Employees' Retirement System
CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report
YEAR ENDED JUNE 30, 2014

A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Employees' Retirement System
CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report
YEAR ENDED JUNE 30, 2014

PREPARED BY
Roselyn H. Spencer, Executive Director & CIO
Bernita James, Deputy Executive Director
Grace M. Ikeocha, Accounting Manager

A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND

ERS
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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, 2014

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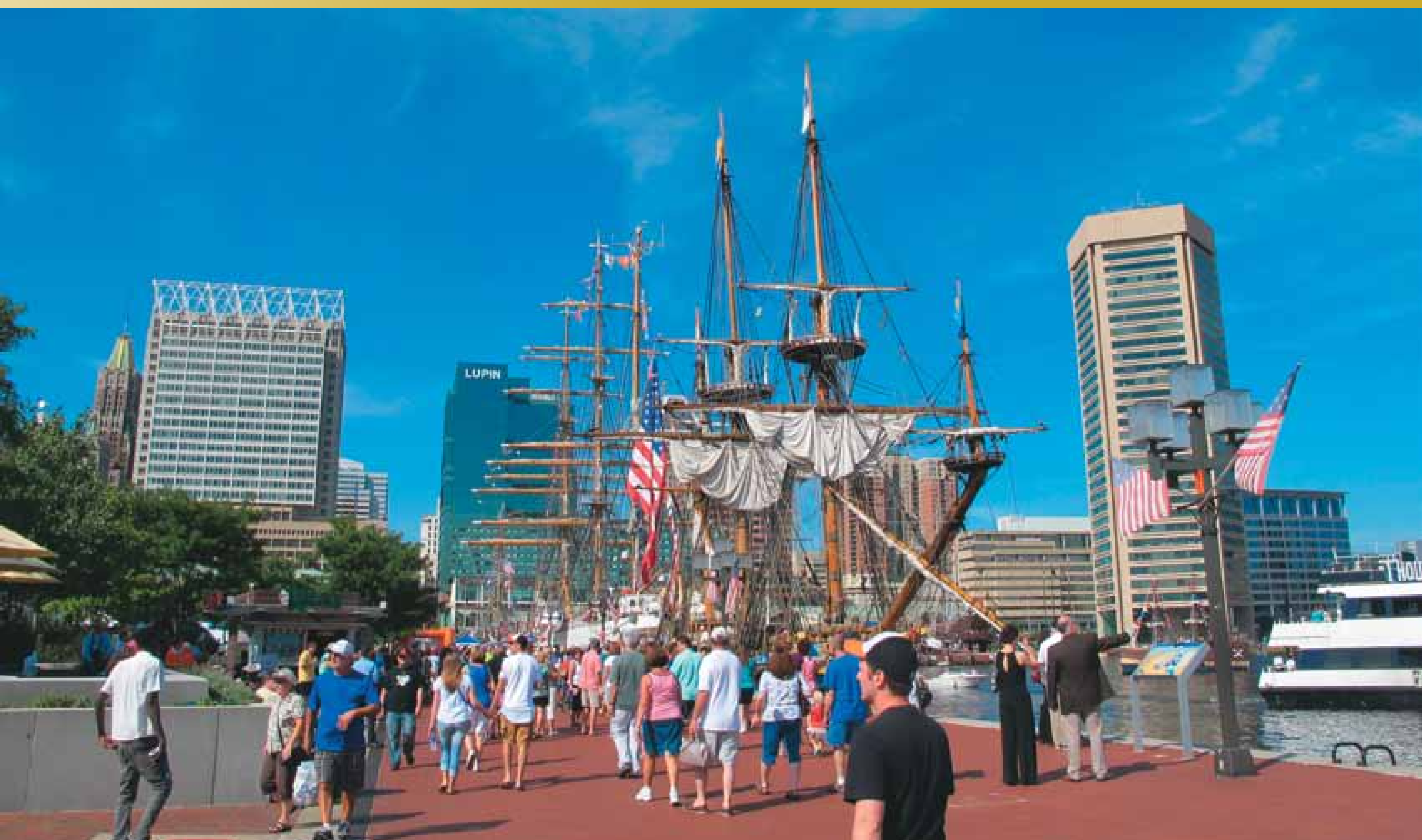


Government Finance Officers Association

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, 2013

Executive Director/CEO

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, 2014

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 fiscal year ended June 30, 2014. 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 contributory 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 70 through 78. 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

There were two key initiatives during the fiscal year: The implementation of pension reform mandates to the ERS plan as a result of the Mayor's Ten–year Financial Plan Study, in 2012, and technology developments.

Legislative Mandates: Pension reforms initiated in fiscal year 2014 called for Class C members to begin making contributions starting at 1.0% of pay to cap at 5.0% of pay in fiscal year 2018. After the first full year of processing employee contributions, the City is realizing cost savings as intended, to offset some of its cost/obligation to the Plan. Employee contributions for fiscal year 2015 are now at 2.0% of pay. Savings to the City as a result of employee contributions is discussed further in the Actuarial Section of this report.

A second pension reform mandate under City Council Ordinance 14-216 enacted May 2014, established the City of Baltimore Employees' Retirement Savings Plan (RSP), a Section 401(a) type defined contribution plan for new and rehired civilian employees and certain non-teacher members of the Baltimore City School System. Provisions of the Ordinance included: closing the ERS Class C plan to new members at the end of the 2013 fiscal year, and making available the RSP. Under the RSP, new and returning civilian employees hired on and after July 1, 2014 will have to choose between two options: the hybrid option as both an ERS Class D member and a RSP member, or participate only in the RSP, (the "non-hybrid" option).

Both plan options require a 5.0% employee contribution. The ERS Board of Trustees has oversight responsibility for the ERS Class D, while the RSP Board of Trustees has oversight responsibility for the RSP. Under Class D, members will receive similar benefits as Class C members, except for a lower benefits formula. As a complement for the lower benefit formula, the City will contribute 3.0% of pay into the RSP account on behalf of each Class D member. Vesting for Classes C and D members is ten years of service, while vesting for the RSP contributions is five years of service.

Technology: After the first full year of using PensionPro, the ERS's new proprietary web-based Benefits Administration System (BAS), we are very proud to report significant improvements in our operations for records management and benefit processing. Developed by the Pension Technology Group (PTG) of Boston, MA, the application replaced a 35-plus year old COBOL system that had fallen short of the ERS needs, expectations and requirements.

One key feature is the system's capability to electronically capture members' data from various payroll sources, edit the data, and automatically update members' information. This feature has automated the retirement process, and allows for processing retirement benefits with greater accuracy and within a short turn-around period. A second feature worth noting is the system's advanced data backup capability. Because it is a cloud-based system, it can be accessed remotely and facilitate work continuity in case of a major disaster or office dislocation.

For improving member communication, a Member's Self-Service, (MSS), web portal will be available on the ERS web site in January 2015. The MSS portal requires internet access to view certain member information, process retirement benefit estimates, and provide access to view and download an annual membership statement. This is an important improvement for providing members with up-to-date access to their pension information on their personal computers. The next phase for web development is programming for the hybrid - "Class D" plan.

Financial and Economic Summary

I am happy to report strong performance for ERS, at 16.2% on its investments for the fiscal year ending June 30, 2014. This is more than double the required 7.75% actuarial assumed rate of return. It is also evidence of the strong macro-economic events that kept the United States (U.S.) economy growing, almost obliviously to other global factors. Unfavorable news from international markets created some volatility in the financial markets, but had minimal short-term effect. Improvement in macro-economic-driven events in the U.S., such as the 3.9% annualized growth in GDP during the third calendar quarter of 2014: low inflation, robust corporate balance sheets, and solid job growth were contributors. As further confirmation of a healthy economy, the Federal Reserve Bank called for an end to its Quantitative Easing (QE3) policy of bond buying back. As expected, there was some anxiety over interest rates going up.

Also causing volatility and slowdown in the international markets was the call for more rounds of economic stimulus by central banks officials in Europe and Asia, in order to boost their economies. Their actions were precipitated by bank stress test failures in some European Union countries, recession in other European countries, high inflation, and slowing economic growth in emerging markets. Current ERS asset allocation is favorable to investment in the U.S., which is largely responsible for the outperformance. Allocation to International equities contributed, but just slightly, due to the weak economic data reports. We expect that the international markets will improve as economic stimulus and other policies take effect.

Investment Summary

As provided in plan provisions, the Board of Trustees (Board) is responsible for investment of the System's assets in accordance with their approved asset allocation. Other duties of the Board include: establishing reasonable investment objectives and 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.

During the fiscal year, the Board made no major shift in asset allocation, choosing to instead closely monitor performance, and rebalanced as necessary to maintain close to target allocations.

The System's investment objective is to earn or exceed the 7.75% actuarial rate of return; or to outperform its policy benchmark of 15.3%. Returns of 16.2% on investments for the fiscal year easily accomplished both objectives, and exceeded the prior year's return by 3.0%. It also ranked ERS in the top tier of its peer group universe. Total net assets grew by 13.2% to $175 million for the fiscal year. Outperformance in alternative investments such as private equity and hedge funds were largely responsible for the investment gains. Long-term, three and five year annualized returns of 10.3% and 12.5% respectively are strong and a confirmation that losses from the fiscal year 2008-09 market downturns are now fully absorbed.

The Board utilizes external portfolio managers in active and passive strategies. Portfolio managers are monitored and evaluated monthly and annually by the Board and its Investment consultant. The consultant provides the Board with monthly and annual evaluation reports. A summary of their annual analysis and the target asset allocation is found on pages 51 to 52 in the Investment Section of this report. Please refer to the MD&A for more investment and financial analysis.

Actuarial and Funding Results

The Net Pension Liability (NPL) is provided on page 35. It is the difference between the Total Pension Liabilities (TPL) less the Plan Fiduciary Net Position (FNP). An actuarial valuation report is prepared annually by the Board's Actuary to determine appropriate assumptions and funding requirements. As of June 30, 2014, the System's actuarial value of assets grew to $1,540 million or a 5.07% increase over the 2013 value of assets. This was however, insufficient to offset the accrued liability of $2,210 million in 2014.

