and saved offsite. Acquiring a full service benefits administration system continues to be a priority item for the coming year. It is essential to obtain a Benefits Administration System to better maintain members' demographic and historical data.

FINANCIAL AND ECONOMIC SUMMARY: Compared to a year ago, the U.S. economy experienced moderate growth that was sometimes bumpy and not as smooth as needed. According to the Broad Market indices and other financial indicators, as of June 30, 2010, the Dow Jones Industrial Average (DJIA) was up 19.0% or 9,732.53 on June 30, 2010 from 8,447.00 at June 30, 2009. The stock market made a sharp advance with double digit returns, as the S&P 500, a leading market index level rose 14.0% to 1,031 points from nearly 800 points a year ago. Dividend yield was up 2.1% and 10 year Treasury yield was at 3.0%. There is also clear evidence that the U.S. Government's Stimulus Packages are working, as exemplified by General Motors, one of the bailed out recipients who recently come out of restructuring in a much stronger position, and started paying back some of its bailed-out loan.

In spite of this, concerns about the U.S./European debt crisis, devaluation of the Euro, persistently high unemployment in the U.S. and the ongoing mortgage crisis, created legitimate fears about another credit crisis. This caused a flight by investors, from some assets positions to seek cover in safe-haven U.S. Treasuries. As increased market volatility mired the recovery, recessionary fears escalated, leading to the quick action of the Federal Reserve, who switched abruptly to quantitative easing mode, injecting liquidity and lowering policy rates.

For the coming year, investors exploring global investment opportunities will be faced with some new dynamics to consider. For one, the global economy power is shifting from the U.S. and Europe to Asia. This is due to high deficits, consumer debt, housing and high unemployment that continues to weigh down expectations and economic growth in the East. Another observation is the split that is taking place in the European countries with high debt mainly in the southern parts (Dubai, Greece, Italy, Portugal, and Spain) and the stronger economic growth in the northern parts (Germany, France and Great Britain).

INVESTMENT SUMMARY: The Board of Trustees (Board) has full control of all investments of the ERS funds as provided by the Plan provisions. They are also 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.

Like most Plans, the ERS Board took decisive action to protect and assure resilience in a moderate economic environment. They decided to remain consistent with the existing investment policy with a minor change to the asset allocation. They modified the asset allocation by reducing equity exposure and increasing private equity by 5.0%. (Please refer to the Investment Section for more details on the new target asset allocation). The ERS' investment objective is to earn or exceed an 8.0% rate of return or to outperform its policy benchmark. Total Net Asset Value (NAV) for the fiscal year grew by 4.7% to $1.1 billion. This was due to the impressive investment performance of 11.2% in fiscal year 2010, which exceeded the 2009 return of (17.9)%. Capital appreciation and outperformance in equities and fixed income are credited for the outperformance. Notwithstanding the outperformance, the System fell short of its policy benchmark by 1.2%, ranking in the 60th percentile of the Wilshire Public Fund Universe. The long-term track record was split, with a three year annualized return of (4.5)% and five year annualized return of 2.1%.

FUNDING RESULTS: The level of funding is very critical to the financial soundness of a pension plan. The higher the funding ratio, the healthier the plan and the better positioned it is to meet long-term benefit obligations through contributions and investment income. A better level of funding also gives the participants a higher degree of assurance that their pension benefits are secure. The June 30, 2010 unfunded actuarial liability increased by 42.4% to $428.3 million, from $300.7 million in fiscal year 2009. The increase is primarily due to an assumption change in the retiree cost of living adjustment from 1.5% at all retirement ages to 1.5% for up to age 65 and then 2% for participants over age 65.

ERS is a mature fund, with a growing amount of retiree benefit payments of more than $100 million annually. Even though investment performance was good and exceeded the actuarial rate of return, absorbing some of the actuarial losses from previous years adversely affect the funding ratio and funding requirement. Total recommended contribution increased by 22.0% from $62.4 million in fiscal year 2011 to $76.0 million in fiscal year 2012. Although the funding level for fiscal year 2010 declined to 76.0%, from the previous year level of 82.6%, the long-term solvency of the System remains strong on an actuarial basis, as illustrated on page 34 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 accounting principles, generally accepted in the United States for 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. Professionals that provide services to the Board are listed in the Introductory and Investment Sections of this Report.

Trustees must exercise their fiduciary obligation by 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 46) is therefore regarded as an important factor to achieving both protection and growth of Plan assets.

AWARDS AND ACKNOWLEDGMENTS: For the 27th consecutive year (fiscal years 1983-2009) the ERS was awarded a Certificate of Achievement for Excellence in Financial Reporting from 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, 2009. A Certificate of Achievement is valid for a period of one year and is awarded to only those governmental units who meet or exceed the strict standards and criteria of the association. 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.

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 past two years presented a number of challenges, including layoffs, salary freezes and furloughs. Through it all, the ERS staff remained unwavering in the quality of their work and in the services they provided to our members. This CAFR is one reflection of the work we do. I am very grateful to our accounting and administrative staff for their contribution in preparing this report.

I also wish to acknowledge the tremendous support and guidance received from the Board of Trustees, our consultants, and actuary throughout the year. As we look ahead, I am grateful for the confidence and trust that our members continue to place in us, to maintain a strong and reliable system capable of meeting your short and long term retirement benefit needs.

Sincerely,

Roselyn H. Spencer

Roselyn H. Spencer,
Executive Director

CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE, 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, 2010

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

On behalf of the Board of Trustees, I am reporting on some of the Board's activities during the 2010 fiscal year. It was an unpredictable year, with concerns about the status of the recession and direction of the economy. High sovereign debt especially in the Eurozone, persistent high unemployment, and the housing crisis provided for caution as we searched for the best investment opportunities to meet our long-term objectives of growing the fund with less risk.

I am pleased to report that in spite of the modest economic growth, the ERS exceeded expectations with double digit returns of 11.2%, representing a 5% growth in the Plan net assets to $1.1 billion. Throughout the year, the Board worked closely with the investment consultant to implement a revised asset allocation and execute timely rebalancing of the assets to stay close to target.

While the performance was good, it was not strong enough to absorb performance losses from previous years. Coupled with a 1:1 ratio of actives to retirees, and people living longer, the funding ratio declined to 76%. The Board is aware of the funding ratio, and will be monitoring it very closely. Please be assured that your retirement benefits are secure and that you will continue to receive your benefits when they are due.

Another initiative supported by the Board was to convert our membership files of paper documents to electronic files and index them for daily use. The use of electronic files and documents will enhance the retirement process. It will also preserve the quality and provide enhanced security of your very sensitive documents.

I would like to convey my sincere appreciation to my fellow trustees for their dedicated service, dependability, guidance and commitment to serving the ERS' members. I appreciate their continued support and trust. I also wish to extend my appreciation to our Investment Consultant, Nichole Roman-Bhatty and her colleagues for their guidance throughout the year.

Lastly, I would like to express my gratitude to the staff of the ERS, especially the Executive Director, Roselyn Spencer, for her untiring commitment and her leadership in working with the Board and staff to provide the needs and services of the Employees' Retirement System.

Sincerely,

Joan M. Pratt CPA

Joan M. Pratt, CPA
Chair, Board of Trustees

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, 2013
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 J. Oliver
Term expires December 13, 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 13, 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

