Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2011

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, 2011

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, 2011

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Introductory Section

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, 2010

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.

Linda C. Davison

President

Jeffrey R. Esser

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 30, 2011

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Employees' Retirement System of the City of Baltimore, Maryland (ERS, System, and Plan) a component unit of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2011. The System's administration is responsible for the accuracy of the data and the completeness of the presentation, including all disclosures. We believe the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the System's operations.

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

PROFILE OF THE PLAN

The ERS is a defined benefit plan. It was established January 1, 1926 by legislation 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. 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. A summary of plan provisions is presented on pages 65 through 73. The number of active, retired and deferred members, as well as beneficiaries of the plan can be found in the Notes to Basic Financial Statements on page 25.

MAJOR INITIATIVES

We accomplished three major projects during the year; conducted an experience study, implemented a document scanning/management project and launched a new ERS website.

In accordance with plan provisions to conduct a periodic review of the System's actuarial assumptions, the Board of Trustees initiated a study of the economic and demographic actuarial assumption for the periods July 2006 through June 2010. Based on the actuary's review and recommendations, the Board adopted certain changes in the System's actuarial assumptions, that include the following: (a) lowering of: the assumed rates of growth in inflation, the salaries and the Social Security wage base, the assumed investment return, and the employee contribution interest rate; (b) introducing a funding corridor where the actuarial value of assets can be no more than 120% and no less than 80% of underlying market value; and (c) adopting a funding policy that provides for unfunded actuarial liabilities to be amortized over a fixed period of 20 years and targets 100% funding by the fiscal year ending 2031. The anticipated rate of return and employee contribution interest rate are defined by the Baltimore City Code and will require changes to the Code. The System's actuary used the revised assumptions in preparing the June 30, 2011 in anticipation of the Code changes. The net effect of the changes should be to improve the System's funding strength and sustainability over the long term.

Upgrading our technology is important to meeting the needs of the ERS. Our goal was to acquire the necessary technology that would allow for the implementation of a digital storage and records retrieval system. The main purpose is to provide security, efficiency, for disaster recovery options and for records management. The importance of this effort was brought home to all of us in August, when the region experienced an earthquake scare.

After much prepping and training, the document scanning/management project was started on a trial basis. Results from trial use by the Benefit Analysts were highly encouraging and confirmed that the new system will improve the efficiency of the retirement process and member consultations with our Benefit Analysts. Over time, digital document management will become our official source of storage and retrieval of members' records and will replace our current system of manually pulling and refilling records. Data security is another benefit to digitizing the ERS members' record files. Digital copies of the files are backed up and stored at an offsite location for quick retrieval in the event of a disaster.

We also launched the ERS website, to provide meaningful information and improve communications with the ERS members and the public. The website address is www.bcers.org and is currently available for online access. In addition to pertinent forms, newsletter, and Comprehensive Annual Financial Reports, the website also includes the ERS Plan Summary, and information about ERS investments. We believe that the website provides a valuable and convenient resource of information about the System.

FINANCIAL AND ECONOMIC SUMMARY

ERS returned 20.1% on investments for fiscal year 2011, outperforming the 8.0% discount rate and in spite of the euro zone crisis that affected the financial markets. This return represents the System's highest performance over the past ten years, and is due in large measure to reasonable growth in the U.S. economy. That could change just as quickly, as seen in the period following the fiscal year-end. Market volatility is becoming a new norm, as investors realize that the euro zone crisis is not going away so easily.

Basically, solutions proposed for the euro debt crisis promise to be painful, may be rejected by some of the parties, and are by no means certain to solve the problem. These difficulties, together with other geo-political issues as seen in Greece and Italy, played a major role in the heightened volatility from the financial markets and local economies. For example, in the U.S., political paralysis over the debt ceiling, contention over the budget deficit, downgrading of its triple-A credit rating and high unemployment, kept market confidence vacillating between fear, hope and frustration. In Europe, fear of the euro zone imploding, and market illiquidity caused policymakers, including the Federal Reserve Bank (FRB), to offer Europe's Central Banks access to dollars, so that they could keep lending to their local banks. Hopefully, the FRB's action will reduce some of the market uncertainty, and the manic-depressive type swings in the leading indexes.

INVESTMENT SUMMARY

As provided by the Plan provisions, the Board of Trustees (Board) has full control of all investment of the ERS funds and is responsible for establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines, and achievement of the System's objectives. The Board must exercise its investment authority prudently, solely in the interest of the System's participants and beneficiaries and with proper diversification. 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 in achieving both protection and growth of Plan assets.

The ERS' investment objective is to earn or exceed 8.0% rate of return or to outperform the return of its policy benchmark. For fiscal year ended June 30, 2011, the System's investments returned 20.1%, an increase of 8.9% from the previous year's return of 11.2%. The System also outperformed its policy benchmark by 0.7% and ranked in the 58th percentile of the Wilshire Public Fund Universe. Fixed income and international equities were major contributors to the excellent performance. The long-term track record was also up with, three and five year annualized returns of 3.2% and 4.4%, respectively.

The Board utilizes external portfolio managers in active and passive strategies to manage the System's assets. The managers are monitored and evaluated monthly and annually by the Board and its Investment consultant, Marquette Associates, Inc. (Marquette). Marquette provides the Board with monthly and annual evaluations of the System's investments. A summary of their annual analysis and the target asset allocation is found on pages 42 to 43 in the investment section of this report. Please refer to the MD&A for more investment and financial analysis.

ACTUARIAL AND FUNDING RESULTS

The future of retirement systems have become a growing and much debated question. Macro economic factors and changing demographics such as participant longevity have reduced the plan's investment returns, making it harder to achieve its long term funding objective through contributions and investment income. As we know, a better level of funding is a good gauge that the Plan is able to meet long-term benefit obligations. It also gives the participants a higher degree of comfort that their pension benefits are secure. Notwithstanding the strong double digit investment performance for the 2011 fiscal year, the actuarial valuation reflected an increase of the unfunded actuarial liability from $439.7 million on June 30, 2010, to $530.2 million on June 30, 2011. The increase is due to investment losses over the years, liability gains, and changes in assumptions adopted by the Board to reflect the most recent Experience Study by the Plan's actuaries. As a result, the Plan's funding level declined slightly to 73% from the previous year's 76%. At the same time, the total contribution from the City increased from $48.7 million in fiscal year 2010, to $62.4 million in fiscal year 2011. In spite of all the changes, the long-term solvency of the System remains strong on an actuarial basis, as illustrated on page 34 in the "Schedule of Funding Progress".

ACCOUNTING SYSTEMS AND INTERNAL CONTROL

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

The System's administration is responsible for establishing and maintaining adequate internal controls regarding achievement of all operational activities, financial reporting and compliance objectives. Specifically, the System's policies and procedures are designed to ensure that the assets are protected from loss, theft, or misuse and 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. Documented procedures of work duties are available for major job functions and implemented thoughtfully and consistently. 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 security of assets, and the fair presentation of the financial statements and supporting schedules.

INDEPENDENT AUDIT

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

PROFESSIONAL SERVICES

The Board appoints consultants and investment managers, subject to approval by the City's Board of Estimates. These professionals are chosen based on their ability to provide services that are essential to the effective and efficient operation of the System. Trustees are also required to monitor and terminate investment managers as necessary for underperformance, or for other material reasons as determined by the Board. All of the professionals that provide services to the Board are listed on pages13 and 52 through 53 in the Introductory and Investment Sections of this Report.

AWARDS AND ACKNOWLEDGMENTS

It is gratifying to see the ERS was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the 28th consecutive year (fiscal years 1983-2010) that the ERS has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. I believe that this Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements. It will be submitted to the GFOA to determine its eligibility for another certificate.

The compilation of this CAFR reflects the combined effort of ERS' accounting and administrative staff. 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.

I would like to express my thanks to all who contributed to its preparation. I also like to take this opportunity to express my gratitude to the Board of Trustees, the ERS' dedicated staff, especially the accounting group, our investment consultant Marquette Associates, Inc., actuary, Cheiron, Inc. and the others professionals who worked diligently in assisting me with the successful operation of the ERS.

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 30, 2011

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

I am pleased to share with you some exciting events that occurred throughout the fiscal year ended June 30, 2011.

Investment return for the fiscal year was a solid 20.1%, increasing the value of ERS assets by 14.4% to $1.242 billion. This is the best investment return in the last ten years, as Executive Director Roselyn Spencer noted in her letter of transmittal. Our Board members, Roselyn and her staff, and our investment consultant Marquette Associates worked together effectively to implement the Board's investment strategies. All are to be congratulated for their work.

As a result of this investment return, effective January 1, 2012, eligible retirees and beneficiaries who are under age 65 will receive a guaranteed and a variable cost of living increase of 3.20%; those who are age 65 and older will receive a 3.56% increase.