For funding purposes, the investment return actuarial assumption is 7.75% for active members and 6.55% for retired members. There were no actuarial assumption changes during the year. FNP which consists of contributions and investment income exceeded the fund's cost resulting in a decrease in the NPL by $116 million. A decline in the unfunded actuarial liability by 2.3% to $670 million resulted in FNP, on a fair value of asset basis, being 68.0% of the TPL. As of June 30, 2014, NPL is at $711 million, down from $828 million in 2013. Normal cost, which is the cost for purchasing pension years of service, is reduced from 6.75% to 6.51%. The fixed 20 year amortization funding policy approved by the Board is now in the third year, with 17 years of amortization periods remaining. All data related to GASB 67 is provided in the required supplement section and in the financial notes.

The required employer contribution was also determined actuarially, based on prior years' experience and results of the recently adopted changes such as member contributions. We should note that after recognition of employee contributions of 1.0% for one year, credit recognition should have been made to the City's 2013 funding requirements of $97.1 million that was provided in the 2013 Actuarial Valuation Report. The City paid the full required contribution in July of 2014, prior to an adjustment being made. To adjust for the excess overpayment plus credit for employee contributions, the City's net recommended contribution for fiscal year ending 2015 should have been $87 million. After further adjustment for employee contributions of 2.0%, and other expected contributions, the recommended net lump sum cost to the City is further reduced by 11.1% from $87.0 million in 2015 to $77.0 million for 2016. Overall, this represents a reduction in lump sum cost from 22.11% to 19.21% of covered payroll in 2016.

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 assumes full responsibility for establishing and maintaining adequate internal controls and for the financial information contained in this report. Proper internal accounting and control exists to provide reasonable, but not absolute, assurance regarding the security of assets and the fair presentation of the financial statements and supporting schedules. Documented procedures, use of control cycles of work duties and other internal control policies are available for major job functions and operating processes. They are implemented thoughtfully and consistently. Management also understands that in executing reasonable assurance of an internal control framework, the cost of control should not exceed the anticipated benefits, and that the reasonable cost benefit framework requires management to make some estimates and or justifications.

Other Information

Independent Auditor: 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 CliftonLarsonAllen render an opinion as to the fairness of the System's financial statements. The auditor's report 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 pages 13 and 56 through 57 in the Introductory and Investment Sections of this Report.

Awards and Acknowledgements

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, 2013. This was the 31st consecutive year (fiscal years 1983-2013) that the ERS has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

This annual report is intended to provide complete and reliable information as a basis for making management decisions, and as a means of determining compliance with legal provisions. It was prepared by the System's accounting and administrative staffs, with contributions from our investment consultant Marquette Associates, Inc., and actuary, Cheiron, Inc. I would like to thank both staff and professional partners for their many contributions.

I would also like to express my gratitude to the Board for their numerous contributions in overseeing the management of the System. Copies of this report will be submitted to the Elected City Officials, City Agency Heads and other interested parties. It will also be available on the ERS website located at www.bcers.org.

Respectfully submitted,

Roselyn H Spencer

Roselyn H. Spencer
Executive Director & Chief Investment Officer

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, 2014

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

Last year I reported that ERS earned an impressive double digit return on its investment. I am proud to report that we have done it again. ERS investments returned an impressive 16.2% for the fiscal year, outperforming our policy benchmark and ranking high among other similar sized pension funds. Strong market conditions and judicious monitoring of the Fund's broadly diversified asset allocation contributed to this performance.

I would like to report on the progress of some of the significant events during the year:

The implementation of PensionPro, ERS's new web-based Benefit Administration System (BAS), is now complete and is in full operation. One of the key features of the BAS is the data collection and storage capability. The BAS can electronically capture employee data from various payroll sources: edit the data, and automatically update the employee's information. The benefit to you is that when you are ready to retire, the process is efficient by minimizing delays due to incomplete data.

Another exciting feature is the Member Self-Service (MSS), portal that will be activated on the ERS website in January 2015. The portal will allow active ERS members to execute retirement benefit estimates and download their annual membership statement at their convenience from their personal computer. The Board and staff are very excited about the MSS portal and encourage your feedback.

We have completed the first full year of employee contributions as a result of pension reform. Employee contributions started at 1.0% in 2013, and will continue each year, to cap at 5% in 2017. The contributions are necessary to share the pension cost which was going up each year, and to sustain the System. Thanks to your contributions and strong investment earnings, the City's required contributions to the ERS are reduced for fiscal year 2016.

Eligible retirees will receive their annual increases in January 2015. It is currently 1.5% for retired members under age 64 and 2% for retired members age 65 and over.

We experienced some recent changes to the Board with Ernie Glinka leaving. Prior to serving on the Board, Ernie served as the Administrator for the three City pension funds: Employees' and Elected Officials' Retirement Systems and the Fire and Police Employees' Retirement System. Ernie served as Trustee Representative for retired members for nearly 15 years. His extensive experience and valuable contributions will be greatly missed. I would like to thank Ernie for his friendship and dedicated service to the City and the Retirement Systems.

We also welcomed Rosemary Atkinson who was elected to complete Ernie's term as the Trustee Representative for retired members. Rosemary ran unopposed and was therefore declared as the winner of the election.

This has been a banner year for the ERS and I attribute it to the hard work and commitment from my fellow Trustees and a very dedicated staff. I am extremely grateful for their commitment and service.

Sincerely,

Joan M. Pratt, CPA

Joan M. Pratt, CPA
Chair, Board of Trustees

BOARD OF TRUSTEES

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

LEGAL COUNSEL, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

City of Baltimore
Employees' Retirement System
Ian Berger

ACTUARY

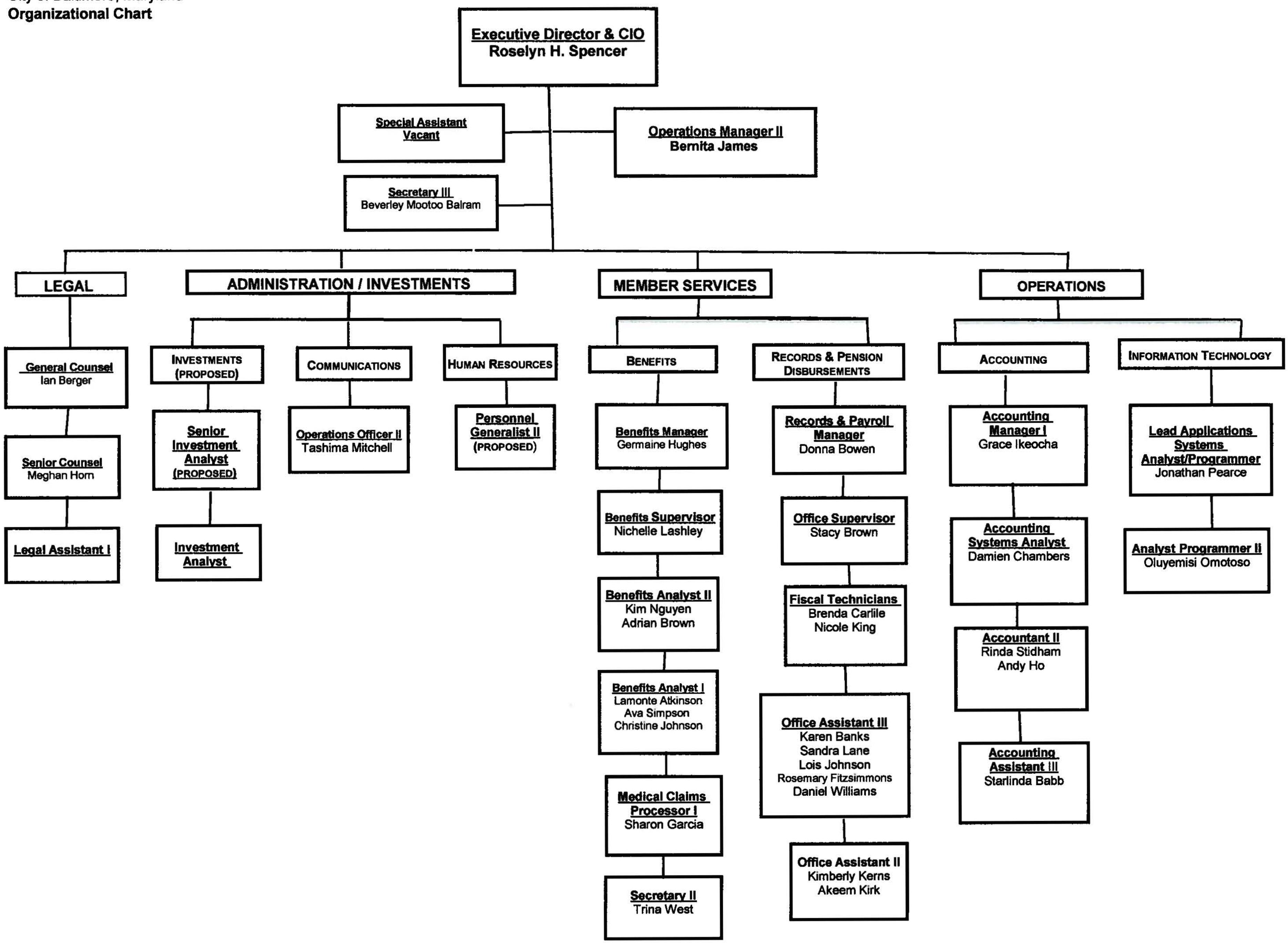
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

CliftonLarsonAllen, LLP
Thomas Rey, CPA

See pages 56 to 57 in the Investment Section for a list of investment professionals.

Employees' Retirement System
City of Baltimore, Maryland
Organizational Chart



Financial Section

Employees' Retirement System City Of Baltimore, Maryland
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2014

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.CLAconnect.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Baltimore (the System), which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements include alternative investments valued at $306 million (20% percent of net position), and as explained in Note 2, their fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Systems' financial statements. The schedules of administrative expenses, investment expenses and payments to consultants, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of administrative expenses, investment expenses and payments to consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, investment expenses and payments to consultants are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory, investment, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 30, 2014

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, 2014 and 2013. 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 2014 is $1.499 billion. The net position is 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 increased by $174.5 million, compared to last year's increase of $108.2 million. The increase of the net investment income was primarily due to the performances of investments among different asset classes in the Plan's portfolio.
- The rate of return for the fiscal year ended June 30, 2014 was 16.2% compared to the fiscal year ended June 30, 2013 return of 13.2%. The rate of return for fiscal year 2014 is attributed to the investment outperformance of the benchmarks in alternative investments.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2014, the funded ratio for the Plan was 69.7%. In general, this indicates that the Plan has approximately $0.70 of assets to cover every dollar of benefits due.
- Revenues (Additions to Plan Net Position) for the year were $308.2 million. Revenues include member and employer contributions of $94.9 million, employee contributions $3.6 million net investment gain of $209.5 million, and net securities lending income of $0.2 million.
- Expenses (Deductions from Plan Net Position) increased by $5.2 million to $133.7 million from the prior year expenses of $128.5 million. The expenses are primarily comprised of retirement allowances and post-retirement benefits.