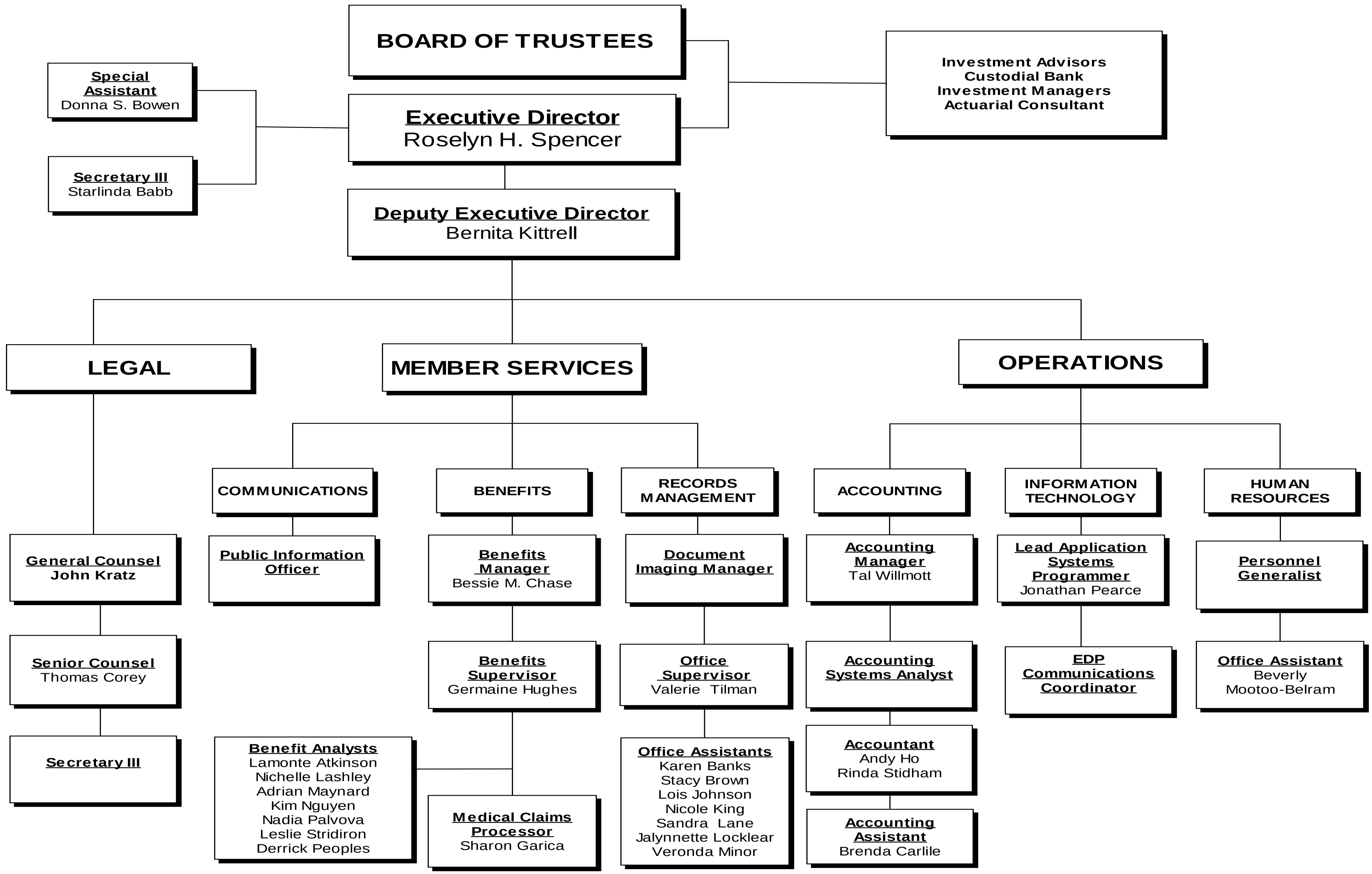
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

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

See pages 52 to 54 in the Investment Section for a list of investment professionals.

Employees' Retirement System
City of Baltimore, Maryland
Organization Chart



Financial Section

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor

DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor
100 N. Holliday Street
Room 321, City Hall
Baltimore, Maryland 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

January 28, 2011

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, 2010, 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. Our most recent peer review was performed on July 26, 2006, and a peer review for the current cycle is being arranged. 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, 2010, 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 January 28, 2011, 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, 2010. 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 2010 are $1.085 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 increased by $48.8 million, compared to last year's decrease of $319.7 million. The increase of the net investment income was primarily due to improved investment performances of all asset classes in the Plan's portfolio.
- The rate of return for the fiscal year ended June 30, 2010 was 11.2% compared to the fiscal year ended June 30, 2009 return of (17.9)%. The positive rate of return is attributed recovery of financial markets relative to the prior year's negative return.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2010, the funded ratio for the Plan was 76.0%. In general, this indicates that the Plan has approximately $0.76 of assets to cover every dollar of benefits due.
- Revenues (Additions to Plan Net Assets) for the year were $161.0 million. Revenues include member and employer contributions of $48.7 million, net investment gain of $111.8 million, and net securities lending income of $0.3 million.
- Expenses (Deductions from Plan Net Assets) increased by $3.7 million to $112.2 million from the prior year expenses of $108.5 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, 2010, the end of the Plan's financial year. It indicates the total assets and total liabilities at June 30, 2010 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, 2009 through June 30, 2010.

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, 2010. 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 34 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 2010, assets exceeded liabilities by $1.085 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, 2010, total net assets increased by 4.7% over the prior year, The increase of the net investment income was primarily due to improved investment performances of all asset classes in the Plan' portfolio. Management believes that the Plan remains in a strong financial position to meet its obligations to the members, retirees and their beneficiaries.

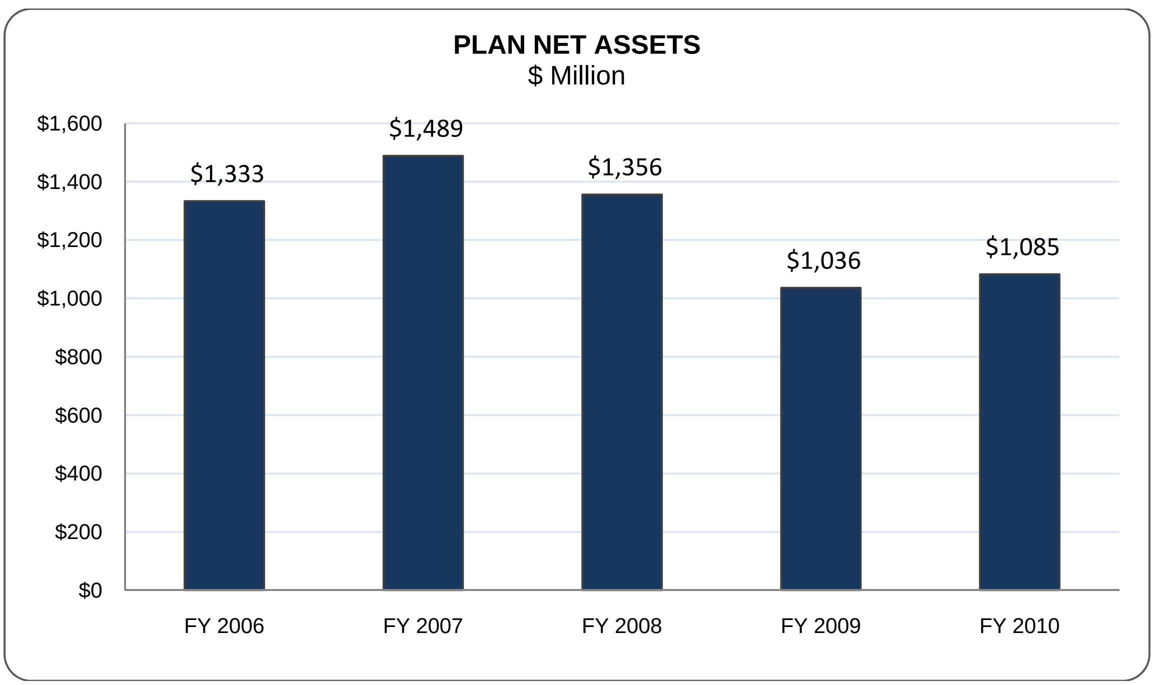
PLAN NET ASSETS	Fiscal Year 2010	Fiscal Year 2009	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,161,368,064	$1,076,590,336	$84,777,728	7.9%
Other Assets	140,896,301	47,769,479	93,126,822	195.0%
Total Assets	1,302,264,365	1,124,359,815	177,904,550	15.8%
Total Liabilities	217,073,018	87,946,579	129,126,439	146.8%
Total Net Assets	$1,085,191,347	$1,036,413,236	$48,778,111	4.7%

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, 2010 was 11.2%, a 29.1% increase compared to the fiscal year 2009 rate of return (17.9)%. The annualized rate of return for the last three and five year periods ended June 30, 2010 were (4.5)% and 2.1%, respectively. The Plan's long-term actuarial investment return assumption is 8.0%. The positive rate of return is attributed recovery of financial markets relative to the prior year's negative return.

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 42 gives detailed information on the Plan's investment policies. See page 48 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, 2010.