The System's funding ratio as of June 30, 2011 is 73%. Although this is a slight decline from the previous year's 76%, ERS remains financially sound and well able to meet its long-term obligations. Over the long-term, we want to increase the funding ratio to assure that the System remains strong and sustainable. With that objective in mind, both the Board and the City are working on ways to improve the System's sustainability. We will provide more information as this effort progresses.

As you may have noticed, ERS launched a new website designed to improve communication with our members and provide "user friendly" access to retirement related information. The website address is www.bcers.org. It is a good and convenient source for information about ERS.

This fall, ERS held elections for the two trustee positions elected by active members and the one position elected by retirees. Our active members returned incumbents Dorothy L. Bryant and Deborah F. Moore-Carter to the Board, and our retirees returned trustee Ernest J. Glinka. All three trustees will serve new four-year terms. Congratulations to Ms. Bryant, Ms. Moore-Carter and Mr. Glinka! They are valuable and hard working members of the Board, and I look forward to working with them in the years ahead.

Finally, Thurman W. Zollicoffer, Jr., left the Board earlier this year to devote more time to the demands of his private law practice. I would like to thank Thurman for his dedicated service, his support, and his many contributions as a trustee.

Let me close by commending my fellow trustees for the exceptional work they do on behalf of the ERS and expressing my appreciation for the confidence they have placed in me as their Chair. And, as always, Roselyn Spencer and her staff deserve sincere thanks from all of us for their tireless efforts and dedication on behalf of the ERS and its members.

Sincerely,

Joan M. Pratt, CPA

Joan M. Pratt, CPA
Chair, Board of Trustees

BOARD OF TRUSTEES

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

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL
City of Baltimore
Employees' Retirement System
John Kratz

ACTUARY

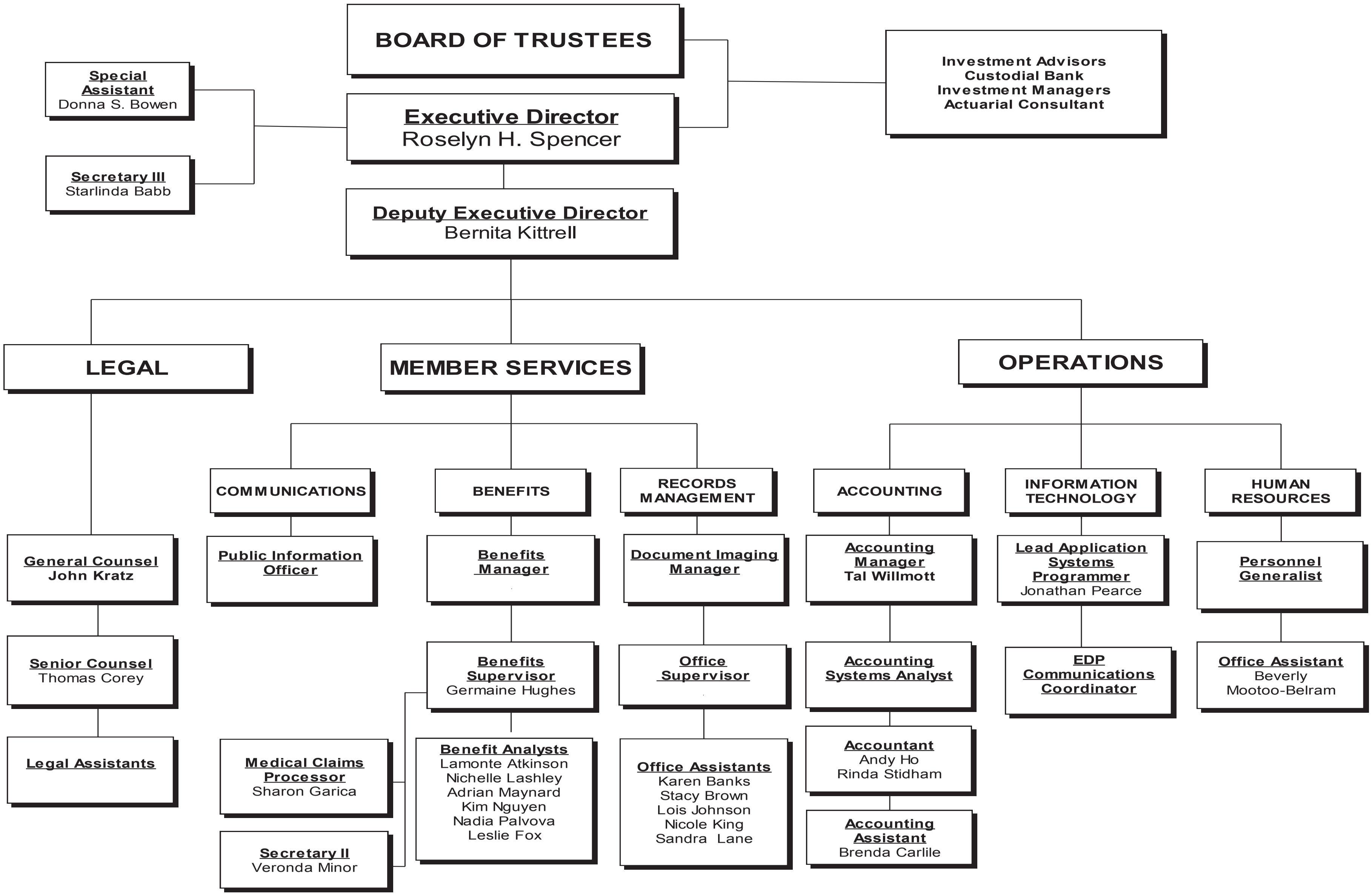
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

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

See pages 52 to 53 in the Investment Section for a list of investment professionals.

Employees' Retirement System
City of Baltimore, Maryland
Organization Chart



Financial Section

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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

December 30, 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, 2011, 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 scheduled in January 2012. 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, 2011, and the respective changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 30, 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, 2011. 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 2011 are $1.242 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 $156.7 million, compared to last year's increase of $48.8 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, 2011 was 20.1% compared to the fiscal year ended June 30, 2010 return of 11.2%. The positive rate of return is attributed recovery of financial markets.

- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2011, the funded ratio for the Plan was 72.7%. In general, this indicates that the Plan has approximately $0.73 of assets to cover every dollar of benefits due.

- Revenues (Additions to Plan Net Assets) for the year were $273.3 million. Revenues include member and employer contributions of $62.7 million, net investment gain of $210.4 million, and net securities lending income of $0.2 million.

- Expenses (Deductions from Plan Net Assets) increased by $4.4 million to $116.6 million from the prior year expenses of $112.2 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, 2011, the end of the Plan's financial year. It indicates the total assets and total liabilities at June 30, 2011 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, 2010 through June 30, 2011.

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, 2011. 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 2011, assets exceeded liabilities by $1.242 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, 2011, total net assets increased by 14.4% 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 2011	Fiscal Year 2010	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,285,878,662	$1,161,368,064	$124,510,598	10.7%
Other Assets	100,669,685	140,896,301	(40,226,616)	(28.6)%
Total Assets	1,386,548,347	1,302,264,365	84,283,982	6.5 %
Total Liabilities	144,628,540	217,073,018	(72,444,478)	(33.4)%
Total Net Assets	$1,241,919,807	$1,085,191,347	$156,728,460	14.4 %

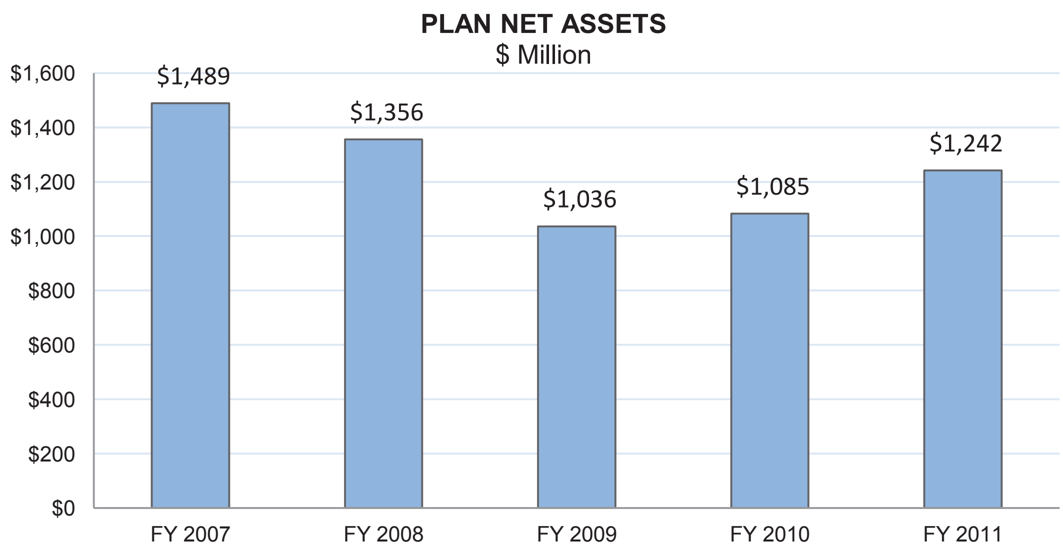
Investment Assets

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, 2011 was 20.1%, a 8.9% increase compared to the fiscal year 2010 rate of return 11.2%. The annualized rate of return for the last three and five year periods ended June 30, 2011 were 3.2% and 4.4%, respectively. The Plan's long-term actuarial investment return assumption is 8.0%. The positive rate of return is attributed outperformance of benchmark in all investment classes.