Overview of Financial Statements

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

The **Statement of Fiduciary 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, 2014. The assets comprise receivables, mainly from investment activity, investments at fair market value and securities lending collateral.

The **Statement of Changes in Fiduciary 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 **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 Fiduciary Net Position and the Statement of Changes in Fiduciary 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 are the GASB 67 schedules, Changes in Net Pension Liability, Related Ratios, Employer Contributions and Investment Returns. See the Required Supplementary Information beginning on page 35 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 position may serve over time as a useful indicator of the Plan's financial position. At June 30 2014, assets exceeded liabilities by $1.499 billion. The net position is available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2014, total net position increased by 13.2% over the prior year, The increase of the net investment income was primarily due to the performances of alternative investments, such as private equity and hedge funds 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.

Fiduciary Net Position	Fiscal Year 2014	Fiscal Year 2013	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,510,322,809	$1,371,358,107	$138,358,107	10.1%
Other Assets	123,141,343	89,921,690	33,219,653	36.2%
Total Assets	1,633,464,152	1,461,279,797	172,184,355	11.8%
Total Liabilities	134,227,761	136,545,983	(2,318,222)	(1.7)%
Total Net Position	$1,499,236,391	$1,324,733,814	$174,502,577	13.2%

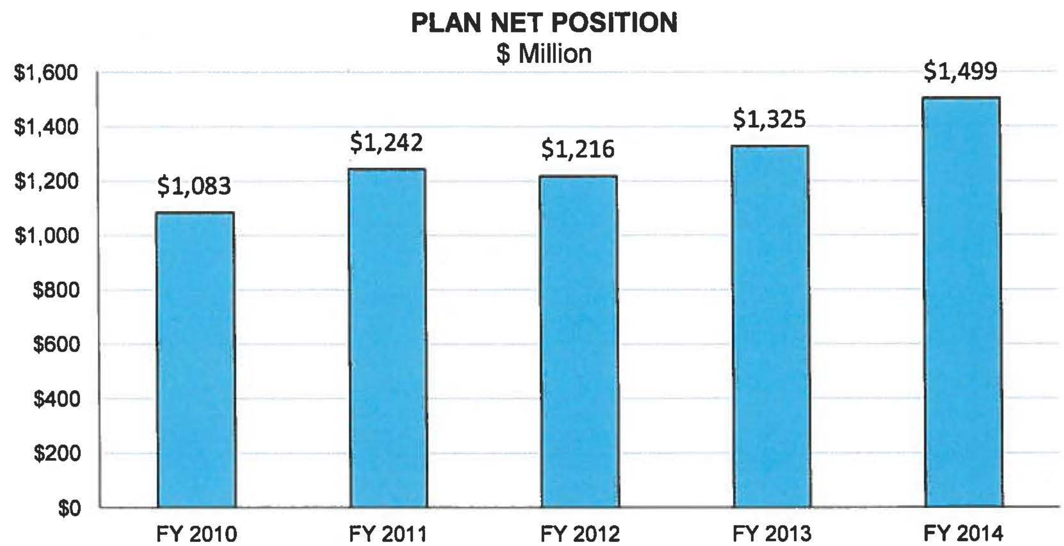
Investment Assets

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, 2014 was 16.2%, a 3.0% increase compared to the fiscal year 2013 rate of return 13.2%. The annualized rate of return for the last three, five and ten year periods ended June 30, 2014 were 10.3%, 12.5% and 7.3%, respectively. The Plan's long-term actuarial investment return assumption is 7.75%. The positive rate of return is attributable outperformance of the benchmarks in the alternative investments classes 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 45 gives detailed information on the Plan's investment policies. See page 52 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, 2014.



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.

Changes in Fiduciary Net Position	Fiscal Year 2014	Fiscal Year 2013	Increase / (Decrease)
Additions			
Employer Contribution	$94,917,886	$88,300,214	$ 6,617,672
Members Contributions	3,623,467	223,720	3,399,747
Net Investment Income	209,473,104	147,926,517	61,546,587
Net Securities Lending Income	174,065	252,184	(78,119)
Total Additions	308,188,522	236,702,635	71,485,887
Deductions			
Retirement Allowances	$129,205,776	$124,152,899	$5,052,877
Administrative Expenses	3,711,975	3,554,942	157,033
Death Benefits	699,991	572,966	127,025
Lump Sum Cash Payments	63,979	180,079	(116,100)
Refund of Members' Contribution	4,224	6,381	(2,157)
Total Deductions	133,685,945	128,467,267	5,218,678
Net Increases (Decreases)	$174,502,577	$108,235,368	$ 66,267,209

Contributions and Investment Income

Employer contributions increased by 13.2% over last year's contributions. The employer's contributions are actuarially based and are calculated a fiscal year in advance. The salaries of the current active membership and the actuarial changes to the rates are used to calculate the normal cost of the benefits for the members required the employer's contribution. Member contribution's increased by $3.4 million due to mandatory employee contributions implemented July 1, 2013. The increase in net investment income by $61.5 million is to due to the Plan investments out performing the alternative investments benchmarks. Net investment income includes investment expenses as a deduction. Investment expenses and securities lending fees were $8.7 million fiscal year 2014, 26% more than fiscal year 2013.

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 2014 was for the payment of continuing retirement benefits totaling $129.2 million, compared to $124.2 million for fiscal year 2013. Retirement allowances increased $5.1 million due to an increase in the number of benefit recipients and the annual cost of living adjustment of 1.5% for participants under age 65 and 2.0% for participants age 65 and over.

Requests for Information

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

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Employees' Retirement System
City of Baltimore, Maryland
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

Assets			
Cash and cash equivalents			$ 41,059,257
Receivables			
Investments sold	$ 21,254,348		
Foreign currency contracts	56,875,351		
Accrued income	2,541,755		
Other receivables	712,980		
Total receivables			81,384,434
Capital assets			
Leasehold improvements	1,449,678		
Depreciation - leasehold improvements	(850,077)		
Net leasehold improvement total		$ 599,601	
Office furniture	348,401		
Depreciation - office furniture	(340,280)		
Net office furniture total		8,121	
Office equipment	385,986		
Depreciation - office equipment	(296,056)		
Net office equipment total		89,930	
Total capital assets			697,652
Investments, at fair value			
Domestic equities	553,344,048		
International equity	217,707,324		
Domestic fixed income	217,009,084		
Commingled fixed income	195,182,685		
Real estate	145,898,526		
Hedge funds	74,422,529		
Private Equity	85,929,493		
Total investments			1,489,493,689
Securities lending collateral			20,829,120
Total assets			1,633,464,152
Liabilities			
Foreign currency contracts	56,875,351		
Securities lending collateral	20,829,120		
Investments purchased	52,513,087		
Investment management fees payable	1,109,594		
Other accounts payable	2,582,679		
Administrative expenses payable	317,930		
Total liabilities			134,227,761
Net assets held in trust for pension benefits			$ 1,499,236,391

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 FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

Additions		
Contributions		
Employers	$ 94,917,886	
Plan members	3,623,467	
Total contributions		$ 98,541,353
Investment Income		
Net appreciation in fair value of investments	192,951,419	
Interest, dividends, and real estate income	24,639,052	
Less: Investment expenses	(8,117,367)	
Net investment income		209,473,104
Securities lending income	788,486	
Less: Securities lending fees	(614,421)	174,065
Total additions		308,188,522
Deductions		
Retirement allowances	129,205,776	
Adminstrative expenses	3,711,975	
Death benefits	699,991	
Lump sum cash payments	63,979	
Refund of members contributions	4,224	
Total deductions		133,685,945
Net increase		174,502,577
Net position restricted for pensions		
July 1, 2013		1,324,733,814
June 30, 2014		$ 1,499,236,391

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, 2014, the ERS membership consisted of:

Active Plan Members	8,904
Retirees and Beneficiaries - currently receiving benefits	8,893
Terminated Plan Members - entitled to but not yet receiving benefits	1,043
Total Membership	18,840

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 Plan is divided into three Classes: A, C and D for amendments of membership and benefit changes of the Plan Provisions.

Class "A" has less than 0.01% of active contributory members. The "A" contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to Class C 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.

The Class "C" Plan is composed, 99.70% of the ERS membership and 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 Class "A" contributory class.

Effective July 1, 2013, Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS non-contributory members and eliminating the post retirement variable benefit increase. The Ordinance provides that effective July 1, 2013 members will contribute 1% of pay, to continue each year at 1% increments provided that 2% compensation is received for each year of contribution until employee contributions reach 5% of compensation.

The ERS defined benefit class "C" Plan was closed to new members on June 30, 2014 to establish the City of Baltimore's Retirement Savings Plan (RSP). The RSP consist of a 401a contributory non-hybrid and a hybrid contributory defined benefit "D" Plan. The waiting period of entry for the contributory non-hybrid plan is 180 days. The hybird contributory defined benefit Plan waiting period is one year. Employees hired as of July 1, 2014 have 150 days of employment to select between the two Plans. Employees who do not select a Plan after 150 days of employment will automatically default into the hybrid contributory defined benefit "D" plan. The manadatory contribution to each of the Plan's is 5%. Members have an option in the both Plans to contribute to the City of Baltimore's 457 Deferred Compensation Plan and will receive a 50% match on the first two percent of their contributions.

2. Summary of Significant Accounting Policies:

New Accounting Standard:
Governmental Accounting Standards Board (GASB) Statement No. 67 which was implemented by the System this fiscal year addresses accounting and financial reporting requirements for pension plans. GASB 67 requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures.

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. 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. For alternative investments, which include private equity, hedge and risk parity funds where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Foreign exchange contracts are marked-to-market daily based on published market prices and quotations from national securities exchanges or securities pricing services. The changes in market value are recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, and interest and dividend income earned, less investment expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Tax Status:
The System is a tax-exempt governmental plan qualified under Section 401 and exempt under Section 501(a) of the Internal Revenue Code. IRS qualification letters have been received.

Use of Estimates in Preparing Financial Statements:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net position held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

3. Contributions:

Article 22 of the Baltimore City Code grants the authority to establish and an amend the contributions of the active plan members to the Mayor and City Council of Baltimore.