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 2010	Fiscal Year 2009	Increase / (Decrease)
Additions			
Employer Contribution	$48,748,397	$43,673,027	$5,075,370
Members Contributions	215,669	172,567	43,102
Net Investment Income	111,845,292	(255,572,191)	367,417,483
Net Securities Lending Income	203,052	533,727	(330,675)
Total Additions	161,012,410	(211,192,870)	372,205,280
Deductions			
Retirement Allowances	108,225,770	104,166,249	4,059,521
Administrative Expenses	3,061,461	3,138,612	(77,151)
Death Benefits	791,170	881,569	(90,399)
Lump Sum Cash Payments	155,564	289,626	(134,062)
Refund of Members' Contribution	334		334
Total Deductions	112,234,299	108,476,056	3,758,243
Net Increase	$48,778,111	$(319,668,926)	$368,447,037

Contributions and Investment Income

Employer contributions increased by 11.6% over last year's contributions. The employer's contributions are actuarial based and are calculated a fiscal year in advance. The salaries 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 increased by $43,102 due to the repurchases of membership service. The appreciation in the fair value of investments by $111.8 million is due to the improved performance of investments. The net investment income includes investment expenses as a deduction. Investment expenses increased from $5.4 million in 2009 to $5.7 million in 2010. The increased is attributed to the recovery of the market value of investments for the fiscal year 2010.

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 2010 was for the payment of continuing retirement benefits totaling $108.2 million, which compares to $104.2 million for fiscal year 2009. Retirement allowances increased $4.1 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, 2010

Assets			
Cash and cash equivalents			$ 78,697,451
Receivables			
Investments sold	$ 29,572,869		
Foreign currency contracts	29,330,720		
Accrued income	2,836,677		
Other receivables	(808,309)		
Total receivables			60,931,957
Capital assets			
Leasehold improvements	1,443,078		
Depreciation - leasehold improvements	(460,594)		
Net leasehold improvement total		$ 982,484	
Office furniture	343,918		
Depreciation - office furniture	(230,433)		
Net office furniture total		113,485	
Office equipment	270,226		
Depreciation - office equipment	(99,302)		
Net office equipment total		170,924	
Total capital assets			1,266,893
Investments, at fair value			
Stocks	503,458,224		
Bonds	255,409,331		
International stock	143,749,451		
Real estate	79,243,859		
Hedge funds	57,308,310		
Total investments			1,039,169,175
Securities lending collateral			122,198,889
Total assets			1,302,264,365
Liabilities			
Securities lending collateral	122,198,889		
Investments purchased	62,553,142		
Foreign currency contracts	28,967,600		
Administrative expenses payable	1,809,223		
Investment management fees payable	916,118		
Other accounts payable	628,046		
Total liabilities			217,073,018
Net assets held in trust for pension benefits			$ 1,085,191,347

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, 2010

Additions		
Contributions		
Employers	$ 48,748,397	
Plan members	215,669	
Total contributions		$ 48,964,066
Investment Income		
Net depreciation in fair value of investments	91,458,311	
Interest, dividends, and real estate income	26,028,223	
Less: Investment expenses	(5,641,242)	
Net investment income		111,845,292
Securities lending income	290,022	
Less: Securities lending fees	(86,970)	203,052
Total additions		161,012,410
Deductions		
Retirement allowances	108,225,770	
Adminstrative expenses	3,061,461	
Death benefits	791,170	
Lump sum cash payments	155,564	
Refund of members contributions	334	
Total deductions		112,234,299
Net increase		48,778,111
Net assets held in trust for pension benefits		
July 1, 2009		1,036,413,236
June 30, 2010		$ 1,085,191,347

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, 2010, the ERS membership consisted of:

Active Plan Members	9,680
Retirees and Beneficiaries - currently receiving benefits	8,637
Terminated Plan Members - entitled to but not yet receiving benefits	1,094
Total Membership	19,411

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 in pay status for more than 18 months. The minimum guaranteed benefit increase is 1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, effective June 22, 2010. Additional increase percentages are granted if the excess investment earnings exceed 6.8%. However, the additional increase percentages are based on the Consumer Price Index (CPI) for the year. During fiscal year 2010, the Plan gained 11.15% on a market value basis, but the CPI for the year ending June 30, 2010 equaled 1.05%. Therefore, no additional benefit increase will be granted beyond the guaranteed minimum benefit increase.

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:

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.

4. Earnings Increase Account:

As of July 1, 2007, the Plan provisions, Article 22 of the Baltimore City Code, was revised to establish an Earnings Increase Account for the sole purpose of determining whether an increase is payable. The establishment of the Earnings Increase Account neither requires nor allows for the segregation of any Retirement System assets. The specifics of the Earnings Increase Account are as follows:

(A) The Board of Trustees shall establish a bookkeeping account entitled the Earnings Increase Account for the sole purpose of determining whether an earnings increase is payable.

(B) The establishment of the Earnings Increase Account neither requires nor allows for the segregation of any Retirement System assets.

(1) If the actuary engaged by the Board determines that there is a balance in the Earnings Increase Account as of the preceding June 30, that balance shall be allocated to provide an earnings increase to eligible retired members and beneficiaries, effective as of the following January 1st.

(2) The earnings increase shall be calculated as a percentage increase that can be provided by the balance in the Earnings Increase Account sufficient to fund a single-premium paid-up annuity, using regular interest after commencement of benefits for valuation purposes on the June 30th preceding the effective date of the increase of this section.

The actuarial valuation as of June 30, 2010 reported the balance of the Earnings Increase Account to be $7,909,017. The benefit increase for fiscal year ending June 30, 2010 is the minimum guaranteed benefit increase of 1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, effective June 22, 2010, and is payable on January 1, 2011 to qualifying retirees and beneficiaries.

5. 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. As of June 30, 2010, the maturities of the investments made with the cash collateral are not matched to the maturities of securities loans. The Plan does not have the right to sell or pledge securities received as collateral without borrower default.

At June 30, 2010, 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, 2010 was $118,977,001 and the market value of the collateral received for those securities on loan was $122,198,889. 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.

The following table presents the fair values of the underlying loaned securities, and the fair value of collateral pledged at June 30, 2010.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
***Lent for cash collateral*:**			
U.S. Treasury Notes and Bonds	$ 61,838,288	$ 63,071,976	102.0%
U.S. Government Agency	1,191,071	1,216,700	102.2
Corporate Bonds	5,673,556	5,829,908	102.8
Stock	42,783,521	44,248,623	103.4
International Stock	5,520,153	5,785,917	105.0
Real Estate	934,006	968,692	103.7
***Lent for noncash collateral*:**			
Stock	257,116	262,710	102.2
International Stock	779,290	814,363	104.5
Total securities lent	$118,977,001	$122,198,889	102.7%

6. 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, 2010 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Treasury Notes and Bonds	$83,499,588
U.S. Government Agency Bonds	62,992,773
Corporate Bonds	108,916,970
Cash and Cash Equivalents	78,697,451
Total Debt Securities	334,106,782
Other:	
Stock	503,458,224
International Stock	143,749,451
Real Estate	79,243,859
Hedge Funds	57,308,310
Total Other	783,759,844
Total Investments	1,117,866,626
Less: Cash and Cash Equivalents	78,697,451
Total Net Investments	$1,039,169,175

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	$83,499,588	8.32
U.S. Government Agency Bonds	62,992,773	3.64
Corporate Bonds	108,916,970	4.44
Cash and Cash Equivalents	78,697,451	0.09
Total Debt Securities	$334,106,782	

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, 2010 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	$83,499,588				$83,499,588
U.S. Government Agency Bonds	62,992,773				62,992,773
Corporate Bonds	56,391,196	$21,186,849	$5,076,274	$26,262,651	108,916,970
Cash and Cash Equivalents				78,697,451	78,697,451
Total Debt Securities	$202,883,557	$21,186,849	$ 5,076,274	$104,960,102	$334,106,782

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, 2010 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, 2010 is presented in the following table:

Currency	Total
Euro Currency Unit	$16,748,788
British Pound Sterling	14,932,593
Japanese Yen	10,563,578
Hong Kong Dollar	7,738,751
Swiss Franc	6,199,147
Chinese Yuan Renminbi	3,575,722
Canadian Dollar	3,039,212
Australian Dollar	2,821,973
Danish Krone	1,774,343
Swedish Krona	1,216,081
Brazil Real	1,209,260
Singapore Dollar	1,205,151
Norwegian Krone	956,885
South Korean Won	672,973
New Turkish Lira	465,512
Russian Rubel	180
Mexican New Peso	(553,707)
Total Foreign Currency Securities	72,566,442
U.S. Dollars held by International Investment Managers	80,846,388
Total Foreign Currency Exposure	$153,412,830

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, 2010, 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.

