Employees' Retirement System

CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2012

A COMPONENT 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, 2012

PREPARED BY

Roselyn H. Spencer, *Executive Director*

Bernita James, *Deputy Executive Director*

Tal Willmott, *Accounting Manager*

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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, 2012

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System, City of Baltimore, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.

Christopher P Morrill

President

Jeffrey L. 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 31, 2012

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Employees' Retirement System of the City of Baltimore, Maryland (ERS, System, and Plan) a component unit of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2012. 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 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 66 through 74. 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

One of our basic responsibilities in pension administration is to understand and respond to dynamics that will fundamentally reform our business and ability to improve member services. Like everything else, technology is the key. We took on two technology driven initiatives during the year. First, we contracted with an Information Technology consultant to serve as network administrator and to provide on-going daily IT services by identifying and resolving issues in a preemptive manner.

The second project was to partner with a technology company to implement a proprietary web-based Benefits Administration System (BAS). Both initiatives are designed to enhance ERS service delivery in a secured and expedient manner, and to improve member communications.

To implement the proprietary BAS for the ERS, we acquired Pension Technology Group's (PTG) Pension Pro Benefit Administration System. This is a secured web-based BAS application designed for staff and member utilization. The main modules will include maintenance, calculators, processes, pension payroll, workflow, reports, tools and administration. The system will be hosted by RackSpace in a SSAE 16 Type II certified facility. It is designed to consolidate and maintain recordkeeping of members' records in an electronic format that is secured, backed-up and available for easy access and for remote access during times of emergency, by utilizing standard internet connections. The web-based system will replace the City's 35-plus year old database system and bring the ERS into the 21st century.

Among other features, the BAS will streamline and improve our operating processes, allow for timely retirement calculations with ease and accuracy, and allow for prompt response to questions. It will also allow for electronic submission of retirement applications and provide portals that will be available to the members. In today's fast paced and changing electronic/social media environment, the new BAS will be an important step in providing members with information that is up-to-date, unfiltered and available when they need it.

FINANCIAL AND ECONOMIC SUMMARY

ERS returned 2.0% on its investments for the fiscal year ending June 30, 2012. Although lower than the actuarial assumed rate of return, this is a respectable performance given a lackluster domestic economic recovery, and challenging global market conditions.

The United States (U.S.) economy grew modestly and at a slower pace over the fiscal year. Geo-political and macroeconomics-driven events in Europe and in the U.S. brought three consecutive years of economic expansion to a crawl. The realities of the euro debt crisis and fear of the U.S. "Fiscal Cliff" (a combination of higher taxes and spending cuts to reduce the national debt) conundrum are still raising concerns about the possibility of a global recession. It is believed that a compromise on the "Fiscal Cliff" is possible, and if achieved, will help the U.S. to avoid the same type of crisis that is happening in Europe.

Additionally, Central Banks in the U.S. and Europe are taking strong measures to stimulate and grow their economies. The U.S. Federal Reserve Bank (Fed) continues to implement monetary policies to stimulate the domestic economy. Quantitative Easing (QE3) is the most recent stimulus. It is designed to purchase unlimited amounts of mortgage-backed securities indefinitely, to inspire the economy until employment "improves substantially". The Fed is also committed to holding interest rates near zero at least until mid-2015. In Europe, policy makers and the European Central Bank (ECB) strengthened their commitment to preserving the unity of the euro, as talks of Greece exiting and fear of contagion grew. In a bold move to stimulate the euro, the ECB implemented "Outright Monetary Transaction", a new program, designed to purchase unlimited peripheral euro zone government bonds in the secondary market. This action is in addition to the existing austerity measures already imposed on Greece and Spain.

Hopefully, these clearly set policy directions will help to gradually improve both the European and U.S. economies over time. The general outlook for the months ahead is cautious optimism.

INVESTMENT SUMMARY

The ERS Board of Trustees (Board) is responsible for investment of the ERS funds and 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 has a fiduciary duty to exercise its investment authority prudently and solely in the interest of the System's participants and beneficiaries. The Board also seeks to safeguard the assets of the System by implementing proper risk mitigation strategies, and by broadly diversifying the assets. The current plan investment objective is to earn or exceed 7.75% rate of return or to outperform the policy benchmark. Given the difficult economic climate, the Board made no major shift in the asset allocation, but instead focused on closely monitoring performance, and maintained close to target allocations by frequently rebalancing the portfolios.

These efforts resulted in a 2.0% rate of return on investments, placing the ERS in the 30th percentile of the public pension funds universe. In spite of the positive investment performance, total net assets declined by 2.0% or $25.4 million, for the fiscal year. Fixed income was largely responsible for the investment gains with hedge funds being the detractor. Long-term, three and five year annualized returns of 11.1% and 1.4% respectively are good, given that loses from the fiscal year 2008 market downturn are still being absorbed.

The Board continues to utilize external portfolio managers in active and passive strategies. The managers are monitored and evaluated monthly and annually by the Board and its Investment consultant, Marquette Associates, Inc. (Marquette), who provides the Board with monthly and annual evaluation reports. 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 actuarial results in this report reflect the changes adopted by the Board as a result of the Experience Study completed last year and statement changes issued by the Government Accounting Standard Board (GASB) that are central to financial disclosures for public funds entities. An actuarial evaluation of the System is performed annually and an Experience Study is conducted every four years.

Based on recommendations from the actuary, Cheiron Inc., regarding compliance with GASB 67, and as a result of the Experience Study, the Board proactively approved several changes, including: reducing the investment return assumption for funding purposes to 7.75% for active members and 6.55% for retired members; using the Entry Age Normal Cost method, instead of the Projected Unit Credit method, to calculate the fund liability, resulting in a decline in the normal cost; and changing the funding policy to allow for amortizing the unfunded actuarial liability over a fixed period of 20 years. The result of these changes, plus the actuarial investment losses of $49.1 million, resulted in the unfunded actuarial liability increasing from $530.2 million in fiscal year 2011 to $681.6 million in fiscal year 2012.

The employer contribution was also determined actuarially, based on prior years' experience and results of the recently adopted changes. The total recommended employer contribution is $95.0 million for fiscal 2014, a 7.5% increase from $88.3 million in 2013. Cost as a percent of pay for the same periods also went up from 22.47% to 24.30%. The funded ratio, which is a standard measure of how well funded the System is, declined to 67.7% from 72.7% over the fiscal year. Changing demographics within the plan, such as participant longevity, and lower investment returns continue to present a challenge. Changes in the actuarial assumptions noted above also contributed to the decline in the System's funded ratio, but over time should help strengthen the System. The Board is cognizant of its duties and makes every effort to maintain the System on an actuarially sound basis. This is verified in the "Schedule of Funding Progress", illustration on page 34 of this report.

ACCOUNTING SYSTEMS AND INTERNAL CONTROL

This report has been prepared in accordance with the principles of governmental accounting and reporting promulgated by GASB. 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, 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 that 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, 2011. This was the 29th consecutive year (fiscal years 1983-2011) 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.

This CAFR 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. Its preparation was a combined effort of ERS's accounting and administrative staffs. They and all others who contributed to preparing of this report are to be commended for their excellent work.

In closing, I would like to thank the Board of Trustees, for their support and confidence in what we do; the ERS' dedicated staff, especially the accounting group, who keeps us focused and always conscientious; our investment consultant Marquette Associates, Inc.; our actuary, Cheiron, Inc.; and the other professionals who partner with us in the administration 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 31, 2012

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

On behalf of the Board of Trustees, I am pleased to share with you some of this year's significant developments and to highlight some accomplishments of the Board and Staff.

ERS investment return for the fiscal year was a respectable 2.0%, where it ranked in the 30th percentile of the public pension fund universe. All things considered, this is actually a good outcome, in a year of painfully slow economic growth, uncertainty from the Eurozone's ongoing debt crisis and other challenges in the investment environment. Although investment return was not high enough to provide a variable increase, eligible retirees and beneficiaries will still receive a cost of living increase effective January 1, 2013, of 1.5% for those under age 65 and 2.0% for those ages 65 and older.

As Trustees, we focus on constantly learning, in order to understand and implement best practices and new policies. This year, the Board discussed two new accounting standards issued by the Government Accounting Standard Board (GASB) specifically, GASB 67 and 68. Both accounting standards will go into effect within the next two years. Encouraged to do early implementation, the Board adopted policies that include changes to comply with the new accounting standards. As a result of these changes, combined with returns lower than the expected 7.75% return, the funding ratio declined to 67.7% from last year's 72.7%. All the same, ERS remains financially sound and the Board is keenly focused on keeping the System strong and sustainable.