The contributions required by the Plan provisions for each membership class are as follows:

Membership classes	Percentage of compensation
A	4.0%
C	1.0 - 5.0%*

*Class C contributions increase from 1.0% to 5.0% beginning July 1, 2013 through July 1, 2017. Thereafter, the contributions will remain at 5% of regular compensation.

The employer contributions are determined through an actuarial valuation. The valuation method is stipulated in the Plan provisions.

All contributions are transferred to BNY Mellon, the ERS custodian for safekeeping and investment.

4. Post retirement increases:

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. Eligible retired members and beneficiaries with a pension entry date on or before June 30, 2013 will receive the minimum guaranteed benefit increase and is payable on January 1, 2015.

5. Cash and Investments:

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

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

The Plan's investments as of June 30, 2014 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Government Agency Bonds	$96,296,086
U.S. Treasury Notes and Bonds	2,759,728
Commingle fixed income fund	195,182,685
Corporate Bonds	117,953,270
Total Debt Securities	412,191,769
Other:	
Domestic equity	553,344,048
International equity	217,707,324
Real estate	145,898,526
Hedge funds	74,422,529
Private equity	85,929,493
Total Other	1,077,301,920
Total Investments	$1,489,493,689

The pension plan's policy discourages the use of cash equivalents, except for liquidity purposes, and aim to refrain from dramatically shifting asset allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014.

Asset Class	Target Allocation
Domestic equity	36%
Domestic fixed income	26
International equity	14
Private Equity	10
Real Estate	9
Hedge Funds	5
Total	100%

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.7 %
Domestic fixed income	(.1)%
International equity	6.5 %
Real Estate	5.6 %
Hedge Funds	3.6 %
Private Equity	10.4 %

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return of the Plan, was 15.8%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expenses. The inflation rate as of June 30, 2014 was 2.5%.

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 for all debt securities. The duration years for the commingle fixed income funds is not available. The Plan does not have a formal policy to limit interest rate risk.

Investment Type	Fair Value	Duration (Years)
Debt securities:		
U.S. Government Agency Bonds	$ 96,296,086	4.18
U.S. Treasury Notes and Bonds	2,759,728	10.0
Corporate Bonds	117,953,270	5.32
Commingle fixed income fund	195,182,685	
Total Debt Securities	$412,191,769	

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, 2014 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, 2014 is presented in the following table:

Currency	Total
Euro Currency Unit	$39,741,890
British Pound Sterling	31,344,019
Japanese Yen	12,077,597
Singapore Dollar	10,658,657
Hong Kong Dollar	9,341,450
Swiss Franc	7,192,070
Australian Dollar	5,706,346
Canadian Dollar	4,653,377
Danish Krone	3,635,763
Swedish Krona	2,247,385
New Zealand Dollar	1,969,877
Norwegian Krone	313,934
Total Foreign Currency Securities	128,882,366
U.S. Dollars held by International Investment Managers	88,820,498
Total Foreign Currency Exposure	$217,702,864

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, 2014 were rated by a nationally recognized statistical rating agency and are presented below using the Moody'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 Agency Bonds	$64,940,614			$31,355,472	$96,296,086
U.S. Treasury Notes	2,760,180			(452)	2,759,728
Commingle fixed income fund				195,192,685	195,182,685
Corporate Bonds	34,110,113	$58,259,056	$3,558,365	22,025,736	117,953,270
Total Debt Securities	$101,810,907	$58,259,056	$3,558,365	$248,573,441	$412,191,769

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, 2014, 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.

6. 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, 2014, 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, 2014, 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, 2014 was $37,635,421 and the market value of the collateral received for those securities on loan was $40,220,781. 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, 2014.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
Lent for cash collateral:			
Stock	$15,863,006	$17,700,020	103.1 %
Corporate Bonds	3,041,953	3,129,100	102.6
Lent for noncash collateral:			
U.S. Treasury Notes & Bonds	16,862,196	17,285,340	102.6
Stock	969,589	1,046,397	109.4
U.S. Agencies	402,754	553,474	137.4
Total securities lent	$37,635,421	$40,220,781	106.9 %

7. Capital Assets:

The capital assets purchased as of the fiscal year ending June 30, 2014 consist of leasehold improvements, office equipment and office furniture. All capital assets are recorded at cost less accumulated depreciation.

Capital Assets	Accumulated Cost	Accumulated Depreciation	Capital Assets
Leasehold Improvements	$1,449,678	($850,077)	$599,601
Office Furniture	348,401	(340,280)	8,121
Office Equipment	385,986	(296,056)	89,930
Total Capital Assets	$2,184,065	($1,486,413)	$697,652

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 position. 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 fiduciary net position.

The table below summarizes the fair value of foreign currency contracts as of June 30, 2014:

Currency	Receivables at Cost	Receivables at Market	Payables at Cost	Payables at Market	Net Unrealized Gain/(Loss)
Australian Dollar	$8,409,090	$8,422,286	($8,409,090)	($8,583,136)	($160,850)
Canadian Dollar	12,917,027	12,928,353	(12,917,027)	(13,369,215)	(440,862)
Chinese Yuan Renminbi	399,707	399,707	(399,707)	(408,702)	(8,995)
Euro Currency	8,047,015	8,047,015	(8,047,015)	(8,024,614)	22,401
Hong Kong Dollar	45,847	45,847	(45,847)	(45,858)	(11)
Japanese Yen	9,106,622	9,106,622	(9,106,622)	(9,283,529)	(176,907)
Mexican New Peso	7,591	7,591	(7,591)	(7,574)	17
New Zealand Dollar	1,370,289	1,370,289	(1,370,289)	(1,409,767)	(39,478)
Norwegian Krone	1,339,766	1,339,766	(1,339,766)	(1,313,049)	26,717
Pound Sterling	525,791	525,791	(525,791)	(533,759)	(7,968)
Singapore Dollar	1,980,467	1,980,467	(1,980,467)	(1,996,126)	(15,659)
Swedish Krona	1,295,169	1,295,169	(1,295,169)	(1,275,544)	19,625
Swiss Franc	7,824	7,824	(7,824)	(7,900)	(76)
U.S. Dollar	11,423,146	11,429,122	(11,423,146)	(11,423,146)	5,976
Total Currency	$56,875,351	$56,905,849	($56,875,351)	($57,681,919)	($776,070)

9. Net Pension Liability:

The following schedules are the Net Pension Liability (NPL) as of June 30, 2014 and the sensitivity of the of NPL to the discount rate.

Net Pension Liability

The components of the net pension liability of the Plan at June 30, 2014 were as follows:

Total pension liability	$2,210,319,978
Less: Plan fiduciary net position	1,499,236,391
Net Pension Liability	$ 711,083,587
Plan fiduciary net position as a percentage of the total pension liability	67.8%

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made the contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the pension liability schedule presents the net pension liability of the Plan calculated using the discount rate 7.75 percent as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

Sensitivity of the pension liability to changes in the discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate - Active Participants	6.75%	7.75%	8.75%
Discount Rate - Retired Participants	5.55%	6.55%	7.75%
Plan's net pension liability	$956,658,959	$711,083,587	$503,501,031
Plan fiduciary net position as a percentage of the total pension liability	61.0%	67.8%	74.9%

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2014. The information presented below is in the required supplementary schedules of this report on page 36.

Actuarial funding method:	Entry Age Normal Method. Effective June 30, 2012
Amortization period:	Level dollar, open for 20 year period, decreased each year until 2031 at which time to be fully paid. Effective Jun 30,2011.
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	7.75%
Post-retirement	6.55%
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.
Mortality:	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvement using Scale AA.

The last actuarial experience study covered the period 7/1/2006 through June 30, 2010. Generally, an experience study is conducted every five years, unless requested by the ERS Board of Trustees.

10. *Commitments:*

The System has at June 30, 2014 committed to fund certain alternative investment partnerships in the amount of $840,000,000. Funding of $620,420,136 has been provided leaving an unfunded commitment of $ 219,579,864.

11. *Subsequent Events:*

The Plan evaluated subsequent events through November 8, 2014 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to November 8, 2014 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2014.

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Required Supplementary Information and Supporting Schedules

Employees' Retirement System City Of Baltimore, Maryland
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2014

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended June 30, 2014

Total Pension Liability	
Service cost (MOY)	$ 26,483,854
Interest (includes interest on service cost)	148,861,690
Changes of benefit terms	(1,001,048)
Difference between expected and actual experience	13,956,452
Changes of assumptions	0
Benefit payments, including refund of members contributions	(129,973,970)
Net change in pension liability	58,326,978
Total pension liability - beginning	**2,151,993,000**
Total pension liability - ending	**$ 2,210,319,978**
Plan fiduciary net position	
Contributions - employer	$ 94,917,886
Contributions - members	3,623,467
Net investment income	209,647,169
Benefit payments, including refund of member contributions	(129,973,970)
Adminstrative expense	(3,711,975)
Net change in plan fiduciary net position	$ 174,502,577
Plan fiduciary net position - beginning	**1,324,733,814**
Plan fiduciary net position - ending	**1,499,236,391**
Net pension liability - ending	**$ 711,083,587**
Plan fiduciary net postion as a percentage of the total pension liability	67.83%
Covered employee payroll	$ 401,291,783
Net pension liability as a percentage of covered employee payroll	177.20%

Note: This schedules is intended to present information for 10 years. However until a full 10-year trend is compiled, the System will present information for those years for which information is available.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarial determined contribution	$ 91,286,000	$ 88,300,214	$ 77,995,003	$ 62,374,396	$ 48,748,397	$ 43,673,027	$ 43,918,411	$ 36,841,351	$ 31,003,063	$ 23,624,914
Contributions in relations to actuarially determined contribution	94,917,886	88,300,214	77,995,003	62,374,396	48,748,397	43,673,027	43,918,411	36,841,351	31,003,063	23,624,914
Contribution deficiency (excess)	$ (3,631,886)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 401,291,783	$ 392,868,271	$ 390,557,576	$ 392,941,135	$ 401,328,980	$ 398,009,463	$ 367,517,243	$ 346,391,734	$ 331,888,386	$ 320,985,908
Contributions as a percentage of employee payroll	23.65%	22.48%	19.97%	15.87%	12.15%	10.97%	11.95%	10.64%	9.34%	7.36%

Notes to Schedule

Valuation Date	July 1, 2012
Timing	Actuarial determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	Level percent of pay closed period with 19 years remaining as of July 1, 2012
Discount rate	7.75% until retirement, 6.55% after retirement
Social Security Wage Base	3.00%
Inflation	2.75%
Salary increases	Age base salary scale
Mortality	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvements using Scale AA

A complete description of the method and assumtions used to determine contribution rates for the fiscal year ending June 30, 2014 can be found in July 1, 2012 actuarial valuation report

Employees' Retirement System
City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	15.2%	12.8%	-1.7%	19.9%	-11.3%	-18.1%	-5.1%	18.3%	-10.7%	-8.8%

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, 2014. Additional information follows from the latest actuarial valuation report.

Actuarial cost method:	Entry age normal cost, effective June 30, 2012.
Amortization period:	Level dollar, open, 20-year period, decreased each year until 2031 at which time to be fully paid. 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%
Post-retirement	6.55%
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.

2. 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.

3. 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%.

4. 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 $48,748,397 for fiscal year 2010 to $62,374,396 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.

5. 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 $77,995,003 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%.

6. The total recommended contribution increased by 13.2% from $77,995,003 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 $10,305,211. 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.

7. 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.

8. The total recommended contribution increased by 2.4% from $94,917,886 for fiscal year 2014 to $97,170,796 for fiscal year 2015 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2013. Fiscal year 2013 contributions were paid in two installments. Interest receivable on the installments will be calculated with the actuarial results.

   Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS members and eliminating the post retirement variable benefit increase. The Ordinance provides that effective July 1, 2013 members will contribute 1% of pay, to continue each year at 1% increments provided that 2% compensation is received for each year of contribution until employee contributions reach 5% of compensation.

9. Plan C member contributions were contingent upon increases in pay which were yet to be negotiated at the time the July 1, 2013 valuation was completed and when the City made the contribution for fiscal year 2014, the City contribution was not offset for Plan C member contributions. To account for member contributions and credits to the City funding requirement, the fiscal year 2015 contribution of $97,170,796 previously calculated as of July 1, 2013 valuation was adjusted to account for expected Plan C member contributions of 2% of pay resulting in a net City contribution of 90,489,236. The City contribution is further reduced for payments made in excess of required contribution after adjusting for member contributions actually received. This results in a net recommended City contribution of $86,857,159 for FYE 2015.

10. For fiscal year 2016, the required contributions after adjusting for expected member contributions is $86,974,700 is further reduced to $77,100,574 after the recognition of accumulated employee contribution credits. After the contribution is made for fiscal year 2016 there should be no further catch-up adjustments for the phase-in of member contributions.

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2014

Salaries and wages:		
Permanent full-time salaries	$ 1,677,255	
Overtime	493	
Total salaries and wages		$ 1,677,748
Other personnel costs:		
Social security	160,871	
Medical insurance and health care	264,983	
Other	45,845	
Total other personnel costs		471,699
Contractual services:		
Lease purchase agreements	264,999	
Computer network services	359,897	
Actuarial services	111,499	
Retirement payroll processing	192,963	
Professional services	275,585	
Data processing services	12,000	
Audit Fees	29,400	
Printing	15,008	
Trustee Education	41,118	
Postage	22,802	
Telephone systems	22,381	
Lease of business machines	9,011	
Advertising	4,510	
Dues and publications	6,664	
Equipment maintenance	11,899	
Staff training	4,203	
Miscellaneous	12,236	
Legal fees	1,874	
Total contractual services		1,398,051
Materials and supplies:		
Office Supplies		19,752
Depreciation expense		144,725
Total administrative expenses		$ 3,711,975

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2014

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 7,768,122
Investment consultant fees	255,000
Custodial fees	94,246
Subtotal	8,117,368
Securities lending fees	614,421
Total investment expenses	**$ 8,731,788**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
Pension Technology, Inc.	$ 269,700	Benefits Adminstration System
LRWL, Inc.	177,888	Benefits Administration System Project Manager
Cheiron, Inc.	96,560	Actuarial Services
Sona Network	55,688	Computer Network Services
Baltimore City Department of Audits	29,400	Financial Audit
BellaArt	21,154	Web and Graphic Communications
Total of payments to consultants	**$ 650,389**	

Note: A schedule of fees and commissions is also illustrated in the Investment Section on page 55.

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Investment Section

Employees' Retirement System City Of Baltimore, Maryland
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2014

MarquetteAssociates

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

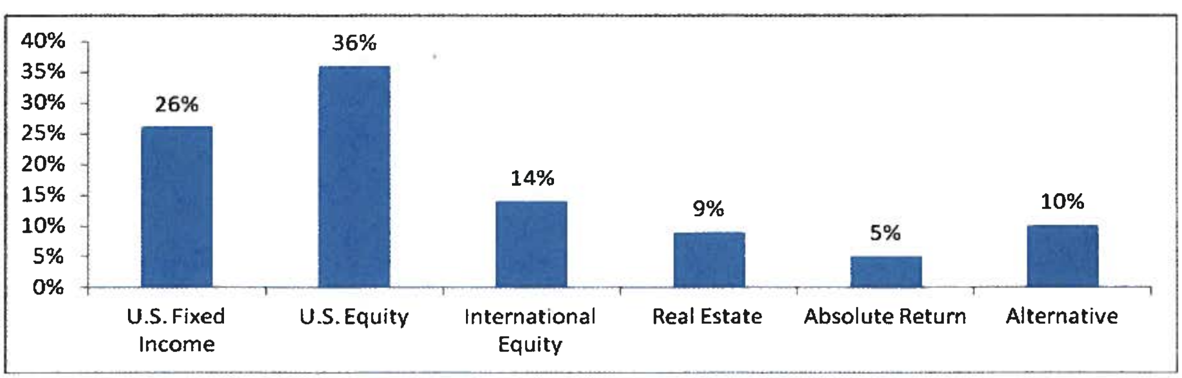
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 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. Given the risk in a lower interest rate fixed income market environment, the System conducted an analysis of potential changes to the fixed income portfolio. As a result, a global fixed income allocation was implemented over the summer of 2013. In addition, the System has reviewed the overall private equity program. The System has evaluated additional exposure to direct private equity funds in-line with policy targets. By partnering with current private equity managers, the System will achieve greater diversification at a reduced cost. The following table outlines the ERS's investment policy targets:



Investment Objective

The investment return is evaluated against a policy benchmark consisting of 36% Russell 3000, 14% MSCI ACWI ex US, 26% 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 198 Public Funds. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of 32 different investment consulting firms located throughout the United States.

Market Overview

For a second year in a row, the U.S. Equity markets posted strong double digit gains for the fiscal year ended June 30, 2014. The stock market benefited from an improving job recovery and strength in corporate earnings. International markets also rallied as Europe announced programs to spur economic growth particularly in the peripheral countries. Also in developed international countries, Japan introduced an economic policy agenda targeting greater growth. As a result, the domestic stock market as proxied by the Russell 3000 Index returned 25.2% and the international stock market as proxied by the MSCI All Country World ex-US Index returned 22.3%. In domestic markets, large-cap stocks outpaced small-cap stocks as valuations were more favorable in large company names. Fixed income markets also posted positive returns, yields in the intermediate section of the yield curve fell and slightly rose in the longer maturity issues. Investors continued to reward higher yielding fixed income issues. Fixed income returned 4.4% as proxied by the Barclays Capital Aggregate Index. Private core real estate continued to perform well as the asset class was fueled by investor appetite for greater yields. The asset class returned 11.2% as proxied by the NPI Index.

Investment Performance

For the fiscal year ending June 30, 2014, the System posted a strong 16.2% return which outpaced the policy benchmark of 15.3% and ranked in the top half of the peer group universe. The alternative asset classes such as private equity, private real estate, and hedge funds all solidly outpaced their respective benchmarks over the past year. The private equity program posted the best relative returns as direct fund investments added significant value. The real estate portfolio also posted strong gains versus its benchmark. The domestic equity portfolio lagged from its exposure to small-cap equity as small company stocks fell behind their larger counterparts. The addition of global fixed income accounted for a meaningful amount of the outperformance versus the broad fixed income market.

The market value of the ERS assets increased from $1.33 billion on June 30, 2013 to $1.50 billion on June 30, 2014. The increase in the Total Fund market value for this report was attributable to capital appreciation and cash flow activity. At the end of fiscal year 2014, 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	$563.3	37.6%	24.8%	25.2%
International Equity	220.7	14.7%	18.4%	22.3%
U.S. Fixed Income	405.3	27.0%	4.6%	4.4%
Real Estate	145.9	9.7%	13.2%	11.2%
Private Equity	85.6	5.7%	18.5%	7.3%
Hedge Funds	74.4	5.0%	10.6%	7.6%
Cash Equivalents	4.7	0.3%		
Total Fund	$1,500.1	100.0%	16.2%	15.3%

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Employees' Retirement System
City of Baltimore, Maryland
OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