7. Derivatives Instruments

A derivative is a unique and often complex financial arrangement entered into with another party, typically a private-sector financial firm. The value or cash flows of a derivative are determined by how the market prices of the hedged item change. The System has classified the following as hedging investment instruments.

The System enters into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. The System also enters into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as forward contract when the settlement date is more than two days after the contract date. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation/depreciation in the statement of plan assets. Realized gain or loss on forward currency contracts is the difference between the original contract and the closing value of such contract and is included in the statement of changes in plan net assets. The table below summarizes the fair value of foreign currency contracts as of June 30, 2010:

Currency	Receivables at Cost	Receivables at Market	Payables at Cost	Payables at Market	Net Unrealized Gain/(Loss)
Australian Dollar	$ 13,945	$ 13,818			$(127)
Brazil Real	7,116	7,141			25
British Pound Sterling			$(2,477,241)	$ (2,538,531)	(61,290)
Chinese Yuan Renminbi	6,734,971	6,607,853	(3,060,234)	(3,037,024)	(103,908)
Euro Currency Unit	3,161,349	3,142,509	(8,199,461)	(7,548,437)	632,184
Japanese Yen	211,243	212,957			1,714
Malaysian Ringgit	124,000	124,025	(120,623)	(124,025)	(3,377)
Mexican New Peso	367,994	369,925	(1,719,933)	(1,732,747)	(10,883)
New Taiwan Dollar	140,133	136,839	(136,880)	(136,839)	(3,253)
Norwegian Krone	14,095	14,018	(13,697)	(14,116)	(496)
Philippines Peso	356,000	343,259	(338,976)	(343,259)	(17,024)
South Korean Won	1,216,270	1,145,508	(1,159,520)	(1,145,508)	(56,750)
U.S. Dollar Total	17,212,868	17,212,868	(12,347,114)	(12,347,114)	
Total Currency	$29,559,984	$29,330,720	$(29,573,679)	$(28,967,600)	$ 376,815

8. Capital Assets

The capital assets purchased during the fiscal year ending June 30, 2010 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	$(460,594)	$982,484
Office Furniture	343,918	(230,433)	113,485
Office Equipment	270,226	(99,302)	170,924
Total Capital Assets	$2,057,222	$(790,329)	$1,266,893

9. 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 34 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)
06/30/10	$1,390,514,840	$1,830,224,519	$439,709,679	76.0%	$401,328,980	109.6%

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, 2010.

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% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, with variable increases based on excess investment returns and the Consumer Price Index (CPI), effective June 22, 2010.

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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)
6-30-01	$ 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
6-30-10	1,390,514,840	1,830,224,519	439,709,679	76.0	401,328,980	109.6

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
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
2010	48,748,397	100

See notes to required supplementary information.

Employees' Retirement System
City of Baltimore, Maryland
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, 2010. 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% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, effective June 22, 2010.

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 included 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 were 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 were 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.

8. The actuarial asset value return was 1.16%, which produced a net loss of $83.7 million for the Plan fiscal year 2010. The unfunded actuarial liability increased from $300.7 million on June 30, 2009 to $439.7 million on June 30, 2010, primarily due to an assumption change and the investment experience on actuarial asset value which continues to take into account the 2008 market decline. The Plan had a large loss in the actuarial liability from 2009 to 2010 mostly attributable to the cost of living adjustment assumption being increased from a fixed 1.5% at all ages to 1.5% increase for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over. This change, which increased the actuarial liabilities by $53 million, was made in compliance with the provisions of the Code that stipulate the guaranteed cost of living adjustment will match those provided under the Fire and Police Employees' Retirement System.

   The total recommended contribution increased by 25.0% from $62,374,397 for fiscal year 2011 to $77,995,002 for fiscal year 2012 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2010. This represents a projected increase in a cost as a percent of pay from 15.67% to 19.43%.

Employees’ Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2010

Salaries and wages:		
Permanent full-time salaries	$ 1,380,329	
Overtime	1,170	
Contract salaries and wages	70,511	
Total salaries and wages		$ 1,452,010
Other personnel costs:		
Social security	254,050	
Medical insurance and health care	218,915	
Other	15,404	
Total other personnel costs		488,369
Contractual services:		
Lease purchase agreements	235,449	
Professional services	174,534	
Retirement payroll processing	149,924	
Data processing services	83,131	
Actuarial services	69,818	
Trustee Education	31,758	
Computer network services	40,052	
Printing	27,018	
Telephone systems	21,046	
Audit fees	21,000	
Postage	15,317	
Staff training	13,281	
Lease of business machines	12,631	
Miscellaneous	6,792	
Equipment maintenance	6,414	
Advertising	3,341	
Dues and publications	3,203	
Maintenance and repair- real property	814	
Legal fees	414	
Total contractual services		915,937
Materials and supplies:		
Office supplies		21,187
Depreciation expense		183,958
Total administrative expenses		$ 3,061,461

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2010

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 5,086,638
Investment consultant fees	416,611
Custodial fees	137,993
Subtotal	5,641,242
Securities lending fees	86,970
Total investment expenses	**$ 5,728,212**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
Cheiron	$ 69,818	Actuarial Services
Enterprise Intergration Company	24,654	Computer Network Services
Baltimore City Department of Audits	21,000	Financial Audit
Smith and Downey	413	Legal Fees
Total of payments to consultants	**$ 115,885**	

Note: A schedule of fees and commissions is also illustrated in the Investment Section on page 51.

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Investment Section

ERS
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

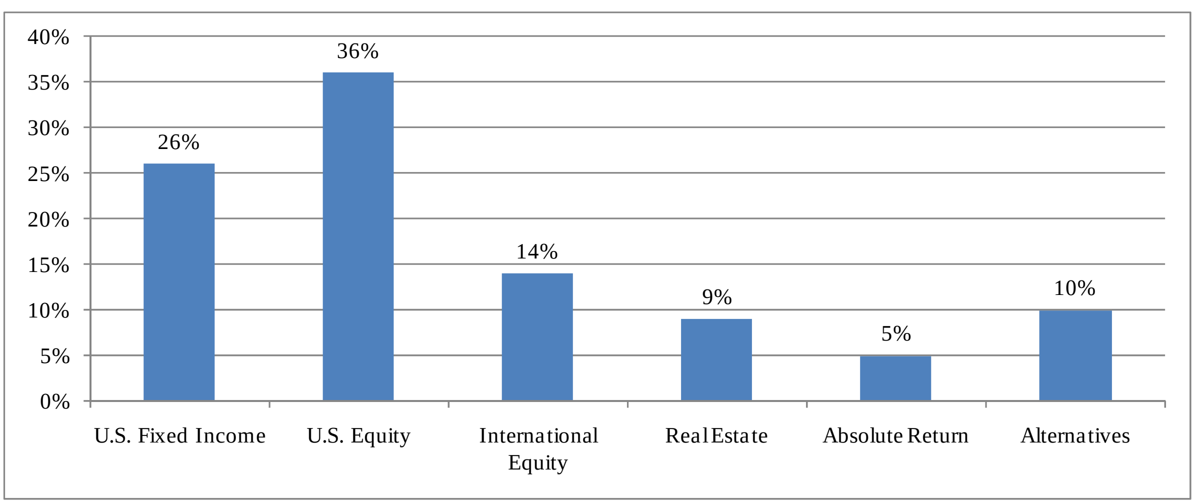
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 reviewed and approved the asset allocation structure in May of 2009 in an effort to enhance the risk adjusted return characteristics over the long term. The implementation process began at the start of the fiscal year which included a transition of the domestic equity portfolio to the new target weightings as well as a search for an international small-cap equity investment mandate. 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 full 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 ACWI ex US, 26% Barclays Capital Agg, 9% CPI+6%, 5% T-bills 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

Beginning in March of 2009, the stock market began to rebound from the lows generated in the financial crisis that culminated in the fall of 2008. This upward trend in both stock and fixed income securities resulted in a solidly positive one year return ended June 30, 2010. The best performing securities in both the stock and bond market were those that had higher risk profiles and fell the furthest in the prior period. Most alternative asset classes lagged the traditional publicly traded markets which was consistent with historical trends following a recession. The domestic stock market, as proxied by the Russell 3000 Index, returned 15.7%, the international stock market as proxied by the MSCI All Country World ex-US Index returned 10.9%, and domestic fixed income as proxied by the Barclays Capital Aggregate Index returned 9.5%.