Perhaps the most exciting development in fiscal 2012 is the launch of a project to install a new Benefits Administration System (BAS) to replace the City's 35+ year old database system and bring ERS administration into the 21st century. The platform for the new BAS is Pension Technology Group's (PTG) Pension Pro Benefit Administration System, a secure web-based application. The BAS is a much needed acquisition that will substantially improve member communications and ERS operations.

In a year of non-stop activities and undertakings, we have a few people to acknowledge. Executive Director Roselyn Spencer and our Investment Consultant, Marquette Associates, worked collaboratively implementing the Board's investment strategies and keeping ERS on a steady course. Roz and her staff are also working tirelessly to move the BAS project forward and implement the Board's vision for an ERS state-of-the-art data system. At the same time, they continue their outstanding work at their daily duties on behalf of ERS members. They are to be commended and given special thanks for their efforts.

Last but not least, I am grateful to my fellow Trustees for their dedication, commitment and valuable contributions on behalf of the ERS and the confidence they have placed in me as their Chair. ERS and its members benefit greatly from their diligent service.

Sincerely,

Joan M. Pratt, CPA

Joan M. Pratt, CPA
Chair, Board of Trustees

Employees' Retirement System
City of Baltimore, Maryland
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, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

City of Baltimore
Employees' Retirement System
John Kratz

ACTUARY

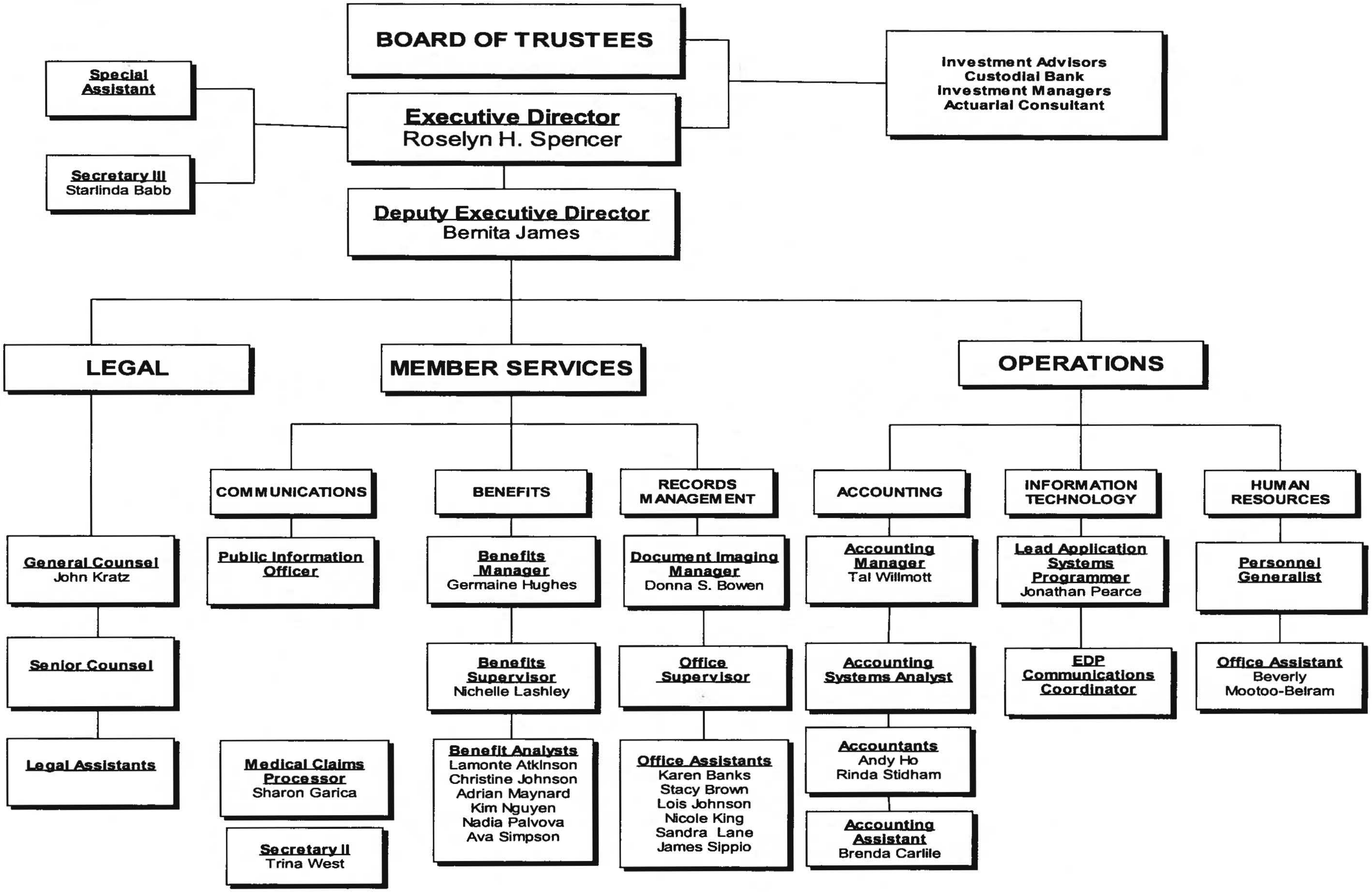
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

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.

Elected Officials' Retirement System
City of Baltimore, Maryland
Organization Chart



Financial Section

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor

DEPARTMENT OF AUDITS

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

December 31, 2012

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, 2012, as listed in the table of contents. These financial statements are the responsibility of the Employees' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Employees' Retirement System's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Employees' Retirement System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012, and the respective changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 31, 2012, 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, on pages 18 to 21, and the Required Supplementary Information and Supporting Schedules, on pages 33 to 39, are not a required part of the basic financial statements but are 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, 2012. 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 position at the close of the fiscal year 2012 is $1.216 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 position held in trust for pension benefits decreased by $25.4 million, compared to last year's increase of $156.7 million. The decrease of the net investment income was primarily due to the underperformances of investments among different asset classes in the Plan's portfolio.

- The rate of return for the fiscal year ended June 30, 2012 was 2.0% compared to the fiscal year ended June 30, 2011 return of 20.1%. The rate of return for fiscal year 2012 is attributed to the instability of financial markets.

- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2012, the funded ratio for the Plan was 67.7%. In general, this indicates that the Plan has approximately $0.68 of assets to cover every dollar of benefits due.

- Revenues (Additions to Plan Net Assets) for the year were $98.1 million. Revenues include member and employer contributions of $78.4 million, net investment gain of $19.6 million, and net securities lending income of $0.1 million.

- Expenses (Deductions from Plan Net Assets) increased by $6.9 million to $123.5 million from the prior year expenses of $116.6 million. The expenses are primarily comprised of retirement allowances and post-retirement benefits.

Overview of Financial Statements

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

The **Statement of Plan Net Position** provides a snapshot of the financial position of the Plan at June 30, 2012, the end of the Plan's financial year. It indicates the total assets and total liabilities at June 30, 2012 and the net assets available for future payment of retirement benefits and operating expenditures.

The **Statement of Changes in Plan Net Position**, on the other hand, summarizes the Plan's financial activities that occurred during the Plan's financial year from July 1, 2011 through June 30, 2012.

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 Position presents the Plan's assets and liabilities, as well as, the net assets available for future retirement benefits and operating expenses at June 30, 2012. 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 Position 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 Position and the Statement of Changes in Plan Net Position 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 2012, assets exceeded liabilities by $1.216 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, 2012, total net assets decreased by 2.0% over the prior year, The decrease of the net investment income was primarily due to the underperformances of hedge fund asset classes in the Plan's 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 POSITION	Fiscal Year 2012	Fiscal Year 2011	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,234,271,937	$1,285,878,662	($51,606,725)	(4.0%)
Other Assets	74,181,120	100,669,685	(26,488,565)	(26.3%)
Total Assets	1,308,453,057	1,386,548,347	(78,095,290)	(5.6%)
Total Liabilities	91,954,611	144,628,540	(52,673,929)	(36.4%)
Total Net Assets	$1,216,498,446	$1,241,919,807	($25,421,361)	(2.0%)