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

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

General Investment Policy

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

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

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

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

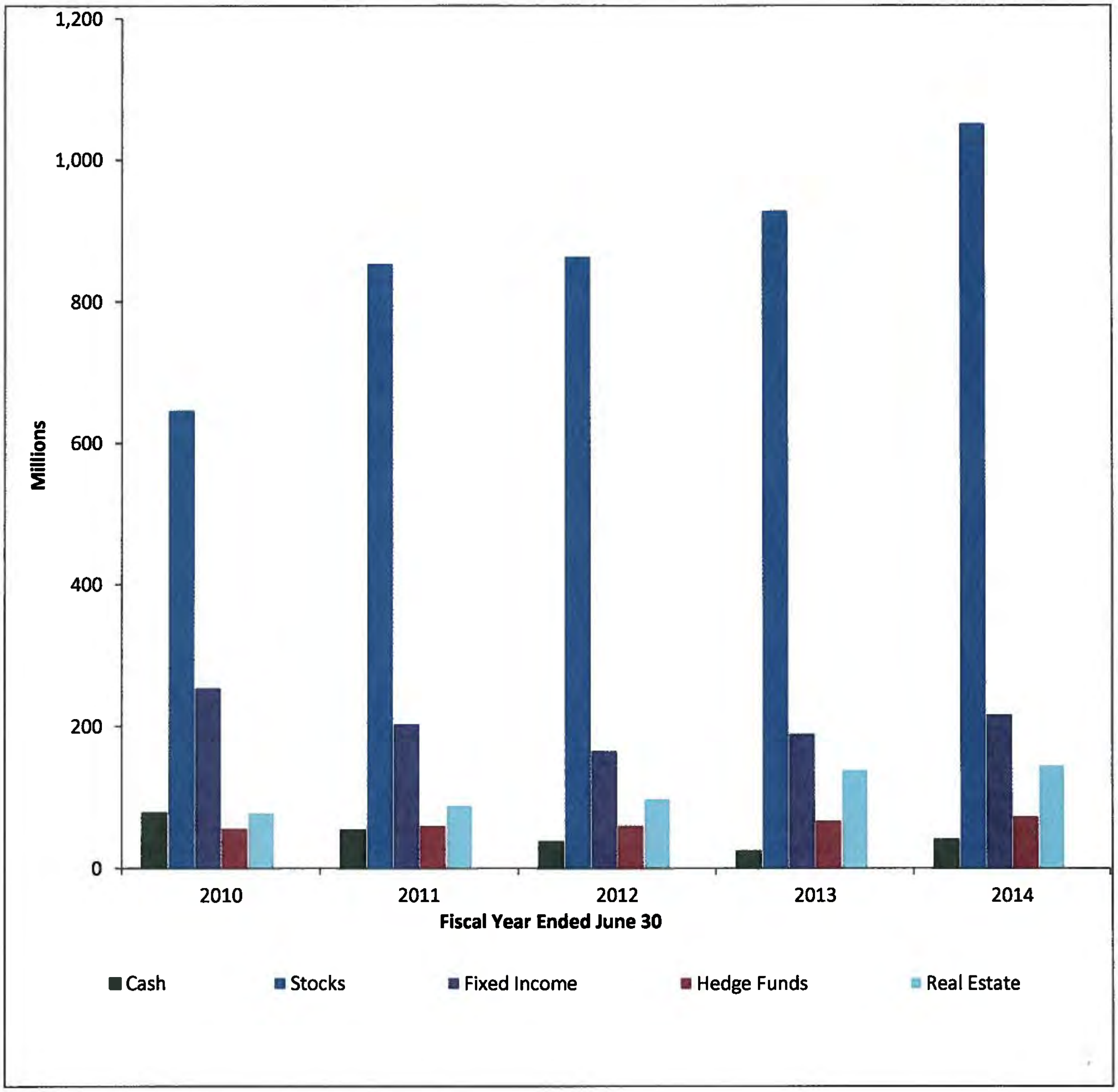
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to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



(amounts expressed in millions)

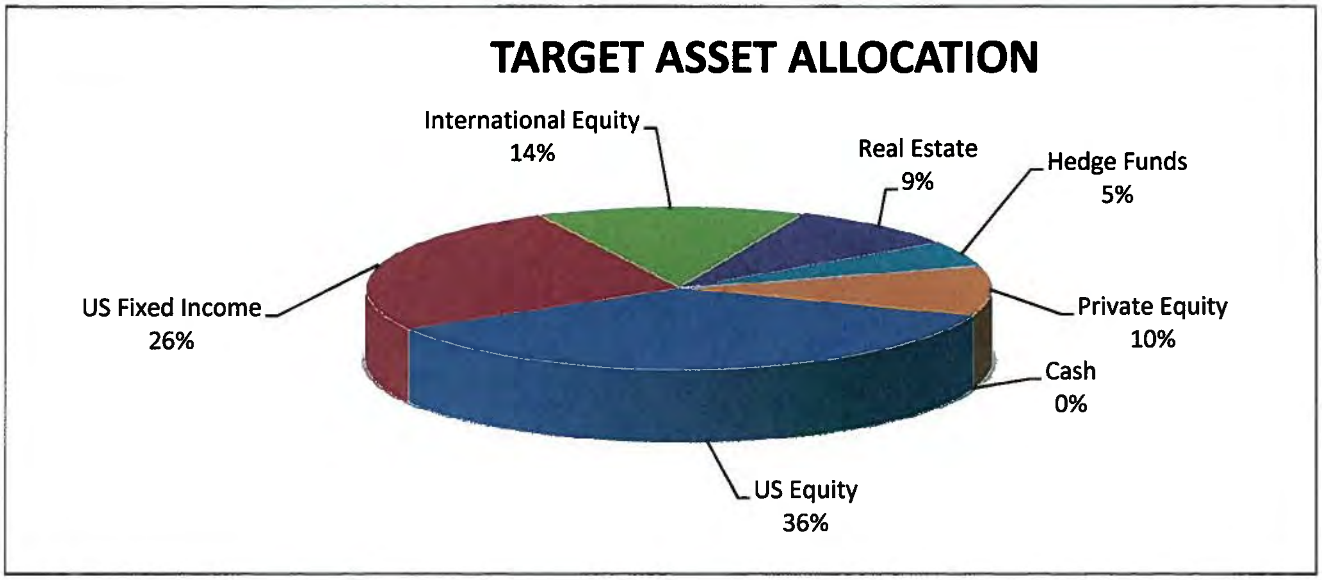
	2010		2011		2012		2013		2014	
Cash	$ 79	7%	$ 55	4%	$ 38	2%	$ 25	2%	$ 41	3%
Stocks	647	58	854	68	864	70	929	69	1,052	69
Fixed Income	255	23	204	16	166	14	190	14	217	14
Hedge Funds	57	5	61	5	61	5	68	5	74	5
Real Estate	79	7	89	7	99	8	140	10	146	9
Total	$ 1,117	100%	$ 1,263	100%	$ 1,228	100%	$ 1,352	100%	$ 1,530	100%

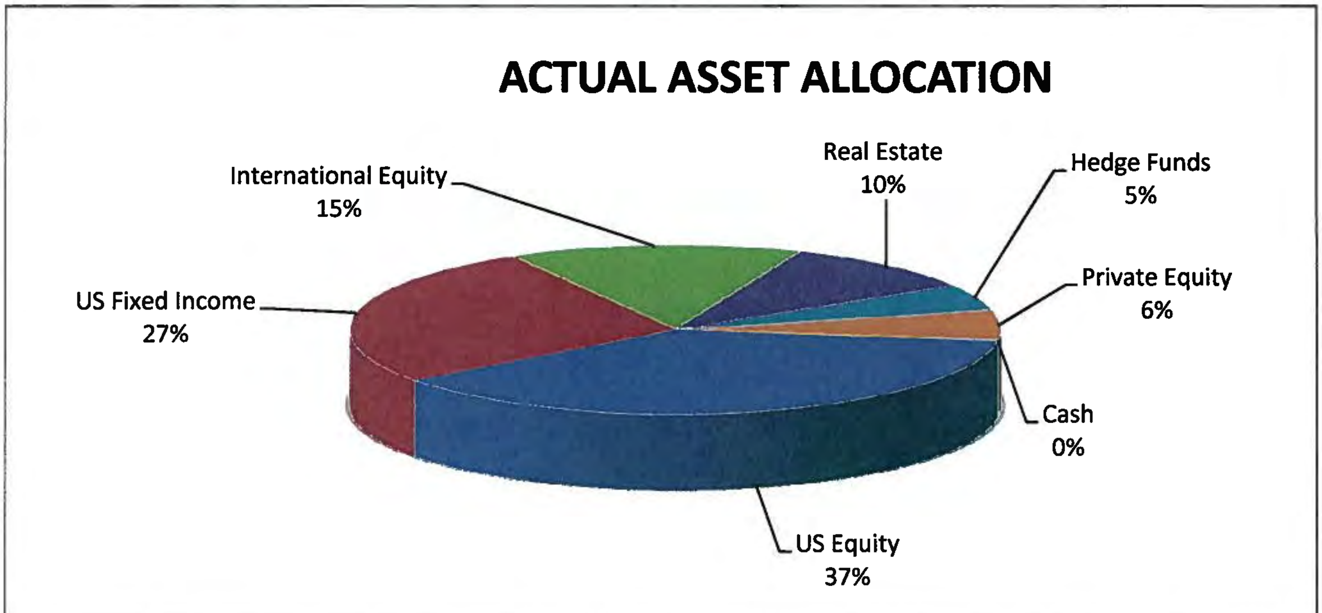
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

		Annualized		
	FY 2014	3 Years	5 Years	10 Years
TOTAL PORTFOLIO	16.2 %	10.3 %	12.5 %	7.3 %
Median Public Pension Fund	15.3	10.4	12.5	8
DOMESTIC EQUITIES	24.8	16.5	19.3	8.3
Russell 3000	25.2	16.5	19.3	8.2
INTERNATIONAL EQUITIES	18.4	5.3	11.4	7.4
MSCI ACWI ex-US	22.3	6.2	11.6	8.2
FIXED INCOME	4.6	4.2	6.4	5
Barclays Aggregate	4.4	3.7	4.9	4.9
REAL ESTATE	13.2	10.9	7.6	5.6
NPI	11.2	11.3	9.7	8.6
PRIVATE EQUITY COMPOSITE	24.4	15.0	18.4	9.3
Venture Economics Private Equity	24.7	16.3	19.2	8.2
HEDGE FUNDS	10.6	6.5	6.5	-
HFRI Fund of Funds	7.6	3.3	4.2	3.4

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 Investorforce Public Universe.