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.

For the fiscal year ended June 30, 2010, the ERS's rate of return was positively impacted by upward trending markets and posted an 11.2% return which lagged the policy benchmark by 1.2% the median public pension fund by 0.4%. The return ranking in the 60th percentile of the public fund universe. Underperformance in the domestic equity, private equity, and real estate portfolios detracted from results.

The market value of the ERS assets increased from $1.03 billion on June 30, 2009, to $1.09 billion on June 30, 2010. The increase in the Total Fund market value for this report was attributable to capital appreciation and cash flow activity. At the end of fiscal year 2010, 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	$394.4	36.3%	15.4%	15.7%
International Equity	145.8	13.4%	11.9%	10.9%
U.S. Fixed Income	361.3	33.2%	14.6%	9.5%
Real Estate	79.3	7.3%	(9.2)%	(1.5)%
Private Equity	40.1	3.7%	9.8%	21.1%
Hedge Funds	57.3	5.3%	6.3%	4.7%
Cash Equivalents	8.3	0.8%		
Total Fund	$1,086.5	100.0%	11.2%	13.0%

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Employees' Retirement System
City of Baltimore, Maryland
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	26%
International equity	14%
Alternatives	10%
Real Estate	9%
Absolute Return	5%

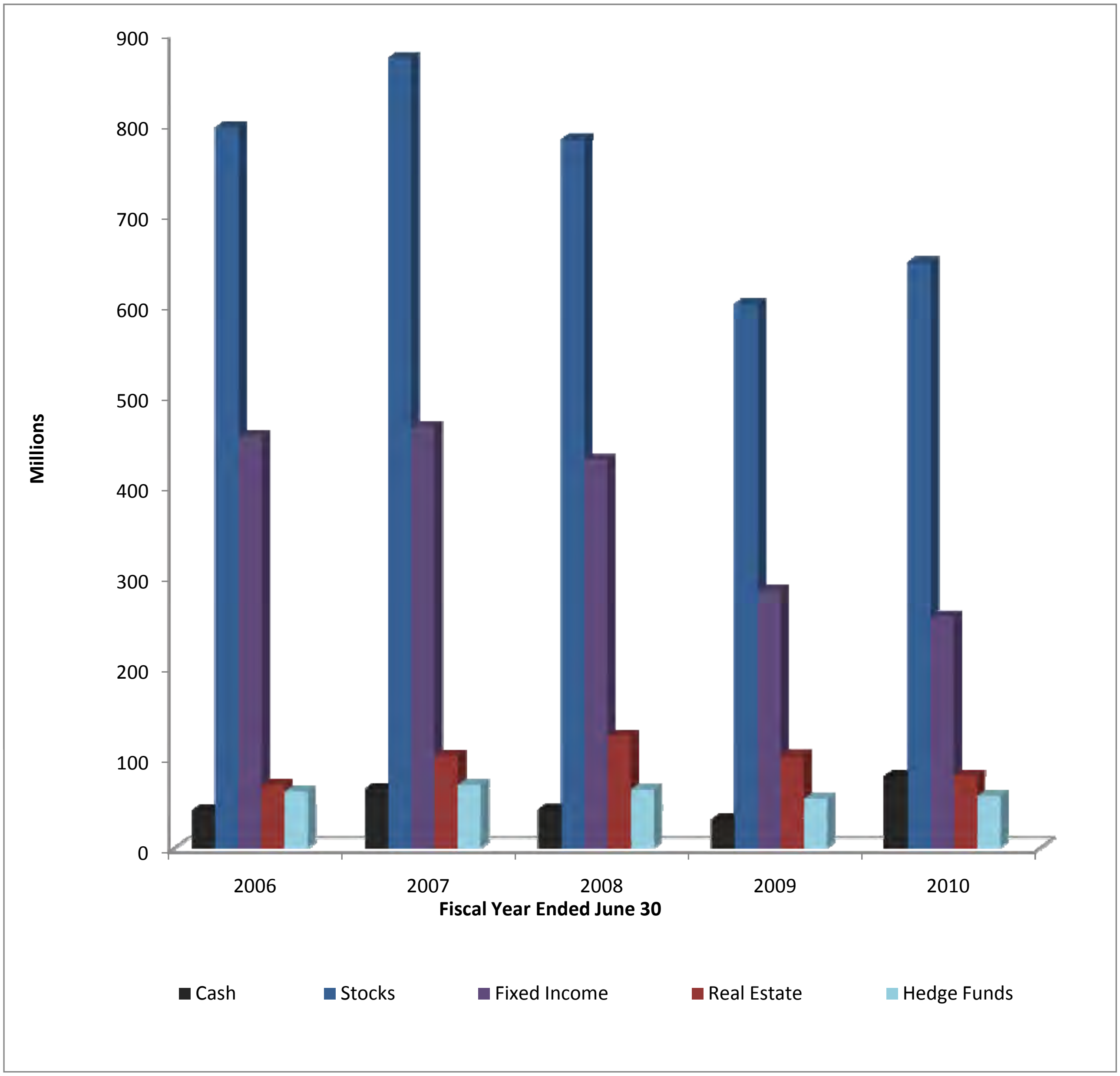
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to 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 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)

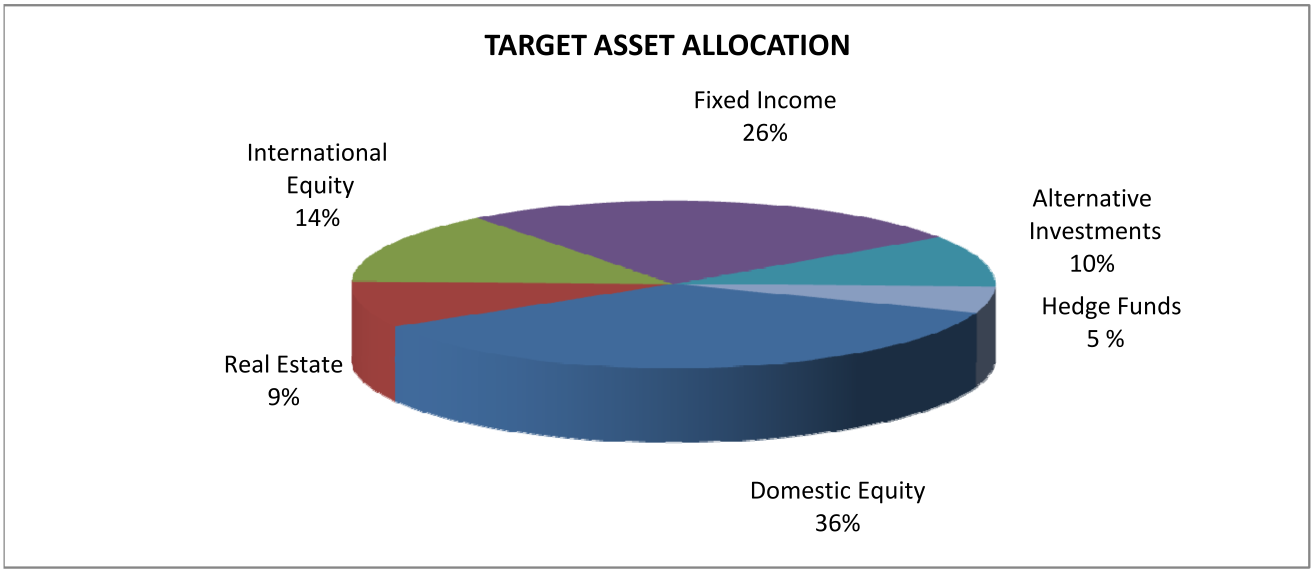
	2006		2007		2008		2009		2010	
Cash	$ 41	3%	$ 65	4%	$ 42	3%	$ 31	3%	$ 79	7%
Stocks	796	56	873	56	783	54	601	56	647	58
Fixed Income	455	32	465	30	429	30	284	26	255	23
Hedge Funds	62	4	69	6	64	4	54	5	57	5
Real Estate	69	5	101	4	123	9	102	10	79	7
Total	$ 1,423	100%	$ 1,573	100%	$ 1,441	100%	$ 1,072	100%	$ 1,117	100%