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 41 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, 2011.



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 2011	Fiscal Year 2010	Increase / (Decrease)
Additions			
Employer Contribution	$62,374,396	$48,748,397	$13,625,999
Members Contributions	358,202	215,669	142,533
Net Investment Income	210,394,631	111,845,292	98,549,339
Net Securities Lending Income	199,495	203,052	(3,557)
Total Additions	273,326,724	161,012,410	112,314,314
Deductions			
Retirement Allowances	112,642,028	108,225,770	4,416,258
Administrative Expenses	3,189,932	3,061,461	128,471
Death Benefits	546,943	791,170	(244,227)
Lump Sum Cash Payments	123,425	155,564	(32,139)
Refund of Members' Contribution	95,936	334	95,602
Total Deductions	116,598,264	112,234,299	4,363,965
Net Increase	$156,728,460	$48,778,111	$107,950,349

Contributions and Investment Income

Employer contributions increased by 27.9% 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 $142,533 due to the repurchases of membership service. The appreciation in the fair value of investments by $273.3 million is due to the improved performance of investments. The net investment income includes investment expenses as a deduction. Investment expenses increased from $5.7 million in 2010 to $6.2 million in 2011. The increased is attributed to the market value gains of investments for the fiscal year 2011.

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 2011 was for the payment of continuing retirement benefits totaling $112.6 million, which compares to $108.2 million for fiscal year 2010. Retirement allowances increased $4.4 million due to an increase in the number of benefit recipients and the annual cost of living adjustment of 1.5% for participants under age 65 and 2.0% for participants age 65 and over.

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, 2011

Assets			
Cash and cash equivalents			$ 55,018,096
Receivables			
Investments sold	$ 21,286,792		
Foreign currency contracts	20,500,780		
Accrued income	2,057,075		
Other receivables	640,539		
Total receivables			44,485,186
Capital assets			
Leasehold improvements	1,449,678		
Depreciation - leasehold improvements	(557,239)		
Net leasehold improvement total		$ 892,439	
Office furniture	343,918		
Depreciation - office furniture	(279,581)		
Net office furniture total		64,337	
Office equipment	360,418		
Depreciation - office equipment	(150,791)		
Net office equipment total		209,627	
Total capital assets			1,166,403
Investments, at fair value			
Stocks	665,393,803		
Bonds	203,515,244		
International stock	188,781,452		
Real estate	89,592,139		
Hedge funds	61,019,181		
Total investments			1,208,301,819
Securities lending collateral			77,576,843
Total assets			1,386,548,347
Liabilities			
Securities lending collateral	77,576,843		
Investments purchased	44,744,133		
Foreign currency contracts	20,500,780		
Administrative expenses payable	313,538		
Investment management fees payable	850,120		
Other accounts payable	643,126		
Total liabilities			144,628,540
Net assets held in trust for pension benefits			$ 1,241,919,807

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, 2011

Additions		
Contributions		
Employers	$ 62,374,396	
Plan members	358,202	
Total contributions		$ 62,732,598
Investment Income		
Net appreciation in fair value of investments	195,926,226	
Interest, dividends, and real estate income	20,583,936	
Less: Investment expenses	(6,115,531)	
Net investment income		210,394,631
Securities lending income	283,344	
Less: Securities lending fees	(83,849)	199,495
Total additions		273,326,724
Deductions		
Retirement allowances	112,642,028	
Adminstrative expenses	3,189,932	
Death benefits	546,943	
Lump sum cash payments	123,425	
Refund of members contributions	95,936	
Total deductions		116,598,264
Net increase		156,728,460
Net assets held in trust for pension benefits		
July 1, 2010		1,085,191,347
June 30, 2011		$ 1,241,919,807

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, 2011, the ERS membership consisted of:

Active Plan Members	9,393
Retirees and Beneficiaries - currently receiving benefits	8,693
Terminated Plan Members - entitled to but not yet receiving benefits	1,097
Total Membership	19,183

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. Only the Mayor and City Council may amend the Plan Provisions. The reduction of benefits is precluded by the City Code.

The ERS is composed mainly of non-contributory members, 99.99% 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 0.01% 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 1.50% for participants in pay status under age 65 and 2.00% 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 2011, the Plan gained 20.10% on a market value basis, and the CPI for the year ending June 30, 2011 is 3.56%. As a result of the positive market value gained, eligible retired members and beneficiaries with a pension entry date on or before June 30, 2010 will receive, 3.20% for participants under age 65 and 3.56% for participants in pay status age 65 and over.

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, 2011 reported the balance of the Earnings Increase Account to be $8,217,226. The benefit increase for fiscal year ending June 30, 2011 is 3.20% for participants in pay status under age 65 and 3.56% for participants in pay status age 65 and over, and is payable on January 1, 2012.

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, 2011, 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, 2011, 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, 2011 was $74,525,115 and the market value of the collateral received for those securities on loan was $77,576,843. 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, 2011.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
***Lent for cash collateral*:**			
Stock	$43,627,556	$44,571,038	102.2 %
International Stock	19,222,428	21,049,184	109.5
U.S. Treasury Notes & Bonds	7,586,724	7,770,711	102.4
Corporate Bonds	1,894,608	1,932,073	102.0
Real Estate	1,541,823	1,588,932	103.1
***Lent for noncash collateral*:**			
Stock	651,976	664,905	102.0
Total securities lent	$74,525,115	$77,576,843	104.1 %

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, 2011 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Treasury Notes and Bonds	$10,116,653
U.S. Government Agency Bonds	62,734,252
Corporate Bonds	130,664,339
Cash and Cash Equivalents	55,018,096
Total Debt Securities	258,533,340
Other:	
Stock	665,393,803
International Stock	188,781,452
Real Estate	89,592,139
Hedge Funds	61,019,181
Total Other	1,004,786,575
Total Investments	1,263,319,915
Less: Cash and Cash Equivalents	55,018,096
Total Net Investments	$1,208,301,819

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	$10,116,653	6.44
U.S. Government Agency Bonds	62,734,252	5.64
Corporate Bonds	130,664,339	4.61
Cash and Cash Equivalents	55,018,096	0.08
Total Debt Securities	$258,533,340	

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, 2011 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, 2011 is presented in the following table:

Currency	Total
Euro Currency Unit	$45,447,888
Pound Sterling	35,716,465
Japanese Yen	21,161,175
Singapore Dollar	10,559,624
Hong Kong Dollar	9,804,453
Canadian Dollar	6,829,271
Australian Dollar	6,355,166
Swiss Franc	6,109,298
Chinese Yuan Renminbi	3,695,294
South Korean Won	2,676,916
Norwegian Krone	2,367,962
New Zealand Dollar	2,097,571
Swedish Krona	1,824,895
Danish Krone	1,731,207
Brazil Real	1,047,086
Mexican New Peso	667,656
New Turkish Lira	468,321
Philippines Peso	421,907
S African Comm Rand	382,092
Malaysian Ringgit	222,851
Indonesian Rupiah	209,237
Russian Rubel	201
Total Foreign Currency Securities	159,796,536
U.S. Dollars held by International Investment Managers	43,057,603
Total Foreign Currency Exposure	$202,854,139

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, 2011, 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.