Employees' Retirement System
City of Baltimore, Maryland
ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS
June 30, 2014





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, 2014. 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 FAIR VALUE
June 30, 2014

		Shares	Fair Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	INTEL CORP	163,200	$ 5,042,880
2	CHEVRON CORP	36,360	4,746,798
3	ALLSTATE CORP/THE	78,600	4,615,392
4	UNITEDHEALTH GROUP INC	55,900	4,569,825
5	PFIZER INC	137,608	4,084,205
6	SBA COMMUNICATIONS CORP	39,300	4,020,390
7	MICROSOFT CORP	95,900	3,999,030
8	DAVITA HEALTHCARE PARTNERS INC	52,800	3,818,496
9	WAL-MART STORES INC	49,600	3,723,472
10	ALLIANCE DATA SYSTEMS CORP	13,000	3,656,250
	Total		$ 42,276,738
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	BOSKALIS WESTMINSTER GROEP NV	50,050	$ 2,870,210
2	ROTORK ORD 5P	61,736	2,818,433
3	SYMRISE AG NPV (BR)	50,801	2,767,909
4	CHRISTIAN HANSEN HOLDING A/S	58,753	2,474,117
5	CRODA INTL ORD 10P	65,485	2,464,449
6	CAPITAMALL TRUST SGD1 UNITS	1,441,000	2,282,898
7	MTU AERO ENGINES AG	22,565	2,075,826
8	SAI ENGINEERING CO SGD0.10	495,000	2,005,174
9	BODYCOTE PLC	160,414	1,885,702
10	VICTREX ORD 1P	63,310	1,842,425
	Total		$ 23,487,144
TOP TEN DOMESTIC FIXED INCOME HOLDINGS			
1	U S TREASURY NOTE 1.375% 09/30/2018 DD 09/30/11	9,900,000	$ 9,887,625
2	U S REASURY NOTE 3.500% 08/01/2044 DD 08/01/14	9,000,000	9,236,250
3	U S TREASURY NOTE 1.625% 08/15/2022 DD 08/15/12	7,900,000	7,500,102
4	US TREASURY NOTE 1.500% 08/31/2018 DD 08/31/11	6,400,000	6,433,472
5	U S TREASURY NOTE 4.500% 07/01/2044 DD 07/01/14	5,000,000	5,414,850
6	U S TREASURY NOTE 1.000% 08/31/2019 DD 08/31/12	4,090,000	3,950,695
7	US TREASURY NOTE 4.000% 07/15/2044 DD 07/01/14	3,000,000	3,204,390
8	US TREASURY NOTE 4.000% 07/01/2044 DD 07/01/14	3,000,000	3,183,750
9	U S TREASURY NOTE 2.000% 09/30/2020 DD 09/30/13	2,400,000	2,404,512
10	U S TREASURY NOTE 3.500% 07/01/2044 DD 07/01/14	2,300,000	2,367,574
	Total		$ 53,583,220

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2014

	Fair Value	Percentage of Fair Value
Stock:		
Technology	$ 78,227,013	
Financial Services	73,234,602	
Utilities	13,491,226	
Health Care	42,162,660	
Consumer Durables	3,487,493	
Energy	44,692,851	
Consumer Services	37,501,461	
Capital Goods	7,608,808	
Business Services	30,957,746	
Chemicals	10,304,887	
Wholesale Distribution	5,468,661	
Consumer Non-Durables	16,164,998	
Media	9,650,172	
Transportation	20,011,177	
Basic Industries	7,635,999	
Total stock	400,599,754	
Other		
Commingled funds	152,744,294	
International stock	217,707,324	
Private equity	85,929,493	
Total other	456,381,111	
Total stock	**856,980,865**	**57.54%**
Fixed Income:		
U.S. securities and agencies		
U.S. agencies	96,296,086	
Treasury notes and bonds	2,759,728	
Total U.S. securities and agencies	99,055,814	
Corporate:		
Financial	73,932,621	
Non- U.S. fixed income	32,021,935	
Energy	2,467,838	
Utilities	2,049,692	
Consumer Non-Durables	1,943,108	
Industrial	1,920,578	
Health Care	1,748,763	
Communications	1,512,872	
Transportation	355,863	
Total corporate	117,953,270	
Commingle fixed income fund	195,182,685	
Total fixed income	**412,191,769**	**27.67%**
Other investments:		
Real estate	145,898,526	
Hedge Funds	74,422,529	
Total other investments	**220,321,055**	**14.79%**
Total investments	**$ 1,489,493,689**	**100.00%**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2014

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 748,526,733	$ 2,290,716
Fixed income	217,009,084	705,376
International equity	217,707,324	1,246,068
Real estate	145,898,526	1,308,857
Securities Lending	20,829,120	614,421
Hedge funds	74,422,529	696,625
Venture Capital	51,433,269	736,662
Private equity	34,496,224	782,893
Total investment managers' fees		**$ 8,381,617**
Other investment service fees:		
Custodial fees		$ 94,245
Investment consultant fees		255,000
Total other investment service fees		**$ 349,245**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2014 amounted to $339,096.
A list of the brokers receiving more than $3,600 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Financial Partners	$ 54,150	Jefferies & co. Inc, New York	$ 4,991
BNY Convergex, New York	41,951	Credit Agricole Secs USA Inc, New York	4,785
Goldman Sachs & Co. NY	13,423	Barclays Capital LE Jersey City	4,722
Merrill Lynch Pierce Fenner Smith Inc.	12,249	RBC Capital Markets LLC, New York	4,670
Deutsche BK Secs Inc, NY (NWSCUS33)	10,212	G-Trade Services Ltd, Hamilton	4,655
Keefe Bruyette and Woods, Jersey City	9,272	J P Morgan Secs. Ltd, London	4,618
Morgan Stanley & Co. Inc, NY	7,307	Legent Clearing Corp, Omaha	4,610
Morgan Stanley DW Inc, Jersey City	6,711	Credit Suisse, New York (CSUS)	4,535
Knight Equity Markets L.P., Jersey City	5,769	Wells Fargo Securities LLC, Charlotte	3,995
Merrill Lynch Intl London Equities	5,703	Raymond James & Assoc Inc, St. Petersburg	3,961
J P Morgan Securities Inc, Brooklyn	5,482	Investment Technology Group, New York	3,860
Loop Cap Markets LLC, Chicago	5,207	UBS Securities LLC, Stamford	3,672

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.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT PROFESSIONALS

EQUITY MANAGERS

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

Rothschild Asset Mgmt. Inc.
Mirka Luoto
New York, New York

TimesSquare Capital Mgt.LLC
Joseph B. DeVera, Sr.
New York, New York

EQUITY FUND OF FUNDS

Group Advisor

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

The Ithaka Group
Amanda Sawyer
Bethesda, Maryland

Martin Investments
Patrick Martin
Evanston, Illinois

Denali Advisors
Robert Snigaroff
La Jolla, California

Hanoverian Capital
Kristen E. Voigtsberger
Kenneth Square, Pennsylvania

Lombardia Capital
Wendell Williams
Pasadena, California

WCM Investment Management
Nelvon E. Farias
Laguna Beach, California

Algert Coldiron Investors, LLC
James Shin, John Keady & Kevin Coldron
San Francisco, California

INTERNATIONAL EQUITY MANAGERS

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

Mondrian Investment Partners
Laura Conlon
Philadelphia, Pennsylvania

Lazard Asset Management. LLC
Eric B. McKee
New York, New York

HEDGE FUND MANAGERS

Corbin Capital Partners, LP
Craig Bergstrom, CFA
New York, New York

Grosvenor Capital Management, LLC
Sean J. Conroy
Chicago, Illinois

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT PROFESSIONALS

FIXED INCOME MANAGERS

Semper Capital Mgt. (UCM Partners)
Thomas Mandel
New York, New York

PIMCO
Edward Devlin
New York, New York

Manulife Asset Mgt.
Nancy C. Irving
Boston, Massachusetts

REAL ESTATE MANAGERS

American Realty Advisors
Stanley Iezman
Glendale, California

Ares Capital Mgt. (AREA)
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
Terri A. Herubin
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

SECURITIES LENDING

BNY Mellon Global Securities Lending
Renee Rawls
Pittsburgh, Pennsylvania

TACTICAL ASSET ALLOCATION

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

GLOBAL CUSTODIAN

BNY Mellon Asset Servicing
Sarah Baulch
Pittsburgh, Pennsylvania

INVESTMENT ADVISOR

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

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Actuarial Section

Employees' Retirement System City Of Baltimore, Maryland
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2014

December 1, 2014

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

Re: 2014 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, 2014, determined the employer's contribution for the plan year beginning July 1, 2015. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest is historically made during the 2015 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. 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 as of July 1, 2011, 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 City Code requires a periodic review of the assumptions by the Actuary. The most recent review examined experience from 2006 to 2010 and resulted in changes that were incorporated in the June 30, 2011 valuation. The current assumptions are a reasonable estimate of the anticipated experience of the System.

The 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 is 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.

Board of Trustees
Employees' Retirement System
December 1, 2014
Page ii

The assumptions and methods used in determining the assets, liabilities, and the annual required contributions of the employer as defined by the Governmental Accounting Standards Board meet the parameters set by GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. 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.

To the best of our knowledge, the exhibits that make up the actuarial section of this report and its contents when taken in context with our full valuation report as of July 1, 2014 have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this 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.

Sincerely,
Cheiron

Kenneth Kent, FSA, FCA. EA
Principal Consulting Actuary

Anu Patel, FSA, EA
Consulting Actuary

Attachments

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Method of Funding:	The Entry 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.
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: The actuarial value of assets is the fair value less cumulative unallocated earnings. Any contribution receivable for the upcoming fiscal year (as determined in the prior year's valuation) is added to the results. 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.
Job Elimination Benefit:	A liability load of 1.75% is applied to active retirement benefits to account for value of this benefit.
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 7.75% 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 7.10%. The liability weighted return on assets for next year's valuation will be based on the rates listed in the discount rate section above.

Salary Scale: (Effective 7/1/2011)

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 Adjustment:	1.50% for in-actives in pay status under age 65 and 2.0% over age 65. No variable benefit, effective June 30,2013.
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, 2014 actuarial valuation report. Sample rates as follow:

Rates of Retirement

Age	Less than 30 years	30 years	More than 30 years
45-54	0.00	0.20	0.10
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	0.00080	0.00030	0.00005
30	0.00059	0.00004	0.00008	0.00089	0.00038	0.00005
35	0.00115	0.00008	0.00016	0.00105	0.00052	0.00005
40	0.00236	0.00008	0.00016	0.00151	0.00077	0.00005
45	0.00425	0.00012	0.00024	0.00234	0.00103	0.00005
50	0.00675	0.00020	0.00039	0.00391	0.00155	0.00005
55	0.01043	0.00024	0.00047	0.00693	0.00265	0.00005
60	0.00579	0.00027	0.00055	0.01284	0.00534	0.00005
65	0.00130	0.00038	0.00076	0.02178	0.01017	0.00005
69	0.00078	0.00039	0.00078	0.03127	0.01440	0.00005

* Rates for individuals who are the age shown as of 6/30/14.

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. Retirees and Beneficiaries rates effective 6/30/2014.

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
6/30/2005	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
6/30/2013	9,004	392,868,271	43,633	1.7
6/30/2014	8,904	401,291,783	45,069	3.3

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
6/30/2005	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
6/30/2012	497	10,860,356	451	4,339,871	8,739	120,972,909	5.7	13,843
6/30/2013	501	10,216,250	432	5,192,731	8,808	125,996,428	4.2	14,305
6/30/2014	421	10,499,144	336	5,588,634	8,893	130,906,938	3.9	14,720

* 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:								
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)	(4)
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
6/30/2013	2,688,948	1,270,442,197	44,651,885	834,209,969	1,465,943,503	100	100	100	17.8
6/30/2014	5,070,338	1,312,440,514	52,060,082	840,749,044	1,540,327,375	100	100	100	20.3

Employees' Retirement System
City of Baltimore, Maryland
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) FY2013	Gain / (Loss) FY2014
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.	$ (6,585,000)	$ 964,000
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(1,689,000)	(4,669,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(3,096,000)	(3,591,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(2,796,000)	(7,667,000)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	18,091,000	5,589,000
Investment Income* If there is greater investment income than assumed, there is a gain. If less, a loss.	(40,132,000)	(10,346,000)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. (includes PuBF G/(L))	3,620,000	3,717,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(2,011,000)	(8,232,000)
Plan Changes or Increase in Periodic Pension Plan changes or one time increase in the periodic benefit payments.	0	1,001,000
Assumption, Method and Plan Changes Changes due to assumption changes and/or changes in accounting and liability.	0	0
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	1,420,000	(68,000)
Gain or (Loss) During Year From Financial Experience	$ (33,178,000)	$ (23,302,000)

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 the following pre-tax contributions as a percentage of earnable compensation:

July 1, 2013 – June 30, 2014	1%
July 1, 2014 – June 30, 2015	2%
July 1, 2015 —June 30, 2016	3%
July 1, 2016 – June 30, 2017	4%
July 1, 2017 – June 30, 2018	5%

Year-to-year increases in the contribution rate are conditioned on members' receiving a raise of at least 2%.

Class A and Class B members contribute 4% of earnable compensation. Class A and Class B 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. For members reemployed after military service, the City will pay their member contributions for the period of military service. If the member terminates City employment before becoming eligible for a retirement benefit or deferred vested benefit, the member will not receive the contributions made by the City for the period of military service.

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.

(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 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. As of June 30, 2013, additional increases have been discontinued. 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 January 1st after the June 30th investment performance determination date.

Statistical Section

Employees' Retirement System City Of Baltimore, Maryland
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2014

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 Fiduciary Net Position
For the Last Ten Fiscal Years

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

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

	2010	2011	2012	2013	2014
Additions					
Contributions					
Employer	$ 48,748,397	$ 62,374,396	$77,995,003	$ 88,300,214	$ 94,917,886
Plan members	215,669	358,202	359,028	223,720	3,623,467
Total contributions	$ 48,964,066	$ 62,732,598	$78,354,031	$ 88,523,934	$ 98,541,353
Investment Income					
Net appreciation in fair value of investments	$ 91,458,311	$ 195,926,226	$18,948,964	$ 135,498,253	$ 192,951,419
Interest, dividends, and real estate income	26,028,223	20,583,936	6,758,532	19,359,439	24,639,052
Less: investment expenses	(5,641,242)	(6,115,531)	(6,155,302)	(6,931,175)	(8,117,367)
Net investment income	$ 111,845,292	$ 210,394,631	$19,552,194	$ 147,926,517	$ 209,473,104
Securities lending income	$ 290,022	$ 283,344	$205,199	$ 359,807	$ 788,486
Securities lending fees	(86,970)	(83,849)	(60,244)	(107,623)	(614,421)
Net securities lending income	$ 203,052	$ 199,495	$144,955	$ 252,184	$ 174,065
Total additions	$ 161,012,410	$ 273,326,724	$98,051,180	$ 236,702,635	$ 308,188,522
Deductions					
Retirement allowances	$ 108,225,770	$ 112,642,028	$118,802,304	$ 124,059,639	$ 129,205,776
Adminstrative expenses	3,061,461	3,189,932	3,297,684	3,554,942	3,711,975
Death benefits	791,170	546,942	1,289,869	689,223	699,991
Lump cash payments	155,564	123,425	73,596	157,082	63,979
Refund of Contributions	334	95,936	9,088	6,381	4,224
Total deductions	$ 112,234,299	$ 116,598,263	$123,472,541	$ 128,467,267	$ 133,685,945
Net increases / (decreases)	$ 48,778,111	$ 156,728,461	($25,421,361)	$ 108,235,368	$ 174,502,577
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,036,413,235	$ 1,085,191,346	$1,241,919,807	$ 1,216,498,446	$ 1,324,733,814
Ending Balance	$ 1,085,191,346	$ 1,241,919,807	$1,216,498,446	$ 1,324,733,814	$ 1,499,236,391

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)
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
2013	148,178,701	88,300,214	22.5	223,720	236,702,635
2014	209,647,169	94,917,886	23.7	3,623,467	308,188,522

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
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
2013	124,905,944	6,381	3,554,942	128,467,267
2014	129,969,746	4,224	3,711,975	133,685,945

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

Years of Credited Service	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0-4	2,572	2,188	2,124	2,306	2,714	2,675	2,426	2,051	1,811	1,766
5-9	1,708	1,833	1,789	1,812	1,826	1,917	1,929	2,033	2,181	2,215
10-14	896	940	1,093	1,304	1,406	1,376	1,422	1,426	1,425	1,430
15-19	1,684	1,560	1,286	949	724	705	710	817	988	1,054
20-24	1,201	918	974	1,166	1,320	1,307	1,192	979	721	550
25-29	784	1042	1036	976	929	794	707	772	892	992
30+	567	712	733	767	800	906	1,007	1,029	986	897
Total Members	9,412	9,193	9,035	9,280	9,719	9,680	9,393	9,107	9,004	8,904
Average Service Credit	13.58	13.80	13.83	13.56	13.17	13.27	13.58	13.92	13.92	13.83
Average Age	47.89	48.32	48.64	48.66	48.61	48.96	49.35	49.74	49.89	49.89

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2014

Age	Number of Recipients	TYPE OF RETIREMENT* 0	1	2	3	4
0-29						
30-39	8				8	
40-44	12				11	1
45-49	49	1	0	7	40	1
50-54	159	28	0	39	87	5
55-59	637	166	160	125	177	9
60-64	1,173	447	351	187	181	7
65-69	1,520	762	429	192	128	9
70-74	1,261	699	335	138	82	7
75-79	1,034	539	322	110	52	11
80-84	757	386	260	79	24	8
85 and up	839	531	207	68	24	9
Totals	7,449	3,559	2,064	945	814	67
Average Annual Benefit	$16,011	$21,678	$6,947	$19,888	$9,301	$20,968

*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, 2014

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	19	4	2	1	10		2	
25-29	1				1			
30-34	1	1						
35-39	1			1				
40-44	1				1			
45-49	10	2	1	2	3	1	1	
50-54	32	9	7		13		3	
55-59	75	28	11	6	15	1	14	
60-64	142	61	17	8	46		10	
65-69	162	71	30	16	27	3	15	
70-74	200	81	40	19	38	1	18	3
75-79	230	111	55	13	37	2	9	3
80-84	253	135	56	21	19	6	15	1
85 and up	317	204	47	5	29	2	20	10
Totals	1,444	707	266	92	239	16	107	17
Average Annual Benefit	$8,058	$9,537	$3,881	$9,635	$5,094	$10,373	$11,333	$22,258

*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
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
2013	103,423,042	8,739,976	157,082	388,447	1,187,725	689,223	1,438,353	7,413,884	1,468,211	124,905,943
2014	109,671,716	8,037,114	63,979	375,308	1,211,845	699,991	1,449,557	7,541,396	1,388,342	130,439,248

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2004 to June 30, 2014	0-10	11-15	16-20	21-25	26-30	31+
Period 7/1/04 to 6/30/05						
Average-Average Final Compensation	$ 4,243	$ 7,666	$ 9,035	$ 16,084	$ 24,289	$ 22,906
Average Monthly Benefit	354	639	753	1,340	2,024	1,909
Total No. of Retirees	43	52	59	49	64	89
Period 7/1/05 to 6/30/06						
Average-Average Final Compensation	$ 4,626	$ 6,828	$ 9,248	$ 14,239	$ 19,758	$ 22,146
Average Monthly Benefit	386	569	771	1,187	1,647	1,845
Total No. of Retirees	31	19	40	37	48	127
Period 7/1/06 to 6/30/07						
Average-Average Final Compensation	$ 3,655	$ 3,014	$ 8,286	$ 17,796	$ 15,907	$ 17,140
Average Monthly Benefit	305	251	690	1,483	1,326	1,428
Total No. of Retirees	19	13	25	21	23	214
Period 7/1/07 to 6/30/08						
Average-Average Final Compensation	$ 3,696	$ 4,667	$ 13,036	$ 15,064	$ 21,561	$ 24,142
Average Monthly Benefit	308	389	1,086	1,255	1,797	2,012
Total No. of Retirees	43	33	32	41	47	82
Period 7/1/08 to 6/30/09						
Average-Average Final Compensation	$ 3,519	$ 5,281	$ 8,791	$ 12,402	$ 23,574	$ 27,618
Average Monthly Benefit	293	440	733	1,033	1,965	2,301
Total No. of Retirees	57	57	56	29	48	100

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2004 to June 30, 2014	0-10	11-15	16-20	21-25	26-30	31+
Period 7/1/09 to 6/30/10						
Average-Average Final Compensation	$ 4,827	$ 6,280	$ 11,509	$ 16,805	$ 18,071	$ 27,500
Average Monthly Benefit	402	523	959	1,400	1,506	2,292
Total No. of Retirees	53	49	37	54	53	110
Period 7/1/10 to 6/30/11						
Average-Average Final Compensation	$ 4,734	$ 6,761	$ 9,531	$ 17,815	$ 23,557	$ 31,207
Average Monthly Benefit	395	563	794	1,485	1,963	2,601
Total No. of Retirees	43	47	52	52	72	99
Period 7/1/11 to 6/30/12						
Average-Average Final Compensation	$ 4,650	$ 6,476	$ 10,482	$ 15,218	$ 24,713	$ 29,932
Average Monthly Benefit	387	540	874	1,268	2,059	2,494
Total No. of Retirees	66	59	26	52	60	111
Period 7/1/12 to 6/30/13						
Average-Average Final Compensation	$ 4,617	$ 6,752	$ 10,773	$ 13,446	$ 22,034	$ 30,751
Average Monthly Benefit	385	563	898	1,120	1,836	2,563
Total No. of Retirees	67	59	39	61	55	105
Period 7/1/13 to 6/30/14						
Average-Average Final Compensation	$ 5,365	$ 7,901	$ 10,578	$ 15,161	$ 22,880	$ 29,604
Average Monthly Benefit	447	658	882	1,263	1,907	2,467
Total No. of Retirees	67	69	32	57	60	135

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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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