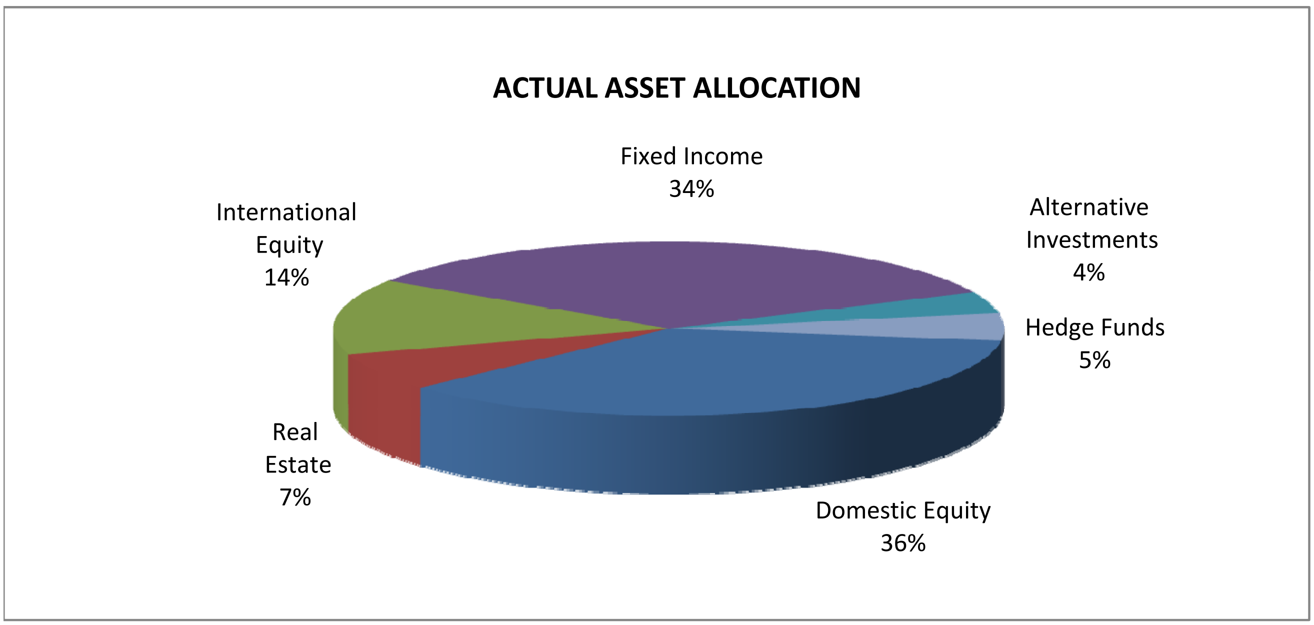
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

		Annualized	
	FY 2010	**3 Years**	**5 Years**
TOTAL PORTFOLIO	11.2%	(4.5)%	2.1%
Median Public Pension Fund	12.0	(3.0)	2.8
DOMESTIC EQUITIES	15.4	(9.4)	(0.4)
Wilshire 5000	16.2	(9.1)	(0.1)
FIXED INCOME	14.6	6.9	5.1
BarCap Aggregate	9.5	7.6	5.5
INTERNATIONAL EQUITIES	11.9	(11.2)	3.1
MSCI ACWI ex-US	10.9	(10.3)	3.8
REAL ESTATE	(9.2)	(9.8)	(1.3)
NCREIF	(1.5)	(4.7)	3.8
HEDGE FUNDS	6.3	(2.8)	2.3
HFR Hedge Fund-of-Fund	4.5	(4.0)	2.3

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, 2010





Note: For asset allocation purposes, only actively managed accounts are included. Assets in the mutual funds are allocated between domestic equity and domestic fixed income based on the percentage held by the investment managers at June 30, 2010. 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 EQUITY AND FIXED INCOME HOLDINGS BY MARKET VALUE
June 30, 2010

		Shares	Market Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	Da Vita, Inc.	55,480	$3,464,171
2	Apple, Inc.	10,625	2,672,506
3	Kraft Foods, Inc.	90,232	2,526,496
4	Chevron Corporation	36,665	2,488,087
5	AT&T, Inc.	98,907	2,392,560
6	Merck & Co., Inc.	67,673	2,366,525
7	Mc Donald's Corporation	32,900	2,167,123
8	PepsiCo, Inc.	34,396	2,096,436
9	Wal-Mart Stores, Inc.	43,246	2,078,835
10	Cisco Systems	96,957	2,066,154
	Total	567,081	$24,318,893
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	Cnooc, Ltd.	1,092,999	$1,878,008
2	Novartis AG	34,514	1,683,532
3	Roche Pharmaceuticals	10,155	1,404,099
4	Teva Pharmaceuticals Industries	25,699	1,336,091
5	Novo-Nordisk	15,090	1,226,038
6	BNP Paribas	22,205	1,217,695
7	Ind & Comm Bank of China	1,572,200	1,154,849
8	LVMH Moet Hennessy L.V.	10,475	1,152,337
9	SAP AG	25,658	1,151,854
10	Telefonica	58,390	1,091,067
	Total	2,867,385	$13,295,570
TOP TEN DOMESTIC FIXED INCOME HOLDINGS			
1	U.S. Treasury Note (1.000% 10/31/2011 DD 10/31/09)	21,100,000	$21,247,489
2	U.S. Treasury Bill (0.000% 07/08/2010 DD 01/07/10)	13,100,000	13,099,780
3	Federal Natl Mtg Assn Discount (MAT 08/11/2010)	8,500,000	8,496,680
4	Commitment to purchase FNMA SF Mtg (4.500% 07/01/2040 DD 07/01/10)	8,000,000	8,291,280
5	U.S. Treasury Note (0.625% 06/30/2012 DD 06/30/10)	7,600,000	7,600,608
6	U.S. Treasury Bond (7.500% 11/15/2024 DD 08/15/94)	4,600,000	6,672,898
7	U.S. Treas-CPI Inflation Index (1.375% 01/15/2020 DD 01/15/10)	4,738,023	4,851,641
8	U.S. Treasury Bond (4.250% 05/15/2039 DD 05/15/09)	4,100,000	4,335,094
9	U.S. Treasury Note (3.625% 08/15/2019 DD 08/15/09)	4,080,000	4,314,274
10	Commitment to purchase FNMA SF Mtg (3.500% 07/01/2040 DD 07/01/10)	4,000,000	3,966,240
	Total	79,818,023	$82,875,984

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2010

	Market Value	Percentage of Market Value
Stock:		
Technology	$44,764,329	4.3 %
Financial Services	41,787,843	4.0
Health Care	25,882,745	2.5
Utilities	21,772,699	2.1
Consumer Durables	21,056,120	2.0
Capital Goods	20,276,381	2.0
Energy	17,769,384	1.7
Consumer Services	16,883,248	1.6
Consumer Non-Durables	11,401,035	1.1
Business Services	8,261,843	0.8
Wholesale Distribution	6,776,676	0.7
Basic Industries	5,667,195	0.5
Chemicals	5,246,753	0.5
Media	5,160,988	0.5
Transportation	4,770,140	0.5
Total stock	257,477,379	24.8
Other		
International stock	143,749,451	13.8
Private equity	40,316,613	3.9
Commingled funds	205,664,232	19.8
Total other	389,730,296	37.5
Total stock	**647,207,675**	**62.3**
Bonds:		
U.S. securities and agencies		
U.S. agencies	62,992,773	6.1
Treasury notes and bonds	83,499,588	8.0
Total U.S. securities and agencies	146,492,361	14.1
Corporate		
Financial	89,298,667	8.6
Industrial	13,377,945	1.3
Utilities	6,240,358	0.6
Total corporate	108,916,970	10.5
Total bonds	**255,409,331**	**24.6**
Other investments:		
Real estate	79,243,859	7.6
Hedge Funds	57,308,310	5.5
Total other investments	**136,552,169**	**13.1**
Total investments	**$ 1,039,169,175**	**100.0** %