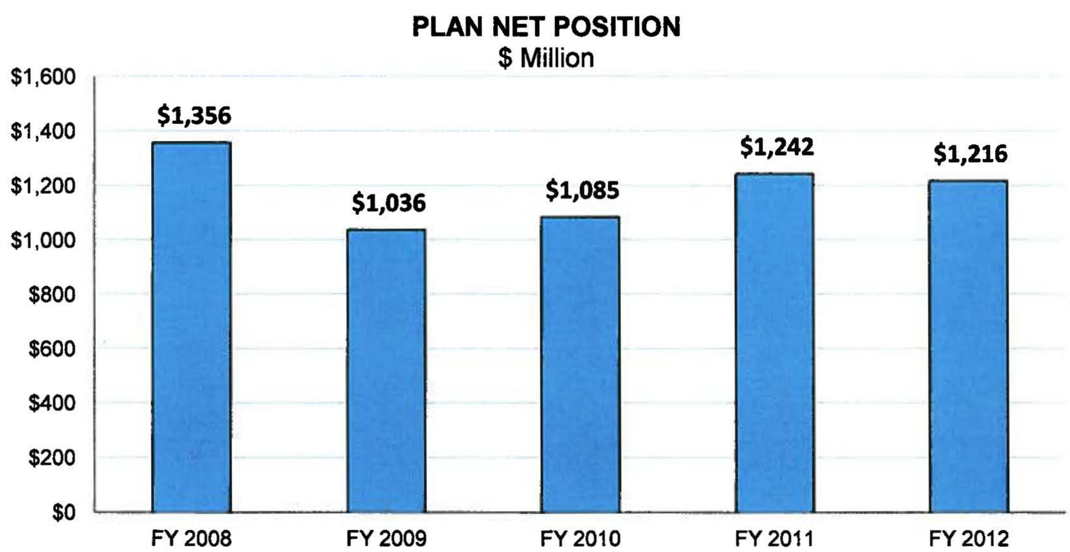
Investment Assets

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, 2012 was 2.0%, a 18.1% decrease compared to the fiscal year 2011 rate of return 20.1%. The annualized rate of return for the last three and five year periods ended June 30, 2012 were 11.1% and 1.4%, respectively. The Plan's long-term actuarial investment return assumption is 7.75%. The positive rate of return is attributed outperformance of benchmark in domestic fixed income assets of the Plan's portfolio.

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, 2012.



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 POSITION	Fiscal Year 2012	Fiscal Year 2011	Increase / (Decrease)
Additions			
Employer Contribution	$77,995,003	$62,374,396	$15,620,607
Members Contributions	359,028	358,202	826
Net Investment Income	19,552,194	210,394,631	(190,842,437)
Net Securities Lending Income	144,955	199,495	(54,540)
Total Additions	98,051,180	273,326,724	(175,275,544)
Deductions			
Retirement Allowances	$118,802,304	$112,642,028	$6,160,276
Administrative Expenses	3,297,684	3,189,932	107,752
Death Benefits	1,289,869	546,943	742,926
Lump Sum Cash Payments	73,596	123,425	(49,829)
Refund of Members' Contribution	9,088	95,936	(86,848)
Total Deductions	123,472,541	116,598,264	6,874,277
Net Increase / (Decrease)	($25,421,361)	$156,728,460	($182,149,821)

Contributions and Investment Income

Employer contributions increased by 20.0% 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 marginally by $826 due to the repurchases of membership service. The decrease in net investment income by $190.8 million is due to the financial market instability. Net investment income includes investment expenses as a deduction. Investment expenses were $6.1 million for both fiscal years 2012 and 2011. The investment expenses for fiscal year 2012 include fees to manage private equity and real estate assets acquired during the year.

Retirement Benefits and Administrative Expenses

The Plan was created to provide lifetime service retirement benefits, survivor benefits and disability benefits to eligible members and their beneficiaries. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the cost of administering the Plan. The primary source of expense during fiscal year 2012 was for the payment of continuing retirement benefits totaling $118.8 million, which compares to $112.6 million for fiscal year 2011. Retirement allowances increased $6.2 million due to an increase in the number of benefit recipients and the annual cost of living adjustment of 3.2% for participants under age 65 and 3.65% 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 Position
June 30, 2012

Assets			
Cash and cash equivalents			$ 38,714,197
Receivables			
Investments sold	$ 16,268,944		
Foreign currency contracts	16,546,145		
Accrued income	1,948,745		
Other receivables	(270,241)		
Total receivables			34,493,593
Capital assets			
Leasehold improvements	1,449,678		
Depreciation - leasehold improvements	(653,884)		
Net leasehold improvement total		$ 795,794	
Office furniture	343,918		
Depreciation - office furniture	(328,730)		
Net office furniture total		15,188	
Office equipment	365,328		
Depreciation - office equipment	(202,980)		
Net office equipment total		162,348	
Total capital assets			973,330
Investments, at fair value			
Stocks	691,821,333		
International stock	172,032,171		
Bonds	166,483,872		
Real estate	98,815,630		
Hedge funds	60,572,389		
Total investments			1,189,725,395
Securities lending collateral			44,546,542
Total assets			1,308,453,057
Liabilities			
Securities lending collateral	44,546,542		
Investments purchased	29,037,374		
Foreign currency contracts	16,407,907		
Administrative expenses payable	521,414		
Investment management fees payable	787,936		
Other accounts payable	653,438		
Total liabilities			91,954,611
Net assets held in trust for pension benefits			$ 1,216,498,446

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 Position
For the Year Ended June 30, 2012

Additions		
Contributions		
Employers	$ 77,995,003	
Plan members	359,028	
Total contributions		$ 78,354,031
Investment Income		
Interest, dividends, and real estate income	18,948,964	
Net appreciation in fair value of investments	6,758,532	
Less: Investment expenses	(6,155,302)	
Net investment income		19,552,194
Securities lending income	205,199	
Less: Securities lending fees	(60,244)	144,955
Total additions		98,051,180
Deductions		
Retirement allowances	118,802,304	
Adminstrative expenses	3,297,684	
Death benefits	1,289,869	
Lump sum cash payments	73,596	
Refund of members contributions	9,088	
Total deductions		123,472,541
Net decrease		(25,421,361)
Net assets held in trust for pension benefits		
July 1, 2011		1,241,919,807
June 30, 2012		$ 1,216,498,446

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, 2012, the ERS membership consisted of:

Active Plan Members	9,107
Retirees and Beneficiaries - currently receiving benefits	8,739
Terminated Plan Members - entitled to but not yet receiving benefits	1,100
Total Membership	18,946

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 active members, 99.69% 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 2012, the Plan gained 1.62% on a market value basis, and the CPI for the year ending June 30, 2012 is 1.66%. Eligible retired members and beneficiaries with a pension entry date on or before June 30, 2011 will receive, 1.5% for participants under age 65 and 2.0% 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 4.0% 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, 2012 reported the balance of the Earnings Increase Account to be $0, from $8,217,226 for fiscal year ending June 30, 2011. The benefit increase for fiscal year ending June 30, 2012 is 1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over, and is payable on January 1, 2013.

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, 2012, 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, 2012, 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, 2012 was $43,896,448 and the market value of the collateral received for those securities on loan was $44,546,542. 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, 2012.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
Lent for cash collateral:			
Stock	$12,088,853	$12,098,833	100.1 %
International Stock	11,918,896	12,102,306	101.5
Corporate Bonds	427,130	427,830	100.2
Lent for noncash collateral:			
U.S. Treasury Notes & Bonds	18,248,119	18,700,094	102.5
Stock	789,951	803,621	101.7
International Stock	423,499	413,858	97.7
Total securities lent	$43,896,448	$44,546,542	101.5 %

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, 2012 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Treasury Notes and Bonds	$18,364,944
U.S. Government Agency Bonds	40,587,224
Corporate Bonds	107,531,704
Cash and Cash Equivalents	38,714,197
Total Debt Securities	205,198,069
Other:	
Stock	691,821,333
International Stock	172,032,171
Real Estate	98,815,630
Hedge Funds	60,572,389
Total Other	1,023,241,523
Total Investments	1,228,439,592
Less: Cash and Cash Equivalents	38,714,197
Total Net Investments	$1,189,725,395

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	$16,548,731	7.90
U.S. Government Agency Bonds	40,584,089	4.65
Corporate Bonds	109,351,052	4.37
Cash and Cash Equivalents	38,714,197	0.09
Total Debt Securities	$205,198,069	

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, 2012 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, 2012 is presented in the following table:

Currency	Total
British Pound Sterling	$38,537,275
Euro Currency Unit	32,985,121
Japanese Yen	17,406,703
Hong Kong Dollar	9,491,511
Singapore Dollar	8,815,544
Swiss Franc	5,412,959
Canadian Dollar	5,243,666
Australian Dollar	4,207,922
Danish Krone	2,741,066
Swedish Krona	2,266,916
Norwegian Krone	2,072,131
Mexican New Peso	1,433,717
South Korean Won	1,362,735
Brazil Real	1,146,110
Malaysian Ringgit	481,567
New Zealand Dollar	398,895
South African Rand	349,780
Indonesian Rupiah	337,042
Thailand Baht	233,345
Russian Rubel	173
Total Foreign Currency Securities	134,924,178
U.S. Dollars held by International Investment Managers	41,219,101
Total Foreign Currency Exposure	$176,143,279