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, 2011 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				$10,116,653	$10,116,653
U.S. Government Agency Bonds	$27,099,279	$16,138,739	$2,124,847	17,371,387	62,734,252
Corporate Bonds	32,428,491	65,199,481	1,300,467	31,735,900	130,664,339
Cash and Cash Equivalents				55,018,096	55,018,096
Total Debt Securities	$59,527,770	$81,338,220	$3,425,314	$114,242,036	$258,533,340

7. Capital Assets

The capital assets purchased during the fiscal year ending June 30, 2011 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	$1,449,678	$(557,239)	$892,439
Office Furniture	343,918	(279,581)	64,337
Office Equipment	360,419	(150,791)	209,628
Total Capital Assets	$2,154,015	$(987,611)	$1,166,404

8. *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, 2011:

	Receivables at Cost	Receivables at Market	Payables at Cost	Payables at Market	Net Unrealized Gain/(Loss)
Australian Dollar	$ 298,820	$ 291,732	$(2,563,984)	$(2,554,098)	$(2,798)
Canadian Dollar			(7,785,620)	(7,654,419)	(131,201)
Chinese Yuan Renminbi	3,777,562	3,764,326	(82,269)	(81,331)	12,298
Euro Currency Unit	71,413	70,312	(4,587,216)	(4,523,500)	(62,615)
Japanese Yen			(4,000)	(3,856)	(144)
Norwegian Krone	104,515	106,565			(2,050)
Philippines Peso	344,067	344,000			67
Singapore Dollar	101,920	100,697			1,223
South Korean Won	318,700	304,356			14,344
Swiss Franc	358,735	358,919	(350,420)	(342,669)	(7,935)
U.S. Dollar	15,159,872	15,159,873	(5,340,907)	(5,340,907)	(1)
Total Currency	$20,535,604	$20,500,780	$(20,714,416)	$(20,500,780)	$(178,812)

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)
06/30/11	$1,410,211,059	$1,940,447,224	$530,236,165	72.7%	$392,941,135	134.9%

The Plan's obligations to its members are based on the actuarial valuation of the assets and liabilities of the Plan. The market value ratio indicates the Plan's ability to pay its obligations in a snapshot in time, such as, June 30, 2011. It does not take into account the increase and decrease of the Plan's assets and liabilities over a multitude of years.

Market Value Ratio

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL Market (b-a)	Market Ratio (a/b)	Covered Payroll (c)	Market (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
06/30/11	$1,241,919,807	$1,940,447,224	$698,527,417	64.0%	$392,941,135	177.8%

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2011. The System's Board of Trustees approved the assumptions but some of the changes regarding interest rates defined by the City of Baltimore Code will require changes to the law. The information presented below is in the required supplementary schedules of this report on page 36.

Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar, open
Amortization period:	20-year period decreases each year until 2031 at which time will be fully paid 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:	8.0%
Investment rate of return - post-retirement:	6.8%
Projected salary increases:	Inflation rate approximately 2.75%
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 30, 2011.

Required Supplementary Information and Supporting Schedules

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)
6-30-02	$ 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
6-30-11	1,410,211,059	1,940,447,224	530,236,165	72.7	392,941,135	134.9

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
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
2011	62,374,396	100

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented in the required supplementary schedules was determined as part of the actuarial valuation dated June 30, 2011. 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, decreased each year until 2031 at which time to be fully paid 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	8.0%
Post-retirement	6.8%
Projected salary increases	Inflation rate approximately 2.75%.
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, 2011

2. 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.

3. 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.

4. 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.

5. 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%.

6. 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.

7. 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 $62,374,396 for fiscal year 2011 to $77,995,005 for fiscal year 2012 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2011. This represents a projected increase in a cost as a percent of pay from 15.67% to 19.43%.

8. The total recommended contribution increased by 13.2% from $77,995,005 for fiscal year 2012 to $88,300,214 for fiscal year 2013 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2011. The experience study changes increased the recommended contributions by $9,169,802. This represents a projected increase in cost as a percent of pay from 19.43% to 22.47%.

   The newly adopted funding policy of the Board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by the fiscal year ending 2031. The funding policy does not impact the current year's valuation results.

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2011

Salaries and wages:		
Permanent full-time salaries	$ 1,464,283	
Contract salaries and wages	84,541	
Overtime	1,041	
Total salaries and wages		$ 1,549,865
Other personnel costs:		
Social security	242,002	
Medical insurance and health care	184,768	
Other	17,052	
Total other personnel costs		443,822
Contractual services:		
Lease purchase agreements	242,512	
Computer network services	166,858	
Retirement payroll processing	130,754	
Actuarial services	108,521	
Professional services	89,464	
Data processing services	83,131	
Printing	36,897	
Audit Fees	29,400	
Telephone systems	19,516	
Staff training	17,427	
Postage	13,679	
Lease of business machines	9,162	
Trustee Education	6,402	
Dues and publications	4,824	
Legal fees	3,938	
Equipment maintenance	3,720	
Miscellaneous	3,038	
Advertising	229	
Total contractual services		969,472
Materials and supplies:		
Office Supplies		29,491
Depreciation expense		197,282
Total administrative expenses		$ 3,189,932

SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2011

Schedule of Investment Expenses

Investment expenses:	Fees
Investment management fees	$ 5,707,830
Investment consultant fees	286,714
Custodial fees	120,987
Subtotal	6,115,531
Securities lending fees	83,849
Total investment expenses	**$ 6,199,380**

Schedule of Payments to Consultants

Firm	Fees	Nature of Service
Cheiron	$ 108,521	Actuarial Services
Enterprise Integration Company	166,858	Computer Network Services
Baltimore City Department of Audits	29,400	Financial Audit
Smith and Downey	3,938	Legal Fees
Total of payments to consultants	**$ 308,717**	

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

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Investment Section

EMPLOYEES' RETIREMENT SYSTEM of the CITY OF BALTIMORE

INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the City of Baltimore Employees' Retirement System (ERS) by Marquette Associates, Inc. is based on information supplied by the System's custodian, Mellon Bank, N.A (Mellon). Mellon provides Marquette Associates, Inc. with beginning and ending market values, cash flows, transactions, and positions for the ERS as well as each manager, where applicable. Mellon audits the information contained in its accounting reports monthly. The rates of return are calculated using a time-weighted rate of return methodology based upon market values. The returns are reported on both net of fees and gross of fees to provide comparisions with the appropriate benchmarks. 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.

Distinction of Responsibilities

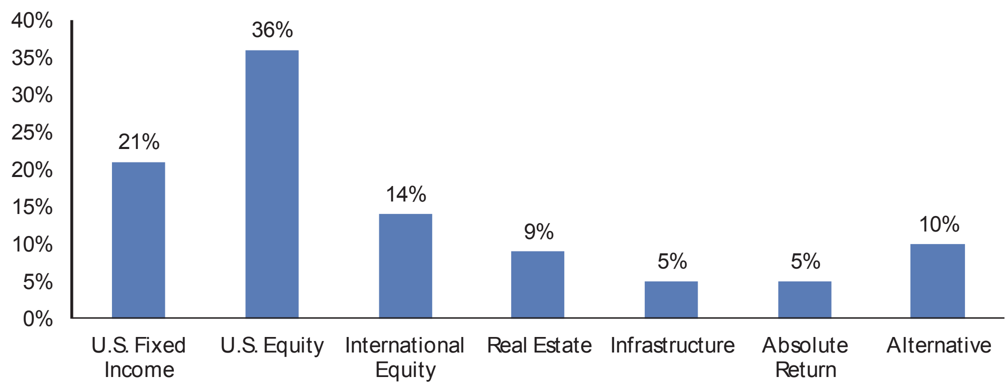
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 implementation of the new asset allocation structure commenced over the course of the past fiscal year. The addition of a new asset class, international small-cap equity, was completed and introduced in the System in the Fall of 2010. An investment manager search to increase the System's allocation to private equity was also completed in compliance with the asset allocation structure. In an effort to achieve prudent levels of risk, the System also increased the average credit quality of the fixed income portfolio by reducing exposure to core plus fixed income in the fall of 2010. 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 policy targets that shall be effective upon full implementation of the new asset allocation:



Investment Objective

The investment return is evaluated against a policy benchmark consisting of 36% Russell 3000, 14% MSCI ACWI ex US, 21% Barclays Capital Agg, 9% CPI+6%, 5% T-bills plus 5%, and 10% 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

Despite the backdrop of a sluggish economy, stock markets soared for the fiscal year ending June 30, 2011. Behind strong corporate earnings coupled with increased investor appetite for riskier investments, the stock market more than doubled its return from a year prior which dates the beginning of the market's recovery. For a second year in a row, 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. The domestic stock market as proxied by the Russell 3000 Index returned 32.4% and the international stock market as proxied by the MSCI All Country World ex-US Index returned 30.3%. Both domestically and internationally, small-cap stocks outpaced larger stocks by wide margins. Most alternative asset classes lagged the traditional publicly traded markets which was consistent with historical trends following a recession. Fixed income market returns were lower than the year prior as a result of historically low yields. This lower yielding environment led to lower overall income returns to bondholders. With interest rates relatively unchanged for the year, the bond market also experienced only marginal price appreciation as the domestic fixed income as proxied by the Barclays Capital Aggregate Index returned 3.9%.

Investment Performance

For the fiscal year ending June 30, 2011, the ERS's rate of return was positively impacted by upward trending markets and posted a 20.1% return which outpaced the policy benchmark by 0.7% and closely tracked the median public pension fund return. The return ranking was in the 58th percentile of the public fund universe. Strong outperformance of the fixed income managers and the introduction of international small-cap equity added value to results.

The market value of the ERS assets increased from $1.09 billion on June 30, 2010 to $1.24 billion on June 30, 2011. 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 2011, 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	$492.0	39.7%	32.2%	32.4%
International Equity	191.5	15.4%	31.3%	30.3%
U.S. Fixed Income	349.4	28.2%	5.2%	3.9%
Real Estate	90.0	7.2%	16.5%	16.7%
Private Equity	44.9	3.6%	19.3%	19.6%
Hedge Funds	61.0	4.9%	6.5%	6.7%
Cash Equivalents	12.2	1.0%		
Total Fund	$1,241.0	100.0%	20.1%	19.4%

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	21%
International equity	14%
Alternatives	10%
Real Estate	9%
Absolute Return	5%
Infrastructure	5%

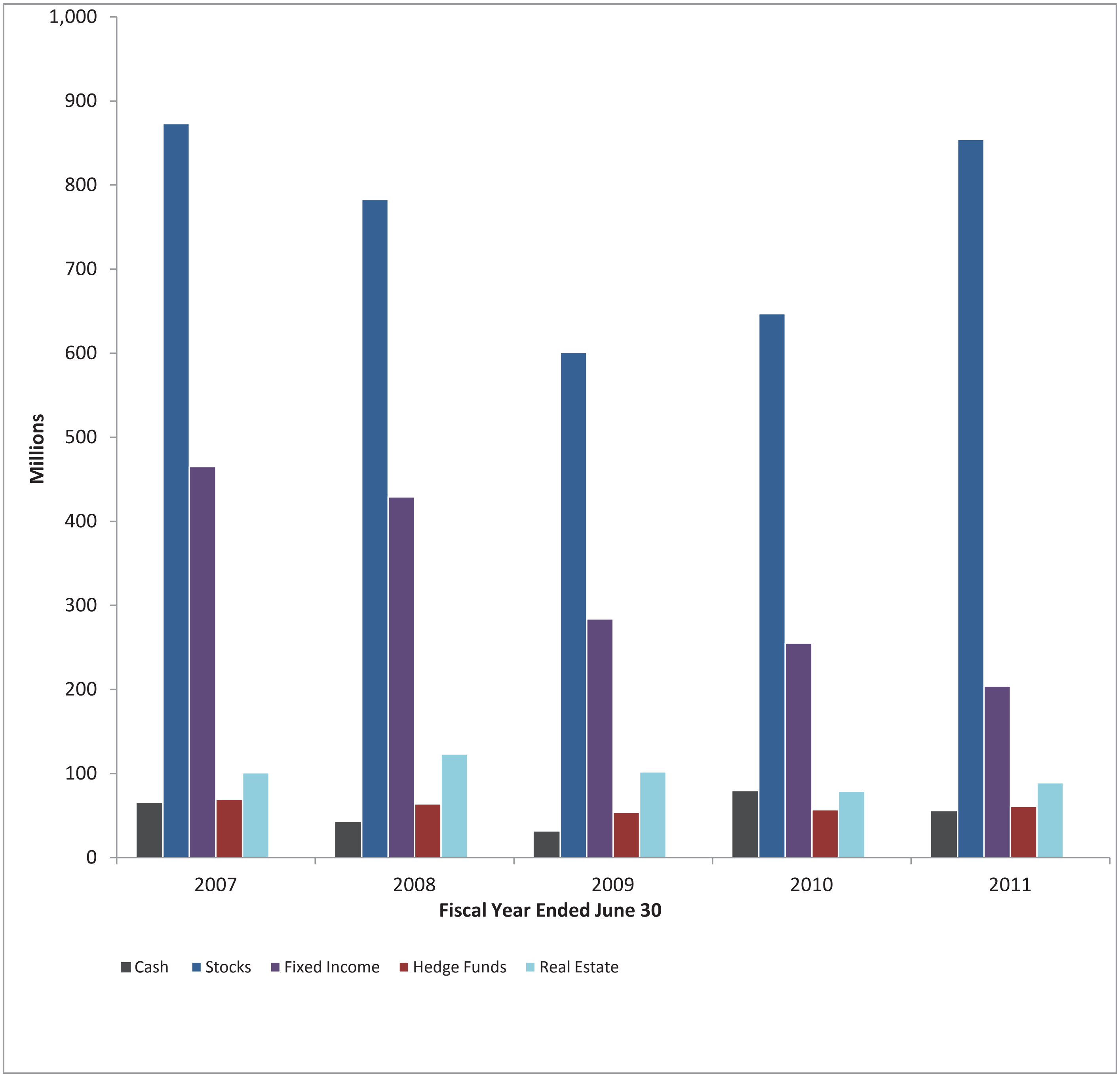
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan’s investment managers. Additionally, each is expected to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

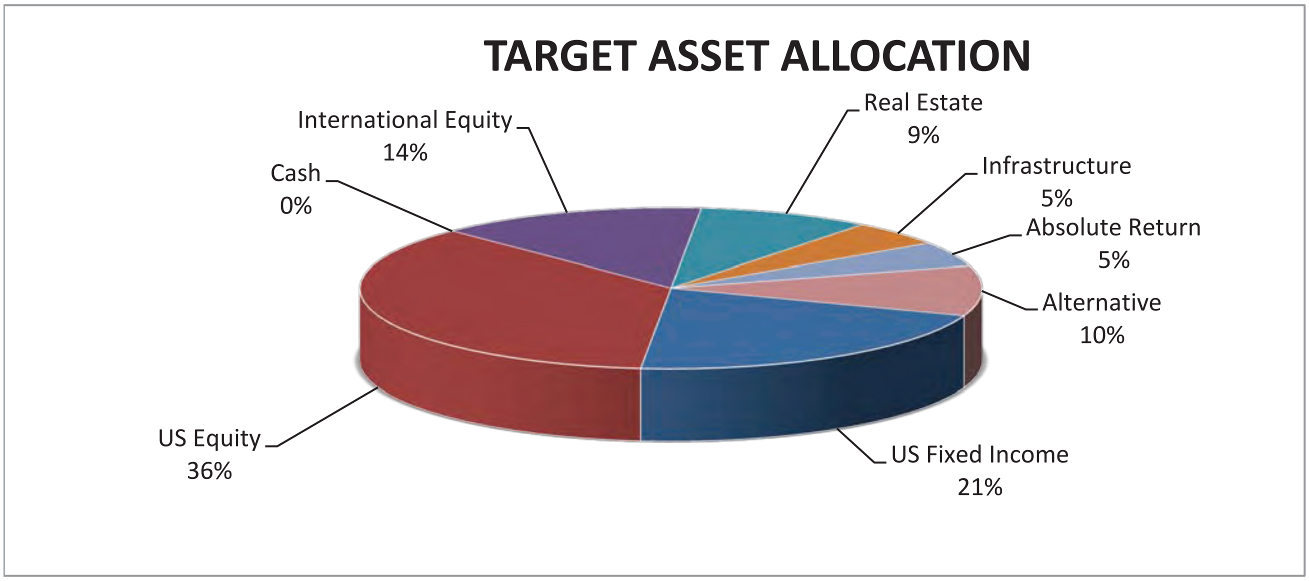
	2007		2008		2009		2010		2011	
Cash	$ 65	4%	$ 42	3%	$ 31	3%	$ 79	7%	$ 55	4%
Stocks	873	56	783	54	601	56	647	58	854	68
Fixed Income	465	30	429	30	284	26	255	23	204	16
Hedge Funds	69	6	64	4	54	5	57	5	61	5
Real Estate	101	4	123	9	102	10	79	7	89	7
Total	$ 1,573	100%	$ 1,441	100%	$ 1,072	100%	$ 1,117	100%	$ 1,263	100%

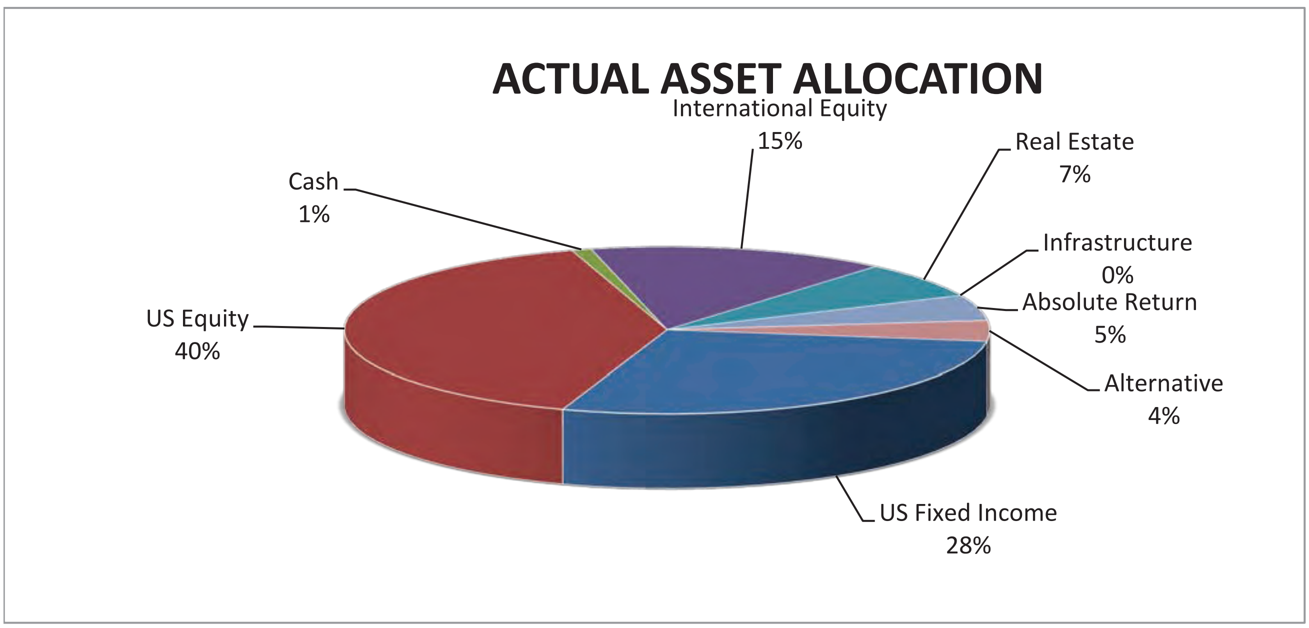
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

		Annualized	
	FY 2011	**3 Years**	**5 Years**
TOTAL PORTFOLIO	20.1 %	3.2 %	4.4 %
Median Public Pension Fund	20.6	4.8	4.9
DOMESTIC EQUITIES	32.2	3.6	3.4
Wilshire	32.3	4.0	3.4
FIXED INCOME	5.2	7.0	6.4
Barclays Capital Aggregate	3.9	6.5	6.5
INTERNATIONAL EQUITIES	31.3	0.9	3.6
MSCI ACWI ex-US	30.3	0.1	4.1
REAL ESTATE	16.5	(7.4)	(0.1)
NCREIF	16.7	(2.6)	3.4
HEDGE FUNDS	6.5	(1.1)	2.0
HFR Fund of Funds	6.7	(1.8)	1.5

Note: The calculations above were prepared by the Employees' Retirement System's investment advisor, Marquette Associates, Inc. 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, 2011





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, 2011. 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, 2011

		Shares	Market Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	Unitedhealth Group Inc	76,863	$3,964,594
2	Chevron Corp	36,012	3,703,474
3	Davita Inc	39,850	3,451,409
4	Intel Corp	143,845	3,187,605
5	Virgin Media Inc	91,600	2,741,588
6	AT&T Inc	85,589	2,688,350
7	Exxon Mobil Corp	32,196	2,620,110
8	Mcdonald'S Corp	30,680	2,586,938
9	Johnson & Johnson	38,600	2,567,672
10	Verizon Communications Inc	68,020	2,532,385
	Total		$30,044,125
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	Boskalis Westminster Groep NV	49,823	$2,355,251
2	Rexam Ord 64 2/7P	349,376	2,147,147
3	Croda Intl Ord 10P	65,049	1,970,649
4	Neopost FRF4	22,803	1,958,529
5	Bnp Paribas EUR2	24,977	1,927,613
6	Commonwealth Property Office	1,899,613	1,911,702
7	Novartis AG CHF0.50 (Regd)	30,614	1,872,472
8	Capitamall Trust SGD1 Units	1,196,000	1,821,864
9	Symrise AG NPV (BR)	53,059	1,690,868
10	Rotork Ord 5P	62,425	1,689,713
	Total		$19,345,808
TOP TEN DOMESTIC FIXED INCOME HOLDINGS			
1	UCM Government/Credit Fixed (Income Fund LTD CL A Shares)	54,625	$56,548,019
2	FNMA Pool #0AI2024 (4.500% 05/01/2041 DD 05/01/11)	5,992,401	6,209,086
3	US Treasury Note (2.375% 05/31/2018 DD 05/31/11)	5,800,000	5,769,202
4	FNMA GTD Remic P/T 10-141 FB (VAR RT 12/25/2040 DD 11/25/10)	5,372,304	5,359,733
5	Commit to Pur FNMA SF MTG (4.500% 07/01/2041 DD 07/01/11)	3,000,000	3,103,590
6	Citigroup Inc (6.125% 05/15/2018 DD 05/12/08)	2,300,000	2,532,829
7	US Treasury Note (2.375% 06/30/2018 DD 06/30/11)	2,300,000	2,282,750
8	American International Group I (8.250% 08/15/2018 DD 02/15/09)	1,900,000	2,182,397
9	SLM Student Loan Trust 9 A (VAR RT 04/25/2023 DD 08/28/08)	2,067,100	2,133,599
10	US Treas-CPI Inflation Index (2.375% 01/15/2027 DD 01/15/07)	1,672,515	1,907,186
	Total		$88,028,391

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2011

	Market Value	Percentage of Market Value
Stock:		
Technology	$ 47,432,612	
Financial Services	34,873,673	
Health Care	31,174,529	
Utilities	29,138,493	
Energy	21,608,326	
Consumer Durables	21,075,535	
Consumer Services	14,964,269	
Capital Goods	13,363,089	
Business Services	11,524,754	
Wholesale Distribution	9,948,729	
Consumer Non-Durables	8,124,653	
Chemicals	7,670,001	
Transportation	6,675,425	
Media	3,909,740	
Basic Industries	2,413,476	
Total stock	263,897,304	
Other		
International stock	188,781,452	
Private equity	47,089,577	
Commingled funds	354,406,922	
Total other	590,277,951	
Total stock	**854,175,255**	**70.69%**
Bonds:		
U.S. securities and agencies		
U.S. agencies	62,734,252	
Treasury notes and bonds	10,116,653	
Total U.S. securities and agencies	72,850,905	
Corporate:		
Financial	126,515,794	
Industrial	1,330,690	
Utilities	2,817,855	
Total corporate	130,664,339	
Total bonds	**203,515,244**	**16.84%**
Other investments:		
Real estate	89,592,139	
Hedge Funds	61,019,181	
Total other investments	**150,611,320**	**12.47%**
Total investments	**$ 1,208,301,819**	**100.00%**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2011

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 618,304,226	$ 1,833,056
Fixed income	203,515,244	639,081
International equity	188,781,452	915,774
Real estate	88,334,395	730,209
Securities Lending	74,525,115	83,849
Hedge funds	61,030,477	630,603
Private equity	45,101,034	959,107
Total investment managers' fees		**$ 5,791,679**
Other investment service fees:		
Custodial fees		$ 120,987
Investment consultant fees		286,714
Total other investment service fees		**$ 407,701**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2011 amounted to $794,652. A list of the brokers receiving more than $4,800 in fees are

Brokerage Firms	Fees Paid
Merrill Lynch Gilts Ltd, London	$62,107
Percival Finl Partners Ltd, Lake Success	59,056
G-Trade Services, Ltd, Jersey City	53,159
BNY Convergex, NY	39,025
Merrill Lynch Pierce Fenner Smith Inc NY	32,076
Stifel Nicolaus	20,456
Deutsche BK Secs Inc, NY	18,623
UBS Securities LLC, Stamford	18,488
Jefferies & Co Inc, NY	16,602
Credit Suisse, NY	16,197
Barclays Capital Le, Jersey City	14,479
Goldman Sachs & Co, NY	13,072
JP Morgan Securities Inc, Brooklyn	12,401
Liquidnet Inc, Brooklyn	12,287
BOE Securities/Broadcort, Jersey City	10,430
Pershing LLC, Jersey City	10,186
Citigroup Gbl Mkts Inc, NY	10,099
National Finl Svcs Corp, NY	9,715
Wells Fargo Securities LLC, Charlotte	8,944

Brokerage Firms	Fees Paid
Oppenheimer & Co Inc, NY	$8,814
Morgan Stanley & Co Inc, NY	8,672
JP Morgan Secs Asia Pacific, Hong Kong	8,610
BTIG LLC, Jersey City	8,379
Nomura Secs Intl Inc, NY	8,256
Piper Jaffray & Co, Minneapolis	8,134
Investment Technology Group, NY	7,885
Baird, Robert W & Co Inc, Milwaukee	7,774
Citigroup Global Markets Ltd, London	7,251
Loop Capital Markets, Jersey City	6,989
Knight Equity Markets L.P.,Jersey City	6,441
Cowen & Company LLC, NY	6,015
Guzman & Co, NY	5,953
RBC Capital Markets Corp, Minneapolis	5,884
Macquarie Securities Limited, Hong Kong	5,694
Raymond James & Assoc Inc, St Petersbur	5,619
Keefe Bruyette & Woods, Jersey City	5,454
Brown Bros Harriman & Co, NY	4,877

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

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

EQUITY FUND OF FUNDS

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

Apex Capital Mgmt. LLC
Mike Kalbfleisch
Dayton, Ohio

Denali Investment Advisors
Bob Snigaroff
San Diego, California

Fortaleza Asset Management
Margarita Perez, CFA
Chicago, Illinois

Herndon LCG
Randall A. Cain, Jr.
Atlanta, Georgia

Herndon LCV
Randall A. Cain, Jr.
Atlanta, Georgia

Lombardia Capital
Cindy Herrera
Pasadena, California

Mastrapasqua Asset Management
Ron Szejner
Nashville, Tennessee

Martin Investments
Patrick Martin
Evanston, Illinois

Nicholas Investments
Tammy Wiseman
Del Mar, California

OakBrook Enhance Inv.
Janna L. Sampson
Lisle, Illinois

OakBrook Investments
Janna L. Sampson
Lisle, Illinois

Opus Capital Management
Kevin Whalen
Cincinnati, Ohio

Profit Investment Management
Eugene Profit
Silver Spring, Maryland

Profit Inv. Small Core
Eugene Profit
Silver Spring, Maryland

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

Mondrian Investment Partners
Laura Conlon
Philadelphia, Pennsylvania

HEDGE FUND MANAGERS

Grosvenor Capital Management, LLC
David Holmberg
Chicago, Illinois

FIXED INCOME MANAGERS

Utendahl Capital Management
Thomas Mandel
New York, New York

PIMCO
Elizabeth Philipp, CFA
New York, New York

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

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

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

SECURITIES LENDING

BNY Mellon Global Securities Lending
Renee Rawls
Pittsburgh, Pennsylvania

GLOBAL CUSTODIAN

BNY Mellon Asset Servicing
Arlene C. Sefcik
Pittsburgh, Pennsylvania

INVESTMENT ADVISOR

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

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Actuarial Section

EMPLOYEES' RETIREMENT SYSTEM of the CITY OF BALTIMORE

December 1, 2011

Board of Trustees
Employees' Retirement System
Baltimore, Maryland

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 2011, determined the employer's contribution for the plan year beginning July 1, 2011. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest is historically made during the 2013 fiscal year.

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.

The funding method used in the annual valuation which 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 the difference between the actuarial value of assets and the actuarial accrued liability as a level dollar amount over 20 years targeting 100% funding by the fiscal year ending 2032. The funding policy does not impact the current year's valuation results.

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 2006 to 2010 and resulted in changes that were incorporated in the June 30, 2011 valuation. The current assumptions are a reasonable estimate of the anticipated experience of the System. The results presented in this Comprehensive Annual Report reflect the assumptions from the June 30, 2011 actuarial valuation. The new assumptions are used to develop the actuarially required contributions for Fiscal Year Ending 2013.

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 the actuarial opinion contained in this letter and the actuarial report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

These results were prepared solely for the Employees' Retirement System of the City of Baltimore for the purposes described herein, except that the plan auditor may rely on these results solely for the purpose of completing an audit related to the matters herein. These results are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron

Kenneth Kent, FSA, FCA
Principal Consulting Actuary

Margaret Tempkin, FSA
Principal Consulting Actuary

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ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Method of Funding:

The Projected Unit Credit Funding Method has been in use since the effective date 7/1/1989, in accordance with Ordinance 275.

The current Unfunded Actuarial Liability is amortized as a level dollar figure over 20 years. This 20-year period decreases from 2011 until 2031, at which time the unfunded liability will be fully paid each year.

Asset Valuation:

The actuarial value of assets is equal to the market value, adjusted for investment surpluses and deficits over a five-year period. This calculation is done in the following steps:

1. The investment gain or loss for the current year is calculated; this equals the actual investment earnings during the year minus the expected earnings. Expected earnings are calculated using a weighted average of the pre- and post-retirement interest rate assumptions multiplied by the mean market value of assets during the year.

2. The current net excess earnings are computed by adding the investment gain or loss for the current year to the remaining

3. The actuarial value of assets will not be greater than 120% nor less than 80% of the market value of assets as of the valuation date.

Discount Rate:

8.0% compounded annually until retirement except employee accumulations; 6.8% compounded annually after retirement.

Expenses:

Administration and investment expenses are assumed to be paid out of investment earnings. 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%. The liability weighted return on assets for next year's valuation will be based on the rates listed in the discount rate section above.

Salary Scale:
(Effective 7/1/2006)

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

Age	Annual Rate of Salary Increase
20	.0670
25	.0635
30	.0578
35	.0520
40	.0468
45	.0423
50	.0400
55	.0400
60	.0400
65	.0400
69	.0400

Social Security Wage Rate Base: 3.00% per year compounded annually. (Effective 6/30/2011)

Additional Assumptions:

Inflation:	2.75% (effective 6/30/2011)
Cost of Living:	1.50% for in-actives in pay status
Adjustment:	under age 65 and 2.0% over age 65, plus variable based on excess returns assumed to be zero.
Percent married:	males 90%, females 80%
Spouse age:	a husband is assumed to be 4 years older than his wife.
Remarriage rates:	none

Active decrements and service retirement rates are the same as presented in the June 30, 2011 actuarial valuation report. Sample rates as follow:

Rates of Retirement

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

Withdrawals

Service	Rate
0	14.50 %
1	14.25
2	10.50
3	8.25
4	7.00
5	6.75
6	6.25
7	5.75
8	5.75
9	5.00
10	4.75
11	4.75
12	4.75
13	4.25
14	4.25
15+	4.25

Age	Non-Line-of -Duty Disability	Line-of-Duty Disability (Class A&B)	Line-of-Duty Disability (Class C)	Non-Line-of-Duty Death Male[1]	Non-Line-of-Duty Death Female[1]	Line-of-Duty Death
25	0.00050	0.00004	0.00008	0.0008	0.0003	0.00005
30	0.00059	0.00004	0.00008	0.0009	0.0004	0.00005
35	0.00115	0.00008	0.00016	0.0011	0.0005	0.00005
40	0.00236	0.00008	0.00016	0.0015	0.0008	0.00005
45	0.00425	0.00012	0.00024	0.0024	0.0011	0.00005
50	0.00675	0.00020	0.00039	0.0041	0.0016	0.00005
55	0.01043	0.00024	0.00047	0.0073	0.0027	0.00005
60	0.00579	0.00027	0.00055	0.0134	0.0054	0.00005
65	0.00130	0.00038	0.00076	0.0226	0.0103	0.00005
69	0.00078	0.00039	0.00078	0.0313	0.0144	0.00005

[1] Rates for individuals who are the age shown as of 6/30/11.

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	0.00727	0.00270	0.05392	0.02529
60	0.01337	0.00541	0.06435	0.03138
65	0.02256	0.01029	0.07679	0.04088
70	0.03526	0.01588	0.09558	0.05568
75	0.05799	0.02669	0.12298	0.07841
80	0.09397	0.04644	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. Retireees and Beneficiaries rates effective 6/30/2011. Disabled members rates effective 6/30/2002.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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
6/30/2011	9,393	392,941,135	41,833	0.9

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
6/30/2002	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
6/30/2011	493	9,685,011	437	4,966,673	8,693	114,452,423	4.3	13,166

* Includes post-retirement adjustments.

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)
6/30/2002	$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
6/30/2011	3,013,222	1,169,599,360	43,416,490	724,418,152	1,410,211,059	100	100	100	26.8

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

Type of Activity	Gain / (Loss) FY2010	Gain / (Loss) FY2011
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.	$ (10,285,000)	$ (9,940,000)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(4,598,000)	(6,647,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(2,718,000)	(3,001,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(5,783,000)	2,992,000
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	14,979,000	20,996,000
Investment Income* If there is greater investment income than assumed, there is a gain. If less, a loss.	(84,135,432)	(37,782,000)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. (includes PuBF G/(L))	7,554,000	8,631,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(2,510,000)	(4,431,000)
Assumption and Asset Method Changes Changes due to assumption changes and the change in accounting and liability	(53,012,000)	(72,079,000)
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	(2,259,000)	4,723,000
Loss During Year From Financial Experience	$ (142,767,432)	$ (96,538,000)

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

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

	2002	2003	2004	2005	2006
Additions					
Contributions					
Employer	$ 17,714,152	$ 17,736,030	$ 17,352,473	$ 23,624,914	$ 31,003,063
Plan members	864,270	526,918	443,001	476,490	422,548
Total contributions	$ 18,578,422	$ 18,262,948	$ 17,795,474	$ 24,101,404	$ 31,425,611
Investment Income					
Net appreciation in fair value of investments	$ (71,950,424)	$ 15,973,576	$ 92,483,936	$ 80,660,869	$ 79,600,767
Interest, dividends, and real estate income	44,860,628	36,351,746	35,587,011	31,462,451	36,965,510
Less: investment expenses	(3,444,410)	(3,081,224)	(3,821,829)	(3,097,848)	(5,464,823)
Net investment income	$ (30,534,206)	$ 49,244,098	$ 124,249,118	$ 109,025,472	$ 111,101,454
Securities lending income	$ 993,700	$ 777,933	$ 642,610	$ 442,098	$ 548,678
Securities lending fees	(298,042)	(232,922)	(192,744)	(132,598)	(164,580)
Net securities lending income	$ 695,658	$ 545,011	$ 449,866	$ 309,500	$ 384,098
Total additions	$ (11,260,126)	$ 68,052,057	$ 142,494,458	$ 133,436,376	$ 142,911,163
Deductions					
Retirement allowances	$ 80,623,760	$ 82,854,969	$ 85,923,130	$ 90,034,033	$ 93,706,033
Adminstrative expenses	1,265,645	945,073	1,637,315	1,882,368	2,496,211
Death benefits	1,834,181	1,729,237	1,896,655	1,124,669	983,714
Lump cash payments	287,314	311,763	170,322	137,471	72,775
Refund of Contributions	855	42,857	14,312	3,103	
Total deductions	$ 84,011,755	$ 85,883,899	$ 89,641,734	$ 93,181,644	$ 97,258,733
Net increase(decrease)	$ (95,271,881)	$ (17,831,842)	$ 52,852,724	$ 40,254,732	$ 45,652,430
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,307,567,485	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218
Ending Balance	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218	$ 1,333,223,648

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

	2007	2008	2009	2010	2011
Additions					
Contributions					
Employer	$ 36,841,351	$ 43,918,411	$ 43,673,027	$ 48,748,397	$ 62,374,396
Plan members	308,703	345,637	172,567	215,669	358,202
Total contributions	$ 37,150,054	$ 44,264,048	$ 43,845,594	$ 48,964,066	$ 62,732,598
Investment Income					
Net appreciation in fair value of investments	$ 177,595,751	$ (111,674,879)	$ (278,688,103)	$ 91,458,311	$ 195,926,226
Interest, dividends, and real estate income	47,136,147	46,115,481	28,522,723	26,028,223	20,583,936
Less: investment expenses	(5,684,475)	(6,275,603)	(5,406,811)	(5,641,242)	(6,115,531)
Net investment income	$ 219,047,423	$ (71,835,001)	$ (255,572,191)	$ 111,845,292	$ 210,394,631
Securities lending income	$ 468,902	$ 1,001,675	$ 762,206	$ 290,022	$ 283,344
Securities lending fees	(140,643)	(300,467)	(228,479)	(86,970)	(83,849)
Net securities lending income	$ 328,259	$ 701,208	$ 533,727	$ 203,052	$ 199,495
Total additions	$ 256,525,736	$ (26,869,745)	$ (211,192,870)	$ 161,012,410	$ 273,326,724
Deductions					
Retirement allowances	$ 97,104,170	$ 101,461,516	$ 104,166,249	$ 108,225,770	$ 112,642,028
Adminstrative expenses	2,615,247	2,913,458	3,138,612	3,061,461	3,189,932
Death benefits	1,294,666	1,061,050	881,569	791,170	546,942
Lump cash payments	155,325	177,877	289,626	155,564	123,425
Refund of Contributions	5,008	9,161		334	95,936
Total deductions	$ 101,174,416	$ 105,623,062	$ 108,476,056	$ 112,234,299	$ 116,598,263
Net increase(decrease)	$ 155,351,320	$ (132,492,807)	$ (319,668,926)	$ 48,778,111	$ 156,728,461
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,333,223,648	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346
Ending Balance	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346	$ 1,241,919,807

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)
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
2011	210,594,126	62,374,396	15.9	358,202	273,326,724

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
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
2011	113,312,395	95,936	3,189,932	116,598,263

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

Years of Credited Service	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0-4	2,292	2,351	2,401	2,572	2,188	2,124	2,306	2,714	2,675	2,426
5-9	1,537	1,798	1,876	1,708	1,833	1,789	1,812	1,826	1,917	1,929
10-14	1,765	1,300	996	896	940	1,093	1,304	1,406	1,376	1,422
15-19	1,331	1,585	1,755	1,684	1,560	1,286	949	724	705	710
20-24	1,447	1,343	1,244	1,201	918	974	1,166	1,320	1,307	1,192
25-29	905	880	847	784	1042	1036	976	929	794	707
30+	550	574	603	567	712	733	767	800	906	1,007
Total Members	9,827	9,831	9,722	9,412	9,193	9,035	9,280	9,719	9,680	9,393
Average Service Credit	13.50	13.36	13.35	13.58	13.80	13.83	13.56	13.17	13.27	13.58
Average Age	47.08	47.34	47.51	47.89	48.32	48.64	48.66	48.61	48.96	49.35

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2011

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
0-29	1	0	0	0	1	0
30-39	24	0	0	1	23	0
40-44	69	3	0	13	51	2
45-49	249	36	0	78	132	3
50-54	730	217	171	171	159	12
55-59	1188	461	372	185	163	7
60-64	1,293	641	379	157	109	7
65-69	1,133	579	340	124	78	12
70-74	1,058	508	375	111	54	10
75-79	787	443	231	77	25	11
80-84	530	341	138	34	13	4
85 and up	259	201	44	4	6	4
Totals	7,321	3,430	2,050	955	814	72
Average Annual Benefit	$14,225	$19,088	$6,321	$18,393	$8,315	$19,086

*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, 2011

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	24	4	1	3	14		2	
25-29								
30-34								
35-39	1			1				
40-44	3				2	1		
45-49	12	3	2		5		2	
50-54	40	17	4	4	9	1	5	
55-59	85	35	10	4	25		11	
60-64	122	45	15	11	38	2	11	
65-69	147	61	26	17	28	1	14	
70-74	176	76	40	5	36	3	14	2
75-79	237	112	52	16	30	3	20	4
80-84	223	132	40	9	21	5	12	4
85 and up	302	205	35	6	27	2	17	10
Totals	1,372	690	225	76	235	18	108	20
Average Annual Benefit	$7,517	$8,553	$3,616	$9,280	$4,994	$9,328	$10,467	$21,087

*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
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
2011	94,588,958	7,080,619	123,425	418,549	1,151,890	546,942	1,420,134	6,722,021	1,259,857	113,312,395

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2001 to June 30, 2011	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	$ 258	$ 463	$ 743	$ 1,069	$ 1,317	$ 1,760
Average-Average Final Compensation	3,095	5,553	8,913	12,825	15,801	21,118
Number of Active Retirees	38	55	79	65	99	51
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	249	459	833	1,097	1,421	1,664
Average-Average Final Compensation	2,982	5,513	9,990	13,166	17,058	19,973
Number of Active Retirees	30	43	41	67	83	69
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	401	467	799	1,129	1,534	1,805
Average-Average Final Compensation	4,813	5,608	9,591	13,553	18,409	21,664
Number of Active Retirees	39	51	69	67	84	84
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	321	569	669	1,221	1,570	1,786
Average-Average Final Compensation	3,855	6,827	8,026	14,657	18,834	21,427
Number of Active Retirees	45	55	69	53	70	92
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	353	535	763	1,155	1,574	1,733
Average-Average Final Compensation	4,233	6,421	9,153	13,859	18,889	20,792
Number of Active Retirees	37	19	42	38	50	135

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2001 to June 30, 2011	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	$ 283	$ 259	$ 653	$ 1,389	$ 1,222	$ 1,357
Average-Average Final Compensation	3,394	3,107	7,831	16,667	14,659	16,279
Number of Active Retirees	19	14	27	21	25	220
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	295	376	966	1,149	1,658	1,893
Average-Average Final Compensation	3,541	4,514	11,587	13,782	19,891	22,721
Number of Active Retirees	42	35	37	45	49	86
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	350	443	694	938	1,808	2,155
Average-Average Final Compensation	4,205	5,317	8,334	11,252	21,701	25,855
Number of Active Retirees	58	61	55	31	51	102
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	346	492	905	1,308	1,433	2,181
Average-Average Final Compensation	4,150	5,906	10,857	15,695	17,195	26,177
Number of Active Retirees	56	49	38	56	55	113
Period 7/1/10 to 6/30/11						
Average Monthly Benefit	438	549	803	1,467	1,966	2,512
Average-Average Final Compensation	5,259	6,584	9,636	17,606	23,588	30,143
Number of Active Retirees	46	48	49	55	71	100
Period 7/1/01 to 6/30/11						
Average Monthly Benefit	329	461	783	1,192	1,354	1,885
Average-Average Final Compensation	3,953	5,535	9,392	14,306	18,603	22,615
Number of Active Retirees	41	43	51	50	64	105

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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

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