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2010

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 463,141,611	$ 1,740,957
Fixed income	255,409,331	701,877
International equity	143,749,451	617,825
Real estate	79,243,859	482,096
Hedge funds	57,308,310	621,862
Private equity	40,316,613	1,008,991
Total investment managers' fees		**$ 5,173,608**
Other investment service fees:		
Custodial fees		$ 137,993
Investment consultant fees		416,611
Total other investment service fees		**$ 554,604**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2010 amounted to $785,494. A list of the brokers receiving more than $4,800 in fees are

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Finl Partners Ltd, Lake Success	$107,650	Investment Technology Group, NY	$8,386
Merrill Lynch Pierce Fenner Smith Inc, NY	67,718	Jefferies & Co Inc, NY	8,071
Credit Suisse, NY	42,189	Bernstein Sanford C & Co, NY	7,872
BNY Convergex, NY	28,229	Oppenheimer & Co Inc, NY	7,789
Goldman Sachs & Co, NY	27,068	Wells Fargo Securities Llc, Charlotte	7,564
J P Morgan Securities Inc, Brooklyn	27,058	Barclays Capital Le, Jersey City	7,503
Morgan J P Secs Inc, NY	25,894	Baird, Robert W & Co Inc, Milwaukee	7,231
Clearview Correspondent Srvs, Richmon	23,684	Baypoint Trading Llc, NY	7,210
Citigroup Gbl Mkts Inc, NY	22,438	Pulse Trading Llc, Boston	7,092
Stifel Nicolaus	18,432	Grw Capital Corp, Jersey City	6,707
Ubs Securities Llc, Stamford	18,010	Merrill Lynch Intl (Ksi), London	6,581
Liquidnet Inc, Brooklyn	17,557	Thomas Weisel Partners, San Francisco	6,143
Morgan Stanley & Co Inc, NY	17,491	Cantor Fitzgerald & Co Inc, NY	5,873
Deutsche Bk Secs Inc, NY	16,789	Pershing Llc, Jersey City	5,218
Loop Capital Mkts Llc, Dallas	11,171	Knight Sec Broadcort, Jersey City	5,082
Sanford C Bernstein & Co Inc, London	8,525	J.P. Morgan Clearing Corp, NY	4,840

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.

INVESTMENT PROFESSIONALS

EQUITY MANAGERS

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

Rothschild Asset Mgmt. Inc.
Deirdre J. Guice
New York, New York

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

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

Turner Investment Mgmt.
John Finnegan
Berwyn, Pennsylvania

EQUITY FUND OF FUNDS

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

Herridon Capital Management
Randell A. Cain, Jr., CFA
Atlanta, Georgia

Apex Capital Mgmt. LLC
Mike Kalbfleisch
Dayton, Ohio

Denali Investment Advisors
Bob Snigaroff
San Diego, California

Opus Capital Management
Kevin Whalen
Cincinnati, Ohio

Lombardia Capital
Cindy Herrera
Pasadena, California

Mastrapasqua Asset Management
Ron Szejner
Nashville, Tennessee

Profit Investment Management
Eugene Profit
Silver Spring, Maryland

OakBrook Investments
Janna L. Sampson
Lisle, Illinois

BRC Investment Management
J. David DuRie
Greenwood Village, Colorado

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

Fortaleza Asset Management
Margarita Perez, CFA
Chicago, Illinois

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
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 Urban
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

BNY Mellon Cash Investment Strategies
Beth Stone, CFA
Pittsburgh, Pennsylvania

SECURITIES LENDING

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Actuarial Section

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

January 19, 2011

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

Re: 2010 CAFR

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 2010, determined the employer's contribution for the plan year beginning July 1, 2010. Because the contribution is always accrued, it is our understanding the contribution plus interest is historically made during the 2012 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
Principal Consulting Actuary

Margaret Tempkin, FSA
Consulting Actuary

Attachments

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ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

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% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, effective June 22, 2010. 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 7.36%.

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS (continued)

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:	1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, with variable based on excess returns, effective June 22, 2010.
Percent married:	Males 80%, females 60%.
Spouse age:	Female spouse assumed 4 years younger.
Remarriage rates:	None

Active decrements and service retirement rates are the same as presented in the June 30, 2010 actuarial valuation report. Sample rates as follow:

	Withdrawals			
Age	Less than 1	1	2	More than 3+
25	0.23214	0.21000	0.15000	0.11500
30	0.20592	0.17800	0.13000	0.10500
35	0.14765	0.13800	0.10500	0.08000
40	0.11372	0.09800	0.08500	0.05500
45	0.11300	0.09800	0.08500	0.04500
50	0.11300	0.09800	0.08500	0.04500
55	0.11300	0.11000	0.08500	0.05000
60	0.16500	0.16000	0.11000	0.07500
65	0.41500	0.41000	0.31500	0.28000
69	0.41500	0.41000	0.31500	0.28000

	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	0.07	0.20	0.20
61	0.15	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

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	0.00080	0.00030	0.00005
30	0.00059	0.00004	0.00008	0.00089	0.00038	0.00005
35	0.00115	0.00008	0.00016	0.00105	0.00052	0.00005
40	0.00236	0.00008	0.00016	0.00151	0.00077	0.00005
45	0.00425	0.00012	0.00024	0.00234	0.00103	0.00005
50	0.00675	0.00020	0.00039	0.00391	0.00155	0.00005
55	0.01043	0.00024	0.00047	0.00693	0.00265	0.00005
60	0.00579	0.00027	0.00055	0.01284	0.00534	0.00005
65	0.00130	0.00038	0.00076	0.02178	0.01017	0.00005
69	0.00078	0.00039	0.00078	0.03127	0.01440	0.00005

[1] Rates for individuals who are the age shown as of 6/30/10.

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	0.00693	0.00265	0.05392	0.02529
60	0.01284	0.00534	0.06435	0.03138
65	0.02178	0.01017	0.07679	0.04088
70	0.03396	0.01568	0.09558	0.05568
75	0.05599	0.02616	0.12298	0.07841
80	0.09165	0.04563	0.16115	0.11274

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
6/30/2001	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
6/30/2010	9,680	401,328,980	41,460	1.2

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
6/30/2001	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
6/30/2010	473	8,065,853	454	4,252,838	8,637	109,734,085	3.6	12,705

* 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)
6/30/2001	$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
6/30/2010	3,419,652	1,103,746,648	46,882,433	676,175,786	1,390,514,840	100	100	100	35.0

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

Type of Activity	Gain / (Loss) FY2009	Gain / (Loss) FY2010
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.	$ (15,849,875)	$ (10,285,000)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(6,280,000)	(4,598,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	3,910,000	(2,718,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	4,060,000	(5,783,000)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	(3,920,000)	14,979,000
Investment Income If there is greater investment income than assumed, there is a gain. If less, a loss.	(107,286,134)	(84,135,432)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	7,120,000	7,554,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(6,490,000)	(2,510,000)
Assumption and Asset Method Changes Changes due to assumption changes and the change in accounting and liability		(53,012,000)
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	133,503	(2,259,000)
Gain / (Loss) During Year From Financial Experience	$ (124,602,506)	$ (142,767,432)

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.

(b) **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

(iii) 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 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:**

The minimum guaranteed benefit increase is 1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over. Additional increases are provided each year based on investment performance that exceeds 6.8% at June 30th. Only retirees and their beneficiaries, who have been receiving periodic benefit payments as of the June 30th 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 30th 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

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 Changes in Plan Net Assets
For the Last Ten Fiscal Years

	2001	2002	2003	2004	2005
Additions					
Contributions					
Employer	$ 16,592,465	$ 17,714,152	$ 17,736,030	$ 17,352,473	$ 23,624,914
Plan members	381,124	864,270	526,918	443,001	476,490
Total contributions	$ 16,973,589	$ 18,578,422	$ 18,262,948	$ 17,795,474	$ 24,101,404
Investment Income					
Net appreciation in fair value of investments	$ (58,275,242)	$ (71,950,424)	$ 15,973,576	$ 92,483,936	$ 80,660,869
Interest, dividends, and real estate income	53,591,482	44,860,628	36,351,746	35,587,011	31,462,451
Less: investment expenses	(3,776,176)	(3,444,410)	(3,081,224)	(3,821,829)	(3,097,848)
Net investment income	$ (8,459,936)	$ (30,534,206)	$ 49,244,098	$ 124,249,118	$ 109,025,472
Securities lending income	$ 828,317	$ 993,700	$ 777,933	$ 642,610	$ 442,098
Securities lending fees	(288,009)	(298,042)	(232,922)	(192,744)	(132,598)
Net securities lending income	$ 540,308	$ 695,658	$ 545,011	$ 449,866	$ 309,500
Total additions	$ 9,053,961	$ (11,260,126)	$ 68,052,057	$ 142,494,458	$ 133,436,376
Deductions					
Retirement allowances	$ 77,268,674	$ 80,623,760	$ 82,854,969	$ 85,923,130	$ 90,034,033
Adminstrative expenses	1,887,026	1,265,645	945,073	1,637,315	1,882,368
Death benefits	1,514,343	1,834,181	1,729,237	1,896,655	1,124,669
Lump cash payments	215,953	287,314	311,763	170,322	137,471
Refund of Contributions	718	855	42,857	14,312	3,103
Total deductions	$ 80,886,714	$ 84,011,755	$ 85,883,899	$ 89,641,734	$ 93,181,644
Net increase(decrease)	$ (71,832,753)	$ (95,271,881)	$ (17,831,842)	$ 52,852,724	$ 40,254,732
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,379,400,238	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486
Ending Balance	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218