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, 2012, 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, 2012 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	$16,548,731				$16,548,731
U.S. Government Agency Bonds	40,239,950			$344,139	40,584,089
Corporate Bonds	33,755,404	$12,084,305	$3,175,246	60,336,097	109,351,052
Cash and Cash Equivalents				38,714,197	38,714,197
Total Debt Securities	$90,544,085	$12,084,305	$3,175,246	$99,394,433	$205,198,069

7. Capital Assets

The capital assets purchased during the fiscal year ending June 30, 2012 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	($653,884)	$795,794
Office Furniture	343,918	(328,730)	15,188
Office Equipment	365,328	(202,980)	162,348
Total Capital Assets	$2,158,924	($1,185,594)	$973,330

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, 2012:

Currency	Receivables at Cost	Receivables at Market	Payables at Cost	Payables at Market	Net Unrealized Gain/(Loss)
Australian Dollar	$498,991	$510,654	($2,403,578)	($2,405,326)	$9,915
Canadian Dollar	849,296	854,848	(84,925)	(85,652)	4,825
Chinese Yuan Renminbi	2,728,938	2,670,836	(600,001)	(591,928)	(50,029)
Euro Currency	14,915	15,142	(5,446,275)	(5,325,382)	121,120
Hong Kong Dollar	50,676	50,679			3
Mexican New Peso			(981,946)	(952,092)	29,854
Norwegian Krone	93,412	94,461			1,049
Philippines Peso	342,270	354,962			12,692
South Korean Won	595,884	593,411	(295,009)	(297,384)	(4,848)
Swiss Franc	21,007	21,322			315
U.S. Dollar	11,083,668	11,083,668	(5,487,385)	(5,487,385)	0
New Zealand Dollar	223,883	227,842	(1,271,934)	(1,262,758)	13,135
British Pound Sterling	68,113	68,320			207
Total Currency	$16,571,053	$16,546,145	($16,571,053)	($16,407,907)	$138,238

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)
06/30/12	$1,429,666,081	$2,111,278,169	$681,612,088	67.7%	$390,557,576	174.5%

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, 2012. 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)
06/30/12	$1,216,498,446	$2,111,278,169	$894,779,723	57.6%	$390,557,576	229.1%

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2012. The information presented below is in the required supplementary schedules of this report on page 36.

Actuarial cost method:	Early Age Normal Cost, effective June 30, 2012.
Amortization method:	Level dollar, open, effective June 30, 2011.
Amortization period:	20-year period, decreased each year until 2031 at which time to be fully paid each year. effective June 30, 2011.

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:	7.75%, effective June 30, 2011.
Investment rate of return - post-retirement:	6.55%, effective June 30, 2011.
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)
6-30-03	$ 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
6-30-12	1,429,666,081	2,111,278,169	681,612,088	67.7	390,557,576	174.5

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
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
2012	77,995,003	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, 2012. Additional information follows from the latest actuarial valuation report.

Actuarial cost method:	Early age normal cost, effective June 30, 2012.
Amortization method:	Level dollar, open, effective June 30, 2011.
Amortization period:	20-year period, decreased each year until 2031 at which time to be fully paid each year. Effective June 30, 2011.
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. Effective June 30, 2011.
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	7.75% Effective June 30, 2011.
Post-retirement	6.55% Effective June 30, 2011.
Projected salary increases	Inflation rate approximately 2.75%. Effective June 30, 2011.
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, 2012.

3. 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.

4. 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%.

5. 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.

6. 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%.

7. 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.

8. The total recommended contribution increased by 7.5% from $88,300,214 for fiscal year 2013 to $94,917,886 for fiscal year 2014 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2012.

   The actuarial funding method was changed from the Projected Unit Cost Method to the Entry Age Normal Method to make funding measures consistent with anticipated accounting measures required under new accounting standards issued by the Governmental Accounting Standard Board (GASB). This change resulted in an increase of the unfunded actuarial liability of $100.2 million.

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2012

Salaries and wages:		
Permanent full-time salaries	$ 1,375,354	
Contract salaries and wages	47,109	
Overtime	5,691	
Total salaries and wages		$ 1,428,154
Other personnel costs:		
Social security	407,980	
Medical insurance and health care	252,863	
Other	10,633	
Total other personnel costs		671,476
Contractual services:		
Lease purchase agreements	249,787	
Computer network services	137,175	
Actuarial services	136,971	
Retirement payroll processing	130,516	
Professional services	100,215	
Data processing services	83,131	
Audit Fees	29,400	
Printing	24,824	
Trustee Education	21,308	
Postage	18,650	
Telephone systems	14,193	
Lease of business machines	10,909	
Advertising	10,059	
Dues and publications	4,259	
Equipment maintenance	4,244	
Staff training	3,252	
Miscellaneous	2,333	
Legal fees	414	
Total contractual services		981,640
Materials and supplies:		
Office Supplies		18,431
Depreciation expense		197,983
Total administrative expenses		$ 3,297,684

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2012

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 5,782,991
Investment consultant fees	255,000
Custodial fees	117,311
Subtotal	6,155,302
Securities lending fees	60,244
Total investment expenses	**$ 6,215,546**

Schedule of Payments to Consultants

Firm	Fees	Nature of Service
Enterprise Integration Company	$ 137,175	Computer Network Services
Cheiron	136,971	Actuarial Services
Baltimore City Department of Audits	29,400	Financial Audit
Smith and Downey	414	Legal Fees
Total of payments to consultants	**$ 303,960**	

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

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Investment Section

Marquette Associates

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 comparisons 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

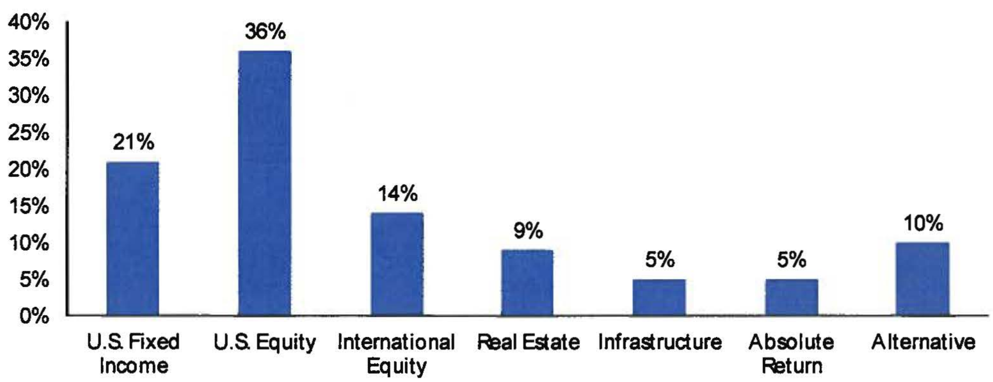
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 asset allocation structure continued in 2011. The System fully implemented an increase to the private equity investment program by adding several different complimentary private equity funds. The first capital calls for the new funds began in the Fall of 2011. 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 which was fully transitioned in the Spring of 2012. A full review of the emerging markets exposure within the international portfolio was conducted in the Spring of 2012 and an allocation to emerging markets small-cap will be implemented in the following year as a result. The goal of the 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 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 Investorforce Public Fund Universe, a universe representing the performance of 109 Public Funds. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of 25 different investment consulting firms located throughout the United States. The Network's statistics consists of 815 total funds totaling $4 trillion in assets.

Market Overview

The fiscal year ended June 30, 2012 was sluggish for the equity markets and a challenging year for international equities in particular. With mounting concerns over the European sovereign debt crisis, the last quarter of the fiscal year detracted from market gains made in the earlier part of 2012. Additionally, the threat of a growth slowdown in China may have placed a damper on investors' spirits in the U.S. as global macroeconomic concerns continued to dominate domestic behaviors. As a result, the domestic stock market as proxied by the Russell 3000 Index returned 3.8% and the international stock market as proxied by the MSCI All Country World ex-US Index returned -14.1%. In domestic markets, large-cap stocks outpaced smaller stocks by wide margins as the search for yield was widespread. Despite historically low yields, fixed income markets performed well due to their perceived lower risk attributes combined with a falling yield environment for longer term bond issues. Fixed income returned 7.5% as proxied by the Barclays Capital Aggregate Index. Private core real estate was the best performing asset class fueled by investor appetite for greater yields. The asset class returned 12.0% as proxied by the NPI Index, one of the only asset classes to post a double digit gain.

Investment Performance

For the fiscal year ending June 30, 2012, the System posted a 2.0% return which lagged the policy benchmark by 1.4% but outpaced the median public pension fund return. The System made a strong showing in the public fund universe, ranking in the 30th percentile. Detracting from results was the performance of active domestic equity managers as the indices such as the Russell 3000 Index posted top decile performance. In a market dominated by macro trends, active managers struggled to keep pace with indexes. For example, the System's domestic equity composite ranked in the 15th percentile of public fund domestic equity composites, but didn't outperform the broad stock market index. The fixed income managers however did perform well versus the benchmark posting an 8.0% return versus 7.5% for the Index. Exposure to hedge funds detracted from returns as they struggled to keep pace with their long term return targets. Private Equity returns lagged the benchmark, as the System recently made a number of new commitments which will act as a drag on performance in the early stages of private equity funding.

The market value of the ERS assets decreased from $1.24 billion on June 30, 2011 to $1.22 billion on June 30, 2012. The decrease in the Total Fund market value for this report was attributable to capital appreciation and cash flow activity. At the end of fiscal year 2012, 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	$482.5	39.5%	3.4%	3.8%
International Equity	175.8	14.4%	-14.2%	-14.1%
U.S. Fixed Income	334.1	27.4%	8.0%	7.5%
Real Estate	98.3	8.1%	8.2%	6.7%
Private Equity	57.6	4.7%	3.9%	5.3%
Hedge Funds	62.0	5.1%	-1.6%	5.0%
Cash Equivalents	10.0	0.8%		
Total Fund	$1,220.3	100.0%	2.0%	3.4%

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Prepared by Marquette Associates, Inc.

OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

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

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

General Investment Policy

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

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

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

Asset Category	Target
Domestic equity	36%
Fixed income	26%
International equity	14%
Private Equity	10%
Real Estate	9%
Hedge Funds	5%

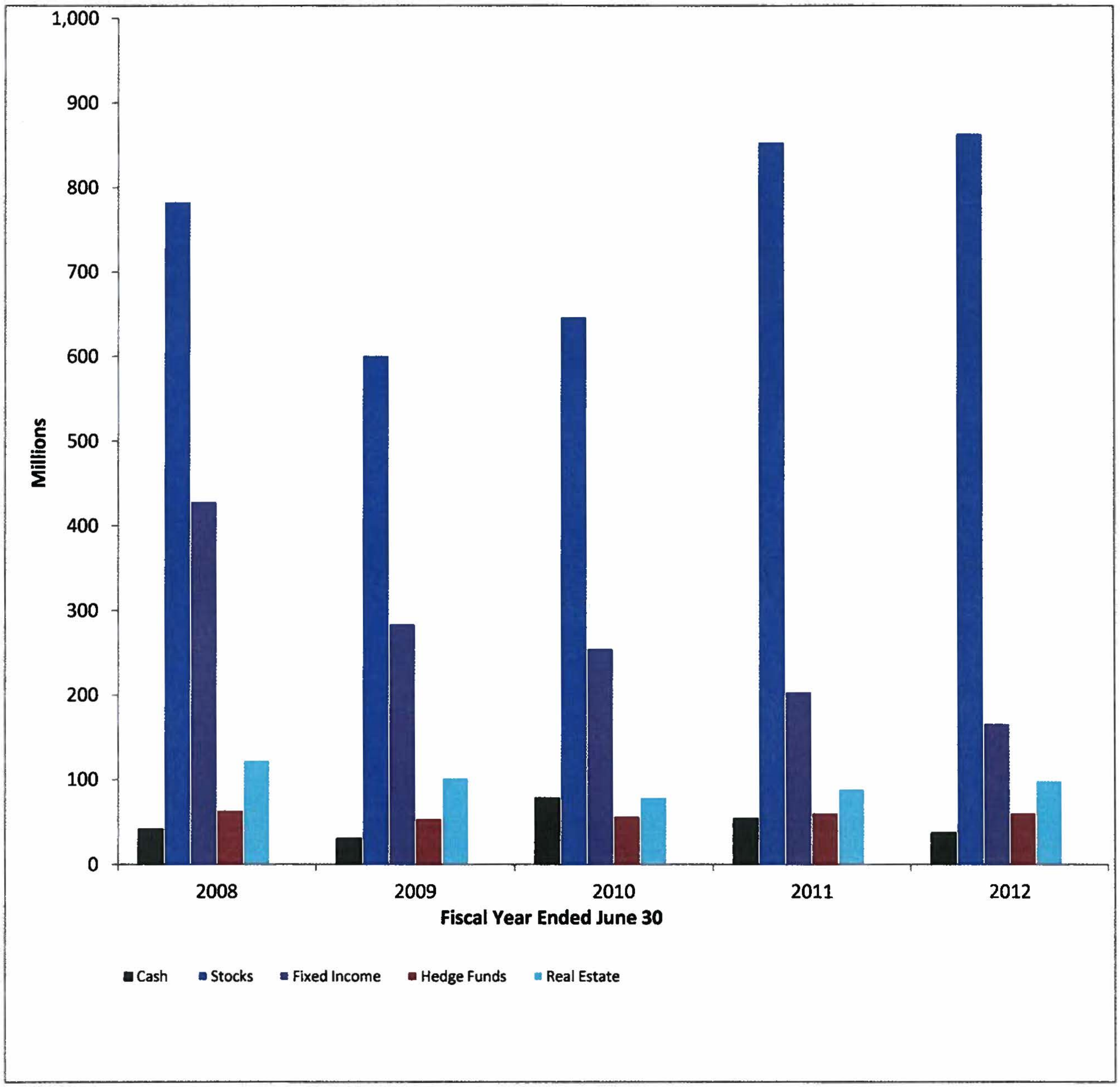
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to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

	2008		2009		2010		2011		2012	
Cash	$ 42	3%	$ 31	3%	$ 79	7%	$ 55	4%	$ 38	3%
Stocks	783	54	601	56	647	58	854	68	864	70
Fixed Income	429	30	284	26	255	23	204	16	166	14
Hedge Funds	64	4	54	5	57	5	61	5	61	5
Real Estate	123	9	102	10	79	7	89	7	99	8
Total	$ 1,441	100%	$ 1,072	100%	$ 1,117	100%	$ 1,263	100%	$ 1,228	100%

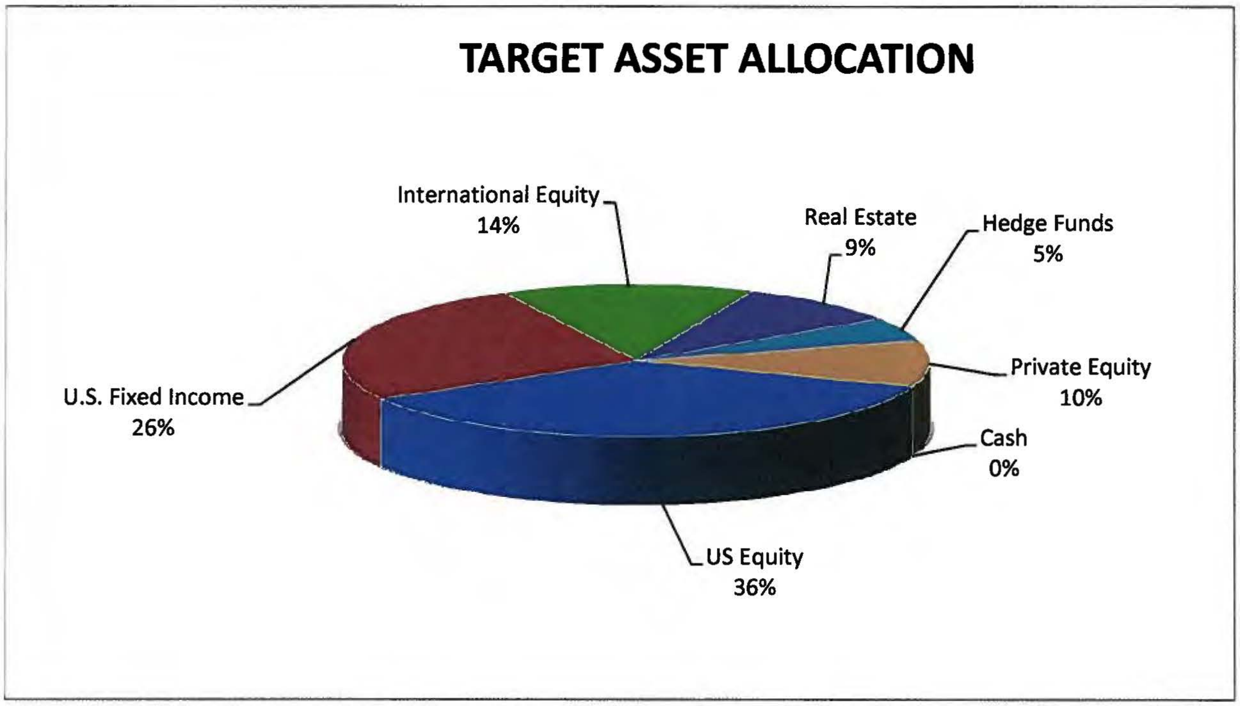
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

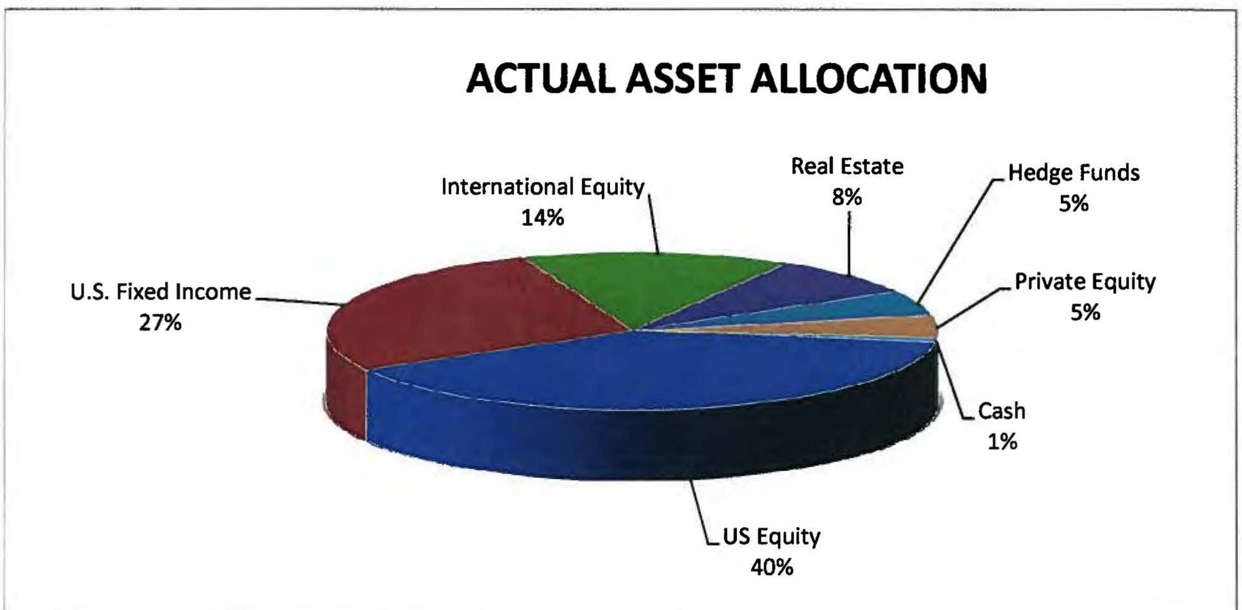
		Annualized	
	FY 2012	**3 Years**	**5 Years**
TOTAL PORTFOLIO	2.0 %	11.1 %	1.4 %
Median Public Pension Fund	3.4	12.0	3.9
DOMESTIC EQUITIES	3.4	16.4	0.3
Russel 3000	3.8	16.7	0.4
FIXED INCOME	8.0	9.2	6.7
Barclays Aggregate	7.5	6.9	6.8
INTERNATIONAL EQUITIES	(14.2)	8.0	(4.7)
MSCI ACWI ex-US	(14.1)	7.4	(4.2)
REAL ESTATE	8.2	4.6	(1.5)
NPI	12.0	8.8	2.5
CPI +5%	6.7	7.2	7.0
HEDGE FUNDS	(1.6)	3.7	(0.7)
HFRI Fund of Funds	(4.5)	2.2	(2.0)
T-Bills +5%	5.0	5.1	5.8
PRIVATE EQUITY COMPOSITE	3.9	11.1	5.4
Venture Economics All PE	5.3	15.2	5.1
CPI +6%	7.8	8.2	8.1

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.

ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS

June 30, 2012





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, 2012. 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, 2012

		Shares	Market Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	KRAFT FOODS INC	76,863	$3,964,594
2	CONOCOPHILLIPS	36,012	3,703,474
3	MERCK & CO INC	39,850	3,451,409
4	EI DU PONT DE NEMOURS & CO	143,845	3,187,605
5	PFIZER INC	91,600	2,741,588
6	SOUTHERN CO	85,589	2,688,350
7	RENAISSANCE RE HOLDINGS LTD	32,196	2,620,110
8	CVS CAREMARK CORP	30,680	2,586,938
9	KANSAS CITY SOUTHERN	38,600	2,567,672
10	WAL-MART STORES INC	68,020	2,532,385
	Total		$30,044,124
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	BOSKALIS WESTMINSTER GROEP NV CVA EUR0.80	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 FD UNITS NPV	1,899,613	1,911,702
7	NOVARTIS AG CHF0.50	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	BARCLAYS CP REPO REPO 0.050% 07/01/2011 DD 06/29/11	16,400,000	16,400,000
3	BARCLAYS CP REPO REPO 0.060% 07/05/2011 DD 06/30/11	15,700,000	15,700,000
4	U S TREASURY NOTE 1.750% 05/31/2016 DD 05/31/11	1,400,000	1,402,184
5	U S TREASURY NOTE 2.375% 05/31/2018 DD 05/31/11	5,800,000	5,769,202
6	U S TREASURY NOTE 2.375% 06/30/2018 DD 06/30/11	2,300,000	2,282,750
7	GOVERNMENT OF CANADA 2.500% 01-SEPT-2013 SER ZG21	5,800,000	6,120,247
8	GOVERNMENT OF CANADA 8.000% 01-JUN-2027 SER VW17	812,704	1,321,883
9	FNMA POOL #0AI2024 4.500% 05/01/2041 DD 05/01/11	5,992,401	6,209,086
10	FNMA GTD REMIC P/T 10-141 FB VAR RT 12/25/2040 DD 11/25/10	5,372,304	5,359,733
	Total		$117,113,104

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2012

	Market Value	Percentage of Market Value
Stock:		
Technology	$ 45,872,653	
Financial Services	38,486,457	
Utilities	29,564,314	
Health Care	28,151,901	
Consumer Durables	26,609,513	
Energy	21,541,879	
Consumer Services	17,868,341	
Capital Goods	15,189,471	
Business Services	12,563,109	
Chemicals	10,552,777	
Wholesale Distribution	5,939,550	
Consumer Non-Durables	5,685,525	
Media	5,526,329	
Transportation	4,309,427	
Basic Industries	1,972,564	
Total stock	269,833,810	
Other		
International stock	172,032,171	
Private equity	54,985,449	
Commingled funds	367,002,074	
Total other	594,019,694	
Total stock	**863,853,504**	**72.61%**
Bonds:		
U.S. securities and agencies		
U.S. agencies	40,587,224	
Treasury notes and bonds	18,364,944	
Total U.S. securities and agencies	58,952,168	
Corporate:		
Financial	103,085,418	
Industrial	1,414,432	
Utilities	3,031,854	
Total corporate	107,531,704	
Total bonds	**166,483,872**	**13.99%**
Other investments:		
Real estate	98,815,630	
Hedge Funds	60,572,389	
Total other investments	**159,388,019**	**13.40%**
Total investments	**$ 1,189,725,395**	**100.00%**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2012

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 269,833,810	$ 1,654,948
Fixed income	166,483,872	342,348
International equity	172,032,171	1,049,440
Real estate	98,815,630	831,788
Securities Lending	43,896,448	60,244
Hedge funds	60,572,389	429,694
Private equity	54,985,449	1,474,773
Total investment managers' fees		**$ 5,843,235**

	Fees
Other investment service fees:	
Custodial fees	$ 117,311
Investment consultant fees	255,000
Total other investment service fees	**$ 372,311**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2012 amounted to $436,229. A list of the brokers receiving more than $4,800 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Finl Partners Ltd, Lake Success	$49,669	Barclays Capital Le, Jersey City	$7,731
BNY Convergex, NY	42,592	Merrill Lynch Pierce Fenner Smith Inc NY	7,541
BOE Securities/Broadcort, Jersey City	11,643	Baird, Robert W & Co Inc, Milwaukee	7,455
UBS Securities LLC, Stamford	9,642	Goldman Sachs & Co, NY	7,199
Merrill Lynch Gilts Ltd, London	9,321	Wells Fargo Securities LLC, Charlotte	6,146
Morgan Stanley & Co Inc, NY	9,238	Citigroup Global Markets Ltd, London	6,061
Deutsche Bk Secs Inc, NY	8,941	Knight Equity Markets LP,Jersey City	6,030
Stifel Nicolaus	8,714	JP Morgan Securities Inc., Brooklyn	5,837
Loop Capital Markets, Jersey City	8,531	Guznab & Company, Coral Gables	5,129
Credit Suisse, New York	8,389	Liquident Inc, Brooklyn	5,122
Pershing LLC, Jersey City	8,104	Cap Instl Svcs Inc-Equities, Dallas	4,977
BTIG LLC, Jersey City	7,813		

Brokerage Commissions

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

EQUITY MANAGERS

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

Rothschild Asset Mgmt. Inc.
Mirka Luoto
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

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

Denali Advisors
Bob Snigaroff
La Jolla, California

INTERNATIONAL EQUITY MANAGERS

Philadelphia International Advisors, LP
Andrew B. Williams, CFA
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

Corbin Capital Partners, LP
Scott Crossley
New York, New York

Grosvenor Capital Management, LLC
David Holmberg
Chicago, Illinois

FIXED INCOME MANAGERS

UCM Partners (Utendahl)
Thomas Mandel
New York, New York

PIMCO
Elizabeth Philipp, CFA
New York, New York

REAL ESTATE MANAGERS

American Realty Advisors
Stanley Iezman
Glendale, California

AREA Property Partners
Steven M. Wolf
Atlanta, Georgia

Thor Urban
Joseph J. Sitt
New York, New York

Hancock Timber Resources Group
John T. Perda
Boston, Massachusetts

Cornerstone Real Estate Advisers
Brian Murdy
Hartford, Connecticut

PRIVATE EQUITY & VENTURE CAPITAL MANAGERS

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

Adams Street Partners, LLC
Eric R. Mansell
Chicago, Illinois

RCP Advisors, LLP
William F. Souder
Chicago, Illinois

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

Maryland Venture Capital Trust
Lawrence J. Bach
Baltimore, Maryland

Summit Partners
Todd H. Hearle
Boston, Massachusetts

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Actuarial Section

November 20, 2012

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

Re: 2012 CAFR

Honorable Members of the Board of Trustees:

Cheiron Inc. performs an actuarial valuation of the System at the end of each fiscal year. The most recent valuation, as of June, 30 2012, determined the employer's contribution for the plan year beginning July 1, 2012. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest is historically made during the 2014 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 is the Entry Age Normal Cost method. This method computes level contributions as a percentage of pay over the entire working lifetime of the plan participant. This represents a change in the method in preparation for conformance to the new Government Accounting Standards. 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 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 (GASB) 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.

We note that GASB has approved new accounting standards for pension accounting for periods beginning after June 15, 2014. This report does not reflect all the changes that may be required under the newly approved GASB Statement No. 67.

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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 in accordance with Actuarial Standard of Practice #23. Asset information is provided on an unaudited basis.

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

Anu Patel
Anu Patel, FSA, EA
Consulting Actuary

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Method of Funding:	The Early Age Normal Cost Funding Method effective, June 30, 2012 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:	7.75% compounded annually until retirement except employee accumulations; 6.55% 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 7.55% return is achieved on the portion of assets attributable to active participants, and a 6.55% return is assumed for non-active based assets. The weighted expected return this year is 7.11%. The liability weighted return on assets for next year's valuation will be based on the rates listed in the discount rate section above.

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

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

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Active decrements and service retirement rates are the same as presented in the June 30, 2012 actuarial valuation report. Sample rates as follow:

Rates of Retirement

Age	Less than 30 years	30 years	More than 30 years
55-56	0.06	0.20	0.10
57	0.06	0.20	0.10
58	0.06	0.20	0.10
59	0.06	0.20	0.10
60	0.07	0.20	0.15
61	0.10	0.20	0.20
62	0.17	0.20	0.40
63-64	0.15	0.20	0.20
65	0.20	0.20	0.35
66	0.20	0.20	0.25
67	0.17	0.20	0.25
68	0.17	0.20	0.20
69	0.20	0.20	0.20
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*	Non-Line-of-Duty Death Female*	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	0.0010	0.0005	0.00005
40	0.00236	0.00008	0.00016	0.0015	0.0008	0.00005
45	0.00425	0.00012	0.00024	0.0023	0.0010	0.00005
50	0.00675	0.00020	0.00039	0.0039	0.0015	0.00005
55	0.01043	0.00024	0.00047	0.0069	0.0026	0.00005
60	0.00579	0.00027	0.00055	0.0128	0.0053	0.00005
65	0.00130	0.00038	0.00076	0.0218	0.0102	0.00005
69	0.00078	0.00039	0.00078	0.0313	0.0144	0.00005

* Rates for individuals who are the age shown as of 6/30/12.

Mortality Rates for Retired and Disabled Members and Beneficiaries

Age	Retirees and Beneficiaries Male	Retirees and Beneficiaries Female	Disabled Members Male	Disabled Members Female
55	0.00693	0.00265	0.05392	0.02529
60	0.01284	0.00534	0.06435	0.03138
65	0.02178	0.01017	0.07679	0.04088
70	0.03396	0.01568	0.09558	0.05568
75	0.05599	0.02616	0.12298	0.07841
80	0.09165	0.04563	0.16115	0.11274

The post-retirement mortality for service retirement is based on the 1994 Uninsured Pensioners' Generational Mortality table with generational projections using 50% of the AA scale projected to 2016. Retireees and Beneficiaries rates effective 6/30/2012. Disabled members rates effective 6/30/2002.

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

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/2003	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
6/30/2012	9,107	390,557,576	42,885	2.5

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
6/30/2003	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
6/30/2011	493	9,685,011	437	4,966,673	8,693	114,452,423	4.3	13,166
6/30/2012	497	10,860,356	451	4,339,871	8,739	120,972,909	5.7	13,843

* Includes post-retirement adjustments.

Employees' Retirement System
City of Baltimore, Maryland
SOLVENCY TEST

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

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

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

	Aggregate Accrued Liabilities For:					Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)
6/30/2003	$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
6/30/2012	2,977,938	1,228,202,331	44,829,153	835,268,747	1,429,666,081	100	100	100	18.4

ANALYSIS OF FINANCIAL EXPERIENCE

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

Type of Activity	Gain / (Loss) FY2011	Gain / (Loss) FY2012
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.	$ (9,940,000)	$ (3,885,000)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(6,647,000)	(3,942,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(3,001,000)	(2,907,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	2,992,000	(2,806,000)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	20,996,000	11,617,000
Investment Income* If there is greater investment income than assumed, there is a gain. If less, a loss.	(37,782,000)	(49,145,000)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. (includes PuBF G/(L))	8,631,000	1,350,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(4,431,000)	(4,456,000)
Increase in Periodic Pension One time increase in the periodic benefit payments - Variable COLA		(17,676,000)
Assumption and Asset Method Changes Changes due to assumption changes and the change in accounting and liability	(72,079,000)	(100,194,000)
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	4,723,000	2,070,000
Loss During Year From Financial Experience	$ (96,538,000)	$ (169,974,000)

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 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 6.55% 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.

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 readers understand 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 Position 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 Position
For the Last Ten Fiscal Years

	2003	2004	2005	2006	2007
Additions					
Contributions					
Employer	$ 17,736,030	$ 17,352,473	$ 23,624,914	$ 31,003,063	$ 31,003,063
Plan members	526,918	443,001	476,490	422,548	422,548
Total contributions	$ 18,262,948	$ 17,795,474	$ 24,101,404	$ 31,425,611	$ 31,425,611
Investment Income					
Net appreciation in fair value of investments	$ 15,973,576	$ 92,483,936	$ 80,660,869	$ 79,600,767	$ 79,600,767
Interest, dividends, and real estate income	36,351,746	35,587,011	31,462,451	36,965,510	36,965,510
Less: investment expenses	(3,081,224)	(3,821,829)	(3,097,848)	(5,464,823)	(5,464,823)
Net investment income	$ 49,244,098	$ 124,249,118	$ 109,025,472	$ 111,101,454	$ 111,101,454
Securities lending income	$ 777,933	$ 642,610	$ 442,098	$ 548,678	$ 548,678
Securities lending fees	(232,922)	(192,744)	(132,598)	(164,580)	(164,580)
Net securities lending income	$ 545,011	$ 449,866	$ 309,500	$ 384,098	$ 384,098
Total additions	$ 68,052,057	$ 142,494,458	$ 133,436,376	$ 142,911,163	$ 142,911,163
Deductions					
Retirement allowances	$ 82,854,969	$ 85,923,130	$ 90,034,033	$ 93,706,033	$ 93,706,033
Adminstrative expenses	945,073	1,637,315	1,882,368	2,496,211	2,496,211
Death benefits	1,729,237	1,896,655	1,124,669	983,714	983,714
Lump cash payments	311,763	170,322	137,471	72,775	72,775
Refund of Contributions	42,857	14,312	3,103		
Total deductions	$ 85,883,899	$ 89,641,734	$ 93,181,644	$ 97,258,733	$ 97,258,733
Net increase / (decrease)	$ (17,831,842)	$ 52,852,724	$ 40,254,732	$ 45,652,430	$ 45,652,430
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,212,295,604	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218	$ 1,287,571,218
Ending Balance	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218	$ 1,333,223,648	$ 1,333,223,648

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

	2008	2009	2010	2011	2012
Additions					
Contributions					
Employer	$ 43,918,411	$ 43,673,027	$ 48,748,397	$ 62,374,396	$ 77,995,003
Plan members	345,637	172,567	215,669	358,202	359,028
Total contributions	$ 44,264,048	$ 43,845,594	$ 48,964,066	$ 62,732,598	$ 78,354,031
Investment Income					
Net appreciation in fair value of investments	$ (111,674,879)	$ (278,688,103)	$ 91,458,311	$ 195,926,226	$ 18,948,964
Interest, dividends, and real estate income	46,115,481	28,522,723	26,028,223	20,583,936	6,758,532
Less: investment expenses	(6,275,603)	(5,406,811)	(5,641,242)	(6,115,531)	(6,155,302)
Net investment income	$ (71,835,001)	$ (255,572,191)	$ 111,845,292	$ 210,394,631	$ 19,552,194
Securities lending income	$ 1,001,675	$ 762,206	$ 290,022	$ 283,344	$ 205,199
Securities lending fees	(300,467)	(228,479)	(86,970)	(83,849)	(60,244)
Net securities lending income	$ 701,208	$ 533,727	$ 203,052	$ 199,495	$ 144,955
Total additions	$ (26,869,745)	$ (211,192,870)	$ 161,012,410	$ 273,326,724	$ 98,051,180
Deductions					
Retirement allowances	$ 101,461,516	$ 104,166,249	$ 108,225,770	$ 112,642,028	$ 118,802,304
Adminstrative expenses	2,913,458	3,138,612	3,061,461	3,189,932	3,297,684
Death benefits	1,061,050	881,569	791,170	546,942	1,289,869
Lump cash payments	177,877	289,626	155,564	123,425	73,596
Refund of Contributions	9,161		334	95,936	9,088
Total deductions	$ 105,623,062	$ 108,476,056	$ 112,234,299	$ 116,598,263	$ 123,472,541
Net increase / (decrease)	$ (132,492,807)	$ (319,668,926)	$ 48,778,111	$ 156,728,461	$ (25,421,361)
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,488,574,968	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346	$ 1,241,919,807
Ending Balance	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346	$ 1,241,919,807	$ 1,216,498,446

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)
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
2012	19,697,149	77,995,003	20.0	359,028	98,051,180

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
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
2012	120,165,769	9,088	3,297,684	123,472,541

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

Years of Credited Service	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0-4	2,351	2,401	2,572	2,188	2,124	2,306	2,714	2,675	2,426	2,051
5-9	1,798	1,876	1,708	1,833	1,789	1,812	1,826	1,917	1,929	2,033
10-14	1,300	996	896	940	1,093	1,304	1,406	1,376	1,422	1,426
15-19	1,585	1,755	1,684	1,560	1,286	949	724	705	710	817
20-24	1,343	1,244	1,201	918	974	1,166	1,320	1,307	1,192	979
25-29	880	847	784	1042	1036	976	929	794	707	772
30+	574	603	567	712	733	767	800	906	1,007	1,029
Total Members	9,831	9,722	9,412	9,193	9,035	9,280	9,719	9,680	9,393	9,107
Average Service Credit	13.36	13.35	13.58	13.80	13.83	13.56	13.17	13.27	13.58	13.92
Average Age	47.34	47.51	47.89	48.32	48.64	48.66	48.61	48.96	49.35	49.74

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2012

Age	Number of Recipients	TYPE OF RETIREMENT* 0	1	2	3	4
0-29	1	0	0	0	1	0
30-39	5	0	0	0	5	0
40-44	15	0	0	1	14	0
45-49	60	3	0	9	45	3
50-54	222	34	0	65	119	4
55-59	699	192	165	156	177	9
60-64	1,190	459	355	191	179	6
65-69	1,372	697	398	166	102	9
70-74	1,167	616	334	122	84	11
75-79	1,051	509	364	113	54	11
80-84	770	409	242	85	25	9
85 and up	808	550	184	45	19	10
Totals	7,360	3,469	2,042	953	824	72
Average Annual Benefit	$14,980	$20,183	$6,617	$19,033	$8,672	$19,995

*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, 2012

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	18	3	1	2	10	-	2	-
25-29	3	1	-	1	1	-	-	-
30-34	-	-	-	-	-	-	-	-
35-39	1	-	-	1	-	-	-	-
40-44	2	-	-	1	-	1	-	-
45-49	12	2	3	1	5	-	1	-
50-54	36	13	4	3	9	1	6	-
55-59	70	27	8	3	22	-	10	-
60-64	137	52	19	10	44	1	11	-
65-69	145	57	23	16	33	1	15	-
70-74	192	81	44	12	34	4	15	2
75-79	225	111	53	12	27	1	18	3
80-84	221	127	39	10	25	7	11	2
85 and up	317	207	41	8	30	2	18	11
Totals	1,379	681	235	80	240	18	107	18
Average Annual Benefit	$7,776	$8,976	$3,593	$10,268	$5,028	$9,653	$10,927	$21,915

*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
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
2012	99,171,620	8,156,362	73,596	410,158	1,143,187	1,289,869	1,435,552	7,093,318	1,392,106	120,165,768

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

Retirement Effective Dates From July 1, 2002 to June 30, 2012	Years of Credited Service 5-10	 11-15	 16-20	 21-25	 26-30	 31+
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	$ 254	$ 475	$ 849	$ 1,170	$ 1,480	$ 1,734
Average-Average Final Compensation	3,044	5,705	10,187	14,043	17,756	20,812
Number of Active Retirees	29	43	41	64	81	65
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	422	479	823	1,174	1,590	1,790
Average-Average Final Compensation	5,067	5,745	9,873	14,084	19,078	21,480
Number of Active Retirees	38	50	69	65	85	83
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	338	596	694	1,311	1,585	1,877
Average-Average Final Compensation	4,055	7,148	8,330	15,736	19,018	22,523
Number of Active Retirees	44	54	66	50	70	89
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	366	576	787	1,194	1,598	1,794
Average-Average Final Compensation	4,394	6,909	9,449	14,326	19,179	21,524
Number of Active Retirees	34	18	41	38	49	133
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	292	259	675	1,486	1,262	1,395
Average-Average Final Compensation	3,509	3,103	8,096	17,826	15,144	16,743
Number of Active Retirees	19	14	27	20	25	220

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2002 to June 30, 2012	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	$ 302	$ 374	$ 995	$ 1,187	$ 1,713	$ 1,966
Average-Average Final Compensation	3,627	4,490	11,935	14,247	20,558	23,589
Number of Active Retirees	42	33	36	45	49	84
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	285	448	712	995	1,916	2,250
Average-Average Final Compensation	3,423	5,379	8,540	11,941	22,988	26,998
Number of Active Retirees	58	60	56	30	49	99
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	353	511	918	1,347	1,473	2,251
Average-Average Final Compensation	4,241	6,134	11,012	16,164	17,671	27,013
Number of Active Retirees	55	49	39	56	54	114
Period 7/1/10 to 6/30/11						
Average Monthly Benefit	386	541	792	1,424	1,935	2,512
Average-Average Final Compensation	4,633	6,493	9,500	17,086	23,221	30,144
Number of Active Retirees	45	49	51	53	71	100
Period 7/1/11 to 6/30/12						
Average Monthly Benefit	383	542	860	1,289	2,052	3,725
Average-Average Final Compensation	4,590	6,510	10,320	15,464	24,619	44,700
Number of Active Retirees	69	60	29	52	62	3,597
Period 7/1/02 to 6/30/12						
Average Monthly Benefit	338	480	810	1,258	1,455	2,129
Average-Average Final Compensation	4,058	5,762	9,724	15,092	19,923	25,553
Number of Active Retirees	43	43	46	47	60	458

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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