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

	2006	2007	2008	2009	2010
Additions					
Contributions					
Employer	$ 31,003,063	$ 36,841,351	$ 43,918,411	$ 43,673,027	$ 48,748,397
Plan members	422,548	308,703	345,637	172,567	215,669
Total contributions	$ 31,425,611	$ 37,150,054	$ 44,264,048	$ 43,845,594	$ 48,964,066
Investment Income					
Net appreciation in fair value of investments	$ 79,600,767	$ 177,595,751	$ (111,674,879)	$ (278,688,103)	$ 91,458,311
Interest, dividends, and real estate income	36,965,510	47,136,147	46,115,481	28,522,723	26,028,223
Less: investment expenses	(5,464,823)	(5,684,475)	(6,275,603)	(5,406,811)	(5,641,242)
Net investment income	$ 111,101,454	$ 219,047,423	$ (71,835,001)	$ (255,572,191)	$ 111,845,292
Securities lending income	$ 548,678	$ 468,902	$ 1,001,675	$ 762,206	$ 290,022
Securities lending fees	(164,580)	(140,643)	(300,467)	(228,479)	(86,970)
Net securities lending income	$ 384,098	$ 328,259	$ 701,208	$ 533,727	$ 203,052
Total additions	$ 142,911,163	$ 256,525,736	$ (26,869,745)	$ (211,192,870)	$ 161,012,410
Deductions					
Retirement allowances	$ 93,706,033	$ 97,104,170	$ 101,461,516	$ 104,166,249	$ 108,225,770
Adminstrative expenses	2,496,211	2,615,247	2,913,458	3,138,612	3,061,461
Death benefits	983,714	1,294,666	1,061,050	881,569	791,170
Lump cash payments	72,775	155,325	177,877	289,626	155,564
Refund of Contributions		5,008	9,161		334
Total deductions	$ 97,258,733	$ 101,174,416	$ 105,623,062	$ 108,476,056	$ 112,234,299
Net increase(decrease)	$ 45,652,430	$ 155,351,320	$ (132,492,807)	$ (319,668,926)	$ 48,778,111
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,287,571,218	$ 1,333,223,648	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235
Ending Balance	$ 1,333,223,648	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346

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)
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	262,970,337
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)
2010	112,048,344	48,748,397	12.4	215,669	161,012,410

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
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
2010	109,172,504	334	3,061,461	112,234,299

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

Years of Credited Service	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
0-4	2,396	2,292	2,351	2,401	2,572	2,188	2,124	2,306	2,714	2,675
5-9	1,397	1,537	1,798	1,876	1,708	1,833	1,789	1,812	1,826	1,917
10-14	2,169	1,765	1,300	996	896	940	1,093	1,304	1,406	1,376
15-19	1,304	1,331	1,585	1,755	1,684	1,560	1,286	949	724	705
20-24	1,516	1,447	1,343	1,244	1,201	918	974	1,166	1,320	1,307
25-29	947	905	880	847	784	1042	1036	976	929	794
30+	494	550	574	603	567	712	733	767	800	906
Total Members	10,223	9,827	9,831	9,722	9,412	9,193	9,035	9,280	9,719	9,680
Average Service Credit	13.39	13.50	13.36	13.35	13.58	13.80	13.83	13.56	13.17	13.27
Average Age	46.86	47.08	47.34	47.51	47.89	48.32	48.64	48.66	48.61	48.96

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2010

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
25-29	2				2	
30-34	10				10	
35-39	18			1	17	
40-44	79	3		21	54	1
45-49	257	38		84	129	6
50-54	739	229	182	168	150	10
55-59	1,132	447	354	181	143	7
60-64	1,302	638	384	147	124	9
65-69	1,139	564	355	133	76	11
70-74	1,036	485	377	112	47	15
75-79	804	470	228	69	27	10
80-84	537	355	128	33	15	6
85 and up	242	195	35	2	7	3
Totals	7,297	3,424	2,043	951	801	78
Average Annual Benefit	$13,712	$18,330	$6,144	$17,583	$8,200	$18,578

*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, 2010

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
Under 20	21	4	2	3	10		2	
0-24	4	1		1	2			
25-29								
30-34								
35-39	1			1				
40-44	4		1		2	1		
45-49	15	5	3		5		2	
50-54	46	21	3	4	9	1	8	
55-59	83	32	9	6	31		5	
60-64	116	46	20	13	24	2	11	
65-69	144	60	21	11	32	3	16	1
70-74	163	69	42	6	31	2	11	2
75-79	231	113	56	13	22	3	21	3
80-84	230	135	41	6	25	4	14	5
85 and up	282	188	38	7	21	4	15	9
Totals	1,340	674	236	71	214	20	105	20
Average Annual Benefit	$7,224	$8,281	$3,639	$8,525	$4,692	$8,023	$10,066	$20,673

*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
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
2010	90,004,238	7,367,063	155,564	461,609	1,246,067	791,170	1,443,226	6,499,946	1,203,621	109,172,504

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2000 to June 30, 2010	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	$ 234	$ 374	$ 874	$ 1,055	$ 1,272	$ 1,613
Average-Average Final Compensation	2,806	4,487	10,490	12,662	15,265	19,356
Number of Active Retirees	34	51	62	63	70	50
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	256	452	740	1,055	1,309	1,745
Average-Average Final Compensation	3,074	5,425	8,884	12,665	15,706	20,937
Number of Active Retirees	38	56	79	66	102	52
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	242	465	821	1,077	1,401	1,665
Average-Average Final Compensation	2,907	5,581	9,847	12,928	16,811	19,984
Number of Active Retirees	31	45	43	70	85	70
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	395	460	806	1,110	1,530	1,787
Average-Average Final Compensation	4,742	5,515	9,667	13,321	18,360	21,450
Number of Active Retirees	41	52	69	66	86	84
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	316	560	661	1,197	1,543	1,754
Average-Average Final Compensation	3,788	6,723	7,933	14,367	18,520	21,051
Number of Active Retirees	45	55	71	54	70	94

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2000 to June 30, 2010	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	$ 348	$ 525	$ 736	$ 1,135	$ 1,548	$ 1,670
Average-Average Final Compensation	4,174	6,305	8,834	13,624	18,574	20,039
Number of Active Retirees	36	19	45	38	50	140
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	278	255	642	1,319	1,202	1,339
Average-Average Final Compensation	3,334	3,057	7,699	15,833	14,421	16,069
Number of Active Retirees	19	14	27	22	25	220
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	282	374	932	1,136	1,598	1,868
Average-Average Final Compensation	3,387	4,490	11,183	13,630	19,182	22,417
Number of Active Retirees	44	36	41	45	48	87
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	376	436	680	906	1,771	2,115
Average-Average Final Compensation	4,514	5,231	8,157	10,877	21,254	25,384
Number of Active Retirees	59	61	57	32	52	101
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	358	493	897	1,401	1,664	2,199
Average-Average Final Compensation	4,291	5,915	10,768	16,808	19,971	26,390
Number of Active Retirees	52	48	41	55	58	115
Period 7/1/00 to 6/30/10						
Average Monthly Benefit	308	439	779	1,139	1,484	1,776
Average-Average Final Compensation	3,702	5,273	9,346	13,671	17,806	21,308
Number of Active Retirees	40	44	54	51	65	101

Employees' Retirement System
City of Baltimore, Maryland
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202
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ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE