Employees' Retirement System

CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND

ERS EMPLOYEES' RETIREMENT SYSTEM of the CITY OF BALTIMORE

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

Employees' Retirement System

CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND

PREPARED BY

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

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

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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, 2015

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H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

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, 2014

Jeffrey R. Emer

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 11, 2015

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Employees' Retirement System of the City of Baltimore, Maryland (ERS, System, and Plan) a component unit of the City of Baltimore, Maryland (City) for fiscal year ended June 30, 2015. 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, on page 18.

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 79. 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

An *Experience Study* was conducted for years 2010 through 2014 that resulted in the Board accepting recommendations for economic and demographic assumption changes from the Actuary. The recommended changes included: reduction in various demographic rates by switching to updated tables for calculating active, retired, termination, retirement and disability projections. Economic assumption changes included decreases: in future salary increases, in the actuarial rate of interest by 0.25 basis points to 7.50% for actives and 6.30% for retirees. Other approved changes included adding explicit administrative expenses to the annual cost calculation, and lowering the inflation assumption from .10%.

Legislative Mandate: Elements of pension reform continued to provide cost savings to the City. "Class C" members of the Plan contributed a second year of mandatory phased-in employee contributions at a rate of 2%. Contribution for "Class C" members is now 3.0% of pay for fiscal year 2016, and will continue at 1% each year to cap at 5% in 2018.

Technology: Enhancement to the ERS PensionPro Benefits Administration System (BAS) was made to accommodate legislative provisions for the new City retirement "Plan D" that began accepting new members in July of 2014. After the one year qualifying period, the first ERS "Class D" members began enrollment into the Plan starting on July 1, 2015 with a mandatory contribution of 5%.

We also launched the *Member Self Service portal*. This is a web based sub-system of the ERS PensionPro (BAS) that gives active and retired members access to their retirement information. It also allows active members to process estimate calculation of their future benefit using "what-if" scenarios.

For the first time in the history of the Plan, Annual Member Benefit Statements (AMBS) were produced and mailed to all eligible active members enrolled as of June 30, 2014. Going forward, the AMBS will be updated annually and posted on the MSS portal for members to view or print as needed.

Financial and Economic Summary 2015

ERS investments return at the end of the 2015 fiscal year was driven by global macro events and strong U.S. economic fundaments. During this period, elevated concerns over weakness in emerging markets, divergent central banks policies, and Greece debt negotiations dominated the headlines, while causing uncertainty and high volatility in most financial markets. Central banks in Asia and Europe began loosening up their monetary policies by implementing quantitative easing (QE), as the U.S. continued to signal an imminent interest rate hike. The Fed held firm, by taking no action. They cited positive economic data in the U.S., growth in employment and housing, moderate to low inflation in both the developed and emerging markets and other central bank monetary policies (QE), as reasons for their decision of no rate hike.

Notwithstanding the major global events, ERS posted a strong relative return of 4.6% for the 2015 fiscal year, outperforming the policy benchmark of 4.2% and ranking in the 9^{th} percentile among its peers. This resulted in a $33 million or 2.2% growth in total Plan net assets to $1,532 billion from the previous fiscal year. Strong performance from private equity and real estate contributed. However, compared to the 2014 fiscal year, investment return fell short of the actuarial assumption rate, illustrating fall outs from financial markets anxiety and global macro events. Basically, market activities wiped away most of the earlier earnings growth in US & Non-US stocks as proxy by major indexes returns as of June 30, 2015.

Investment Summary

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 System's investment objective is to earn or exceed the actuarial assumption rate, or to outperform its policy benchmark of 4.2%. The System outperformed its policy benchmark with a return of 4.6% on investments but fell short of the 7.75% actuary interest rate. Recognizing that the System's investment is structured with a long term focus, we are beginning to see signs of improvement in the funding ratio for example, which is now at 72%. The three and five year periods of annualized returns are also strong at 11.0% and 10.9% respectively.

The investment 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 46 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

An actuarial valuation report is prepared annually by the Board's Actuary to determine appropriate assumptions and funding requirements. As of June 30, 2015, the System's actuarial value of assets grew to $1,615 million or a 4.19% increase over the 2014 value of assets. This was however, insufficient to offset the accrued liability of $2,253 million in 2015. The Net Pension Liability (NPL) is provided on page 36. It is the difference between the Total Pension Liabilities (TPL) less the Plan Fiduciary Net Position (FNP).

For funding purposes, the investment return actuarial assumption rate is 7.75% for active members and 6.55% for retired members. There were no actuarial assumption changes for the 2015 fiscal year. FNP which consists of contributions and investment income exceeded the fund's cost resulting in an increase in the NPL by approximately $10.0 million. A decline in the unfunded actuarial liability by about 1% to $637.5 million resulted in FNP, on a fair value of asset basis, being 72.0% of the TPL. As of June 30, 2015, NPL is at $721 million, an increase of $11 million to 2014. Normal cost, which is the cost for purchasing pension years of service, increased from 6.51% to 7.32%. The fixed 20 year amortization period of 100% funding is now in the fourth year, with 16 years of amortization periods remaining. All data related to GASB 67 is provided in the required supplementary information section beginning on page 36.

The required employer contribution is also determined actuarially, based on prior years' experience and results of the recently adopted changes such as member contributions. After necessary adjustment for employee contributions of 2.0%, the recommended net lump sum Employer's contribution for fiscal year 2015 was $97.2 million an increased of 2.4% compare to fiscal year 2014. Overall, this represents an increase in cost as a percentage of pay from 23.65% to 23.81%.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded ERS a Certificate of Achievement for Excellence in Financial Reporting by for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the 32nd consecutive year (fiscal years 1983-2014) 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.

The 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 countless contributions. This report is provided to the Elected City Officials, City Agency Heads and other interested parties. Copies are also filed with the Baltimore City Office of Legislative Reference. Other interested parties may obtain the report through the ERS website located at www.bcers.org.

Finally, I'd like to thank the Board for their significant contributions in overseeing the management of the System and to the members of the Plan for their confidence in the plan management during the past years.

Respectfully submitted,

Roselyn H. Spencer

Roselyn H. Spencer
Executive Director & Chief Investment Officer

CITY OF BALTIMORE

SHEILA DIXON, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM

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

December 11, 2015

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

What a difference a year makes! 2015 was an unpredictable financial year, for many reasons, but most importantly due to anticipation of the long awaited Federal Reserve interest rate hike that was not acted upon. It was also a year of economic slowdowns, diversions in central bank activities, and single digit returns. As global events impacted market developments and investment opportunities, ERS saw some of its earlier gains decrease.

In spite of these events, the Baltimore City Employees' Retirement System was one of the best performing public pension plans, with strong relative investment returns of 4.6% for the fiscal year. This performance placed the ERS in the 9th percentile compared to its public funds peers.

As provided for in the ERS plan provisions, all eligible ERS retirees and beneficiaries will receive an annual post-retirement benefit increase of 1.5% or 2% respectively, starting in January 2016.

Earlier in the year, ERS announced that the Member's Self-Service (MSS) web portal became available to all active and retiree members. I hope that you have had an opportunity to access the portal to receive information about your benefits. I also hope that active members will use the MSS to execute benefits estimates using a "what if" scenario.

The Board composition experienced changes during the year. Mr. Thomas Corey, one of the Active Member Trustee Representatives, retired. Mr. Corey was replaced by Mr. Gary Gilkey, Chief of Labor & Employment with the City of Baltimore Law Department. Tom, as some of you know, is a very amiable individual who was fully involved in Board activities and made numerous contributions. We are thankful to Mr. Corey for his service and will certainly miss his affability. Gary is a long-time City employee with valuable legal experience. He will bring a new perspective to the Board. The Trustees, staff and I are eager to expand his involvement.

To the remaining Board members, I am thankful for their contributions in handling the business of the ERS and Other Post Employee Benefits (OPEB) Trust fund. They bring outstanding due diligence and the utmost care to handling the Board's activities.

Finally, the Board and I are grateful to Executive Director Roselyn Spencer and her staff for their tremendous effort in consistently providing the members and retirees with exceptional service. To our members and beneficiaries, we appreciate the enduring confidence that you place in us, and we will continue our efforts in maintaining your trust.

Sincerely,

Joan M. Pratt, CPA

Joan M. Pratt, CPA, Chair
Board of Trustees

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

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

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

City of Baltimore
Employees' Retirement System
Ian Berger

ACTUARY

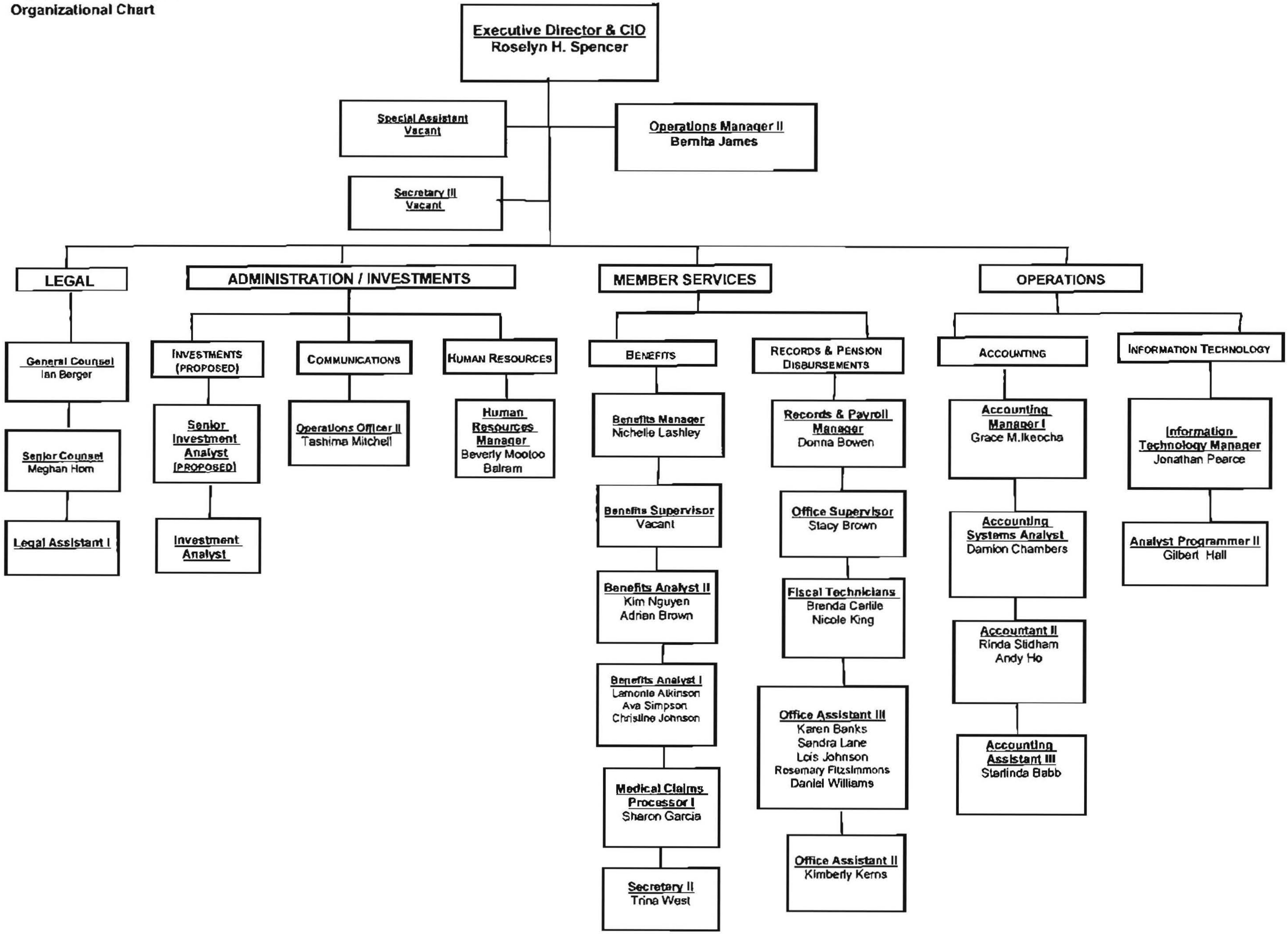
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

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, 2015

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, 2015, 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, 2015, 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 $331 million (21% 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 System's 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 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 11, 2015

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, 2015 and 2014. 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 2015 is $1.532 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 $32.7 million, compared to last year's increase of $174.5 million. The net investment income decrease compared to the prior year 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, 2015 was 4.6% compared to the fiscal year ended June 30, 2014 return of 16.2%. The rate of return for fiscal year 2015 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, 2015, the Plan's net position as a percentage of the total pension liability was 68.0%. In general, this indicates that the Plan has approximately $0.68 of assets to cover every dollar of benefits due.

- Revenues (Additions to Plan Net Position) for the year were $170.7 million. Revenues include member and employer contributions of $97.2 million, employee contributions of $6.7 million net investment income of $66.6 million, and net securities lending income of $0.2 million.

- Expenses (Deductions from Plan Net Position) increased by $4.3 million to $138.0 million from the prior year expenses of $133.7 million. The expenses are primarily comprised of retirement allowances.

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 position restricted for pensions and operating expenses at June 30, 2015. 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 position 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 Schedules of Changes in Net Pension Liability and Related Ratios, Employer Contributions, Investment Returns and Notes to Required Supplementary Information. 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 2015, assets exceeded liabilities by $1.532 billion. The net position is available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2015, total net position increased by 2.2% 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 2015	Fiscal Year 2014	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,531,009,786	$1,510,322,809	$20,686,977	1.4%
Other Assets	123,522,308	123,141,343	380,965	.3%
Total Assets	1,654,532,094	1,633,464,152	21,067,942	1.3%
Total Liabilities	122,597,828	134,227,761	(11,629,933)	(8.7)%
Total Net Position	$1,531,934,266	$1,499,236,391	$32,697,875	2.2%

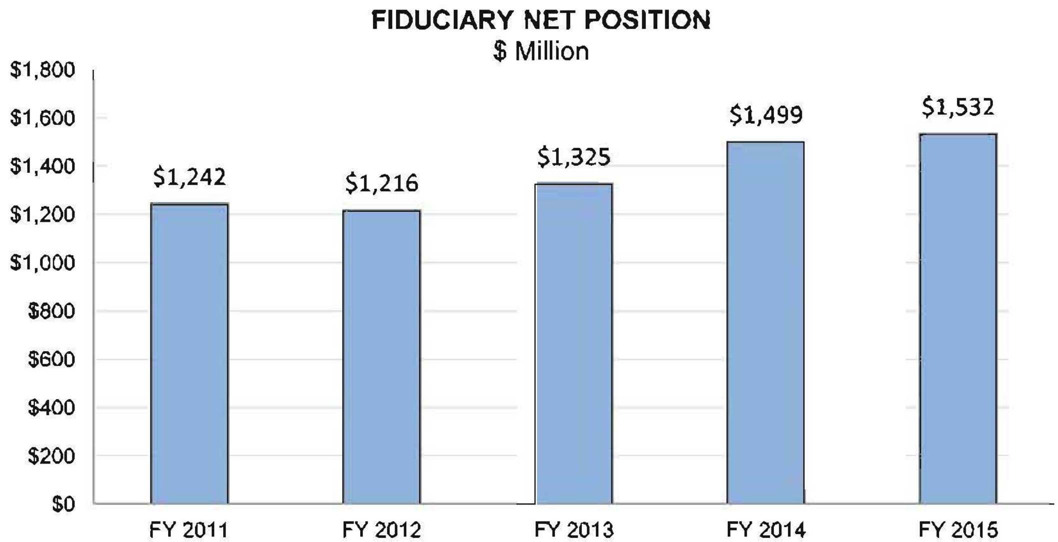
Investment Assets

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, 2015 was 4.6%, an 11.60% decrease compared to the fiscal year 2014 rate of return of 16.2%. The annualized rate of return for the last three, five and ten year periods ended June 30, 2015 were 11.0%, 10.9% and 6.8%, 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 private equity and real estate investments of the Plan's portfolio.

The Plan invests in domestic equities, international equities, domestic fixed income, real estate, commingle funds (which are investments in domestic equities and domestic fixed income), global equities 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, 2015.



Liabilities

The liabilities are payables incurred by the transaction activity of the investment assets, securities lending, the retirement benefit expenses, and operating expenses of the Plan.

Changes in Fiduciary Net Position	Fiscal Year 2015	Fiscal Year 2014	Increase / (Decrease)
Additions			
Employer Contribution	$ 97,170,796	$ 94,917,886	$2,252,910
Members Contributions	6,728,131	3,623,467	3,104,664
Net Investment Income	66,609,808	209,473,104	(142,863,296)
Net Securities Lending Income	208,232	174,065	34,167
Total Additions	170,716,967	308,188,522	(137,471,555)
Deductions			
Retirement Allowances	$133,129,502	$129,205,776	$3,923,726
Administrative Expenses	3,748,434	3,711,975	36,459
Death Benefits	943,540	699,991	243,549
Lump Sum Cash Payments	125,608	63,979	61,629
Refund of Members' Contribution	72,008	4,224	67,784
Total Deductions	138,019,092	133,685,945	4,333,147
Net Increases (Decreases)	$ 32,697,875	$174,502,577	($141,804,702)

Contributions and Investment Income

Employer contributions increased by 2.37% over last year's contributions. The employer's contributions are actuarially based and are calculated a fiscal year in advance. Member contribution's increased by $3.1 million due to 1% increase in members mandatory contributions. The decrease in net investment income by $142.9 million was primarily due to underperformance in domestic and international equities. Alternative investments outperformed their benchmark for the fiscal year. Net investment income includes investment expenses as a deduction. Investment expenses and securities lending fees were $9.4 million fiscal year 2015, 8% more than fiscal year 2014.

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 administrative expenses of the Plan. The primary source of expense during fiscal year 2015 was for the payment of continuing retirement benefits totaling $133.1 million, compared to $129.2 million for fiscal year 2014. Retirement allowances increased $3.9 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, 2015

Assets		
Cash and cash equivalents		$ 56,324,758
Receivables:		
Investments sold	$ 21,398,517	
Foreign currency contracts	42,542,824	
Accrued income	2,599,707	
Other receivables	87,807	
Total receivables		66,628,855
Investments, at fair value:		
Domestic equities	464,682,385	
International equity	210,542,534	
Domestic fixed income	200,361,830	
Commingled fixed income	198,903,632	
Real estate	155,533,144	
Private Equity	97,775,735	
Global equities	94,850,794	
Hedge funds	77,465,200	
Total investments		1,500,115,254
Capital assets	2,200,023	
Depreciation of capital assets	(1,631,328)	
Net capital assets		568,695
Securities lending collateral		30,894,532
Total assets		1,654,532,094
Liabilities		
Foreign currency contracts	42,542,824	
Securities lending collateral	30,894,532	
Investments purchased	45,798,763	
Investment management fees payable	1,090,585	
Other accounts payable	1,946,938	
Administrative expenses payable	324,186	
Total liabilities		122,597,828
Net position restricted for pensions		$ 1,531,934,266

Employees' Retirement System
City of Baltimore, Maryland
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

Additions		
Contributions		
Employers	$ 97,170,796	
Plan members	6,728,131	
Total contributions		$ 103,898,927
Investment Income		
Net depreciation in fair value of investments	(14,411,263)	
Interest and dividend income	90,342,747	
Less: Investment expenses	(9,321,676)	
Net investment income		66,609,808
Securities lending income	297,447	
Less: Securities lending fees	(89,215)	208,232
Total additions		170,716,967
Deductions		
Retirement allowances	133,129,502	
Adminstrative expenses	3,748,434	
Death benefits	943,540	
Lump sum cash payments	125,608	
Refund of members contributions	72,008	
Total deductions		138,019,092
Net increase		32,697,875
Net position restricted for pensions		
July 1, 2014		1,499,236,391
June 30, 2015		$ 1,531,934,266

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

1. Summary of Significant Accounting Policies:

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

Basis of Accounting:
These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due. 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 fair 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-fair value daily based on published fair value prices and quotations from national securities exchanges or securities pricing services. The changes in fair 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.

2. 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, 2015, the ERS membership consisted of:

Active Plan Members	8,673
Retirees and Beneficiaries - currently receiving benefits	8,898
Terminated Plan Members - entitled to but not yet receiving benefits	1,068
Total Membership	18,639

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 17 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 of 8,656 members 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 hybrid 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 mandatory 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.

3. Contributions:

Article 22 of the Baltimore City Code grants the authority to establish and 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 2.0% for the fiscal year beginning July 1, 2014 through June 30, 2015.

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, 2014 will receive the minimum guaranteed benefit increase and is payable on January 1, 2016.

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, 2015 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Government Agency Bonds	$57,255,966
U.S. Treasury Notes and Bonds	23,611,726
Commingled fixed income fund	198,903,632
Corporate Bonds	119,494,138
Total Debt Securities	399,265,462
Equities:	
Domestic equity	464,682,385
International equity	210,542,534
Real estate	155,533,144
Global equity	94,850,794
Private equity	97,775,735
Hedge funds	77,465,200
Total Other	1,299,753,422
Total Investments	$1,500,115,254

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, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.3 %
Domestic fixed income	.1 %
International equity	6.2 %
Real Estate	5.8 %
Hedge Funds	3.2 %
Private Equity	10.9 %

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return of the Plan was 4.6%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expense, adjusted for the changing amounts actually invested. The inflation rate as of June 30, 2015 was 2.65%.

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	$ 57,255,966	4.27
U.S. Treasury Notes and Bonds	23,611,726	11.80
Corporate Bonds	119,494,138	4.95
Commingle fixed income fund*	198,903,632	
Total Debt Securities	$399,265,462	

* *Commingled fixed income fund duration is not available.*

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, 2015 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	$57,255,966				$57,255,966
U.S. Treasury Notes	23,611,726				23,611,726
Commingle fixed income fund				198,903,632	198,903,632
Corporate Bonds	39,876,936	$52,114,739	$3,119,392	24,383,071	119,494,138
Total Debt Securities	$120,744,628	$52,114,739	$3,119,392	$223,286,703	$399,265,462

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, 2015 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, 2015 is presented in the following table:

Currency	Total
Euro Currency Unit	$46,907,166
British Pound Sterling	40,516,018
Japanese Yen	22,539,548
Singapore Dollar	13,444,366
Australian Dollar	11,682,342
Hong Kong Dollar	10,885,057
Swiss Franc	8,724,010
Canadian Dollar	8,028,042
New Zealand Dollar	6,438,908
Danish Kroner	5,698,035
Swedish Krona	5,486,298
S African Comm Rand	3,083,908
South Korean Won	1,953,542
Norwegian Krone	1,845,501
Phillippines Peso	1,663,224
Mexican Peso	1,200,747
Thailand Baht	985,229
Indonesian Rupiah	648,279
Mexican New Peso	510,588
Brazil Real	461,153
Polish Zloty	271,617
New Turkish Lira	197,112
Total Foreign Currency Securities	193,170,690
U.S. Dollars held by International Investment Managers	112,222,638
Total Foreign Currency Exposure	$305,393,328

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, 2015, 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 fair value of domestic securities loaned, including all accrued income, and 105% of the fair value of international securities loaned, including all accrued income. If the fair 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 fair value daily. As of June 30, 2015, 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, 2015, 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 fair value of securities on loan at June 30, 2015 was $54,692,596 and the fair value of the collateral received for those securities on loan was $56,678,301. 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, 2015.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
Lent for cash collateral:			
Equity	$28,536,688	$29,706,163	104.1%
Corporate Fixed Income	1,153,487	1,188,369	103.0
Lent for noncash collateral:			
U.S. Treasury Notes & Bonds	15,012,255	15,329,333	102.1
Equity	8,929,991	9,355,344	104.8
U.S. Agencies	1,060,175	1,099,092	103.1
Total securities lent	$54,692,596	$56,678,301	103.0%

7. Capital Assets:

The capital assets purchased as of the fiscal year ending June 30, 2015 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	($946,722)	$502,956
Office Furniture	364,359	(345,219)	19,140
Office Equipment	385,986	(339,387)	46,599
Total Capital Assets	$2,200,023	($1,631,328)	$568,695

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 fair value 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, 2015:

Currency	Receivables at Cost	Receivables at Fair value	Payables at Cost	Payables at Fair value	Net Unrealized Gain/(Loss)
Australian Dollar	$5,086,162	$5,086,162	($5,086,162)	($4,958,325)	$127,837
Brazil Real	40	40	(40)	(40)	0
Canadian Dollar	9,293,358	9,293,358	(9,293,358)	(8,986,001)	307,357
Chinese Yuan Renminbi	399,707	399,707	(399,707)	(415,496)	(15,789)
Danish Krone	8,741	8,741	(8,741)	(8,748)	(7)
Euro Currency	7,177,587	7,189,515	(7,177,587)	(7,206,330)	(16,815)
Hong Kong Dollar	103,017	103,017	(103,017)	(103,020)	(3)
Japanese Yen	1,500,225	1,500,225	(1,500,225)	(1,513,795)	(13,570)
Mexican New Peso	98,115	98,115	(98,115)	(96,806)	1,309
New Zealand Dollar	6,042,185	5,933,705	(6,042,185)	(5,520,866)	412,839
Norwegian Krone	1,349,302	1,349,302	(1,349,302)	(1,299,072)	50,230
Pound Sterling	1,997,754	1,996,184	(1,997,754)	(2,068,147)	(71,963)
Singapore Dollar	2,182,450	2,200,031	(2,182,450)	(2,165,083)	34,948
Swedish Krona	1,348,934	1,348,934	(1,348,934)	(1,354,717)	(5,783)
U.S. Dollar	5,955,247	5,952,101	(5,955,247)	(5,955,247)	(3,146)
Total Currency	$42,542,824	$42,459,137	($42,542,824)	($41,651,693)	$807,444

9. Net Pension Liability:

The following schedules are the Net Pension Liability (NPL) as of June 30, 2015 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, 2015 were as follows:

Total pension liability	$2,253,002,106
Less: Plan fiduciary net position	1,531,934,266
Net Pension Liability	$ 721,067,840
Plan fiduciary net position as a percentage of the total pension liability	68.0%

The discount rates used to measure the total pension liability was 7.75% and 6.55%, for active and retired members, respectively. 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%	7.55%
Plan's net pension liability	$969,371,602	$721,067,840	$510,514,104
Plan fiduciary net position as a percentage of the total pension liability	61.2%	68.0%	75.0%

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2015. 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
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	7.75%
Post-retirement	6.55%
Projected salary increases:	Inflation rate approximately 2.65%.
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 7/1/2010 through 6/30/2014. 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, 2015 committed to fund certain alternative investment partnerships in the amount of 225,000,000. Funding of $182,932,541 has been provided leaving an unfunded commitment of $ 42,067,459.

11. *Subsequent Events:*

The Plan evaluated subsequent events through December 11, 2015 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to December 11, 2015 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015.

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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, 2015

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended June 30, 2015

	2015	2014
Total Pension Liability		
Service cost (MOY)	$ 26,107,551	$ 26,483,854
Interest (includes interest on service cost)	152,621,503	148,861,690
Changes of benefit terms	-	(1,001,048)
Difference between expected and actual experience	2,052,377	13,956,452
Changes of assumptions	(3,828,646)	0
Benefit payments, including refund of members contributions	(134,270,657)	(129,973,970)
Net change in pension liability	42,682,128	58,326,978
Total pension liability - beginning	**2,210,319,978**	**2,151,993,000**
Total pension liability - ending	**$2,253,002,106**	**$2,210,319,978**
Plan fiduciary net position		
Contributions - employer	$ 97,170,796	$ 94,917,886
Contributions - members	6,728,131	3,623,467
Net investment income	66,818,040	209,647,169
Benefit payments, including refund of member contributions	(134,270,658)	(129,973,970)
Administrative expense	(3,748,434)	(3,711,975)
Net change in plan fiduciary net position	$ 32,697,875	$ 174,502,577
Plan fiduciary net position - beginning	**1,499,236,391**	**1,324,733,814**
Plan fiduciary net position - ending	**1,531,934,266**	**1,499,236,391**
Net pension liability - ending	**$ 721,067,840**	**$ 711,083,587**
Plan fiduciary net postion as a percentage of the total pension liability	68.00%	67.83%
Covered employee payroll	$ 408,095,216	$ 401,291,783
Net pension liability as a percentage of covered employee payroll	176.69%	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
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarial determined contribution	$ 90,489,000	$ 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
Contributions in relations to actuarially determined contribution	97,170,796	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
Contribution deficiency (excess)	$ (6,681,796)	$ (3,631,886)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 408,095,216	$ 401,291,783	$ 392,868,271	$ 390,557,676	$ 392,941,135	$ 401,328,980	$ 398,009,463	$ 367,517,243	$ 346,391,734	$ 331,888,366
Contributions as a percentage of employee payroll	23.81%	23.65%	22.48%	19.97%	15.87%	12.15%	10.97%	11.95%	10.64%	9.34%

The notes below summarize the key methods and assumptions used to determine the actuarial determined contribution for fiscal year 2015.

Notes to Schedule

Valuation Date	July 1, 2013
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 18 years remaining as of July 1, 2013
Discount rate	7.75% until retirement, 6.55% after retirement
Social Security Wage Base	3.00%
Inflation	2.65%
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, 2015 can be found in July 1, 2013 actuarial valuation report

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Annual money-weighted rate of return, net of investment expense	4.6%	15.2%	12.8%	-1.7%	19.9%	-11.3%	-18.1%	-5.1%	18.3%	-10.7%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented in the required supplementary schedules was determined as part of the actuarial valuation dated July 1, 2013. 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 2.65%. Effective June 30, 2015.
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.

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2015

Salaries and wages:		
Permanent full-time salaries	$ 1,880,626	
Total salaries and wages		$ 1,880,626
Other personnel costs:		
Social security	470,589	
Medical insurance and health care	262,805	
Other	17,324	
Total other personnel costs		750,718
Contractual services:		
Lease purchase agreements	270,296	
Retirement payroll processing	193,399	
Actuarial services	108,895	
Computer network services	99,979	
Professional services	64,129	
Data processing services	36,720	
Audit Fees	35,200	
Trustee Education	29,871	
Printing	28,466	
Postage	22,960	
Telephone systems	16,814	
Equipment maintenance	13,723	
Miscellaneous	12,036	
Lease of business machines	11,117	
Dues and publications	7,654	
Advertising	5,865	
Staff training	3,245	
Total contractual services		960,369
Materials and supplies:		
Office Supplies		11,806
Depreciation expense		144,915
Total administrative expenses		$ 3,748,434

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2015

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 8,960,227
Investment consultant fees	255,000
Custodial fees	106,449
Subtotal	9,321,676
Securities lending fees	89,215
Total investment expenses	**$ 9,410,891**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
Cheiron, Inc.	$ 108,895	Actuarial Services
Sona Network	76,841	Computer Network Services
Pension Technology, Inc.	36,720	Benefits Adminstration System
CliftonLarsonAllen, LLP	35,200	Financial Audit
BellaArt	24,682	Web and Graphic Communications
Total of payments to consultants	**$ 282,338**	

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, 2015

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

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

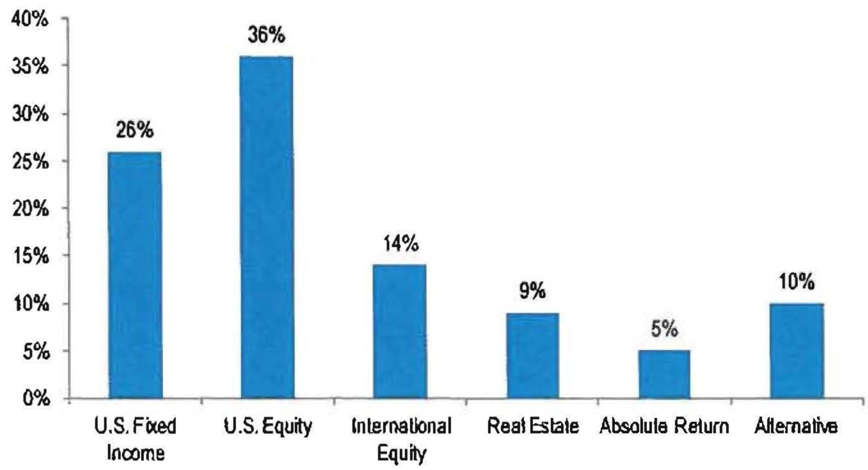
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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. The System reviewed enhancement to 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 System also expanded exposure to global opportunities in both public and private equity and fixed income. The following table outlines the ERS's investment policy targets:



Prepared by Marquette Associates, Inc.

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 226 Public Funds. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of 38 different investment consulting firms located throughout the United States.

Market Overview

Overall, bond and stock market returns for the year ended June 30, 2015 were muted and finished the year below historical averages. Global equity markets took a pause compared to the sharp rise over the past couple years. However, the U.S. far outpaced international equity markets due to stronger economic fundamentals. Unemployment reached near full employment levels in the U.S. with stronger than expected gains in GDP growth for the second quarter. The U.S. Equity market, as proxied by the Russell 3000 Index posted a gain of 7.3% for the year while developed international markets posted a loss of -3.8%. China's slower growth weighed on emerging markets in particular resulting in returns of -4.8% for the year which lagged developed markets. As yields on longer dated bonds slightly decreased over the year, fixed income markets posted a modest gain of 1.9% as proxied by the Barclays Capital Aggregate Bond Index. Higher yielding bond sectors performed best, with bank loans and mortgage backed issues outpacing the broad bond market. The best performing asset class for the year was core real estate with a gain of 13% spurred by continued investor interest and consistent income.

Investment Performance

For the fiscal year ending June 30, 2015, the System posted a 4.6% return which outpaced the policy benchmark of 4.2% and ranked highly, in the 9th percentile of the peer group universe. The alternative asset classes such as private equity and private real estate 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. However exposure to small company names in international markets added value to results.

The market value of the ERS assets remained constant from the prior year at $1.53 billion. The Total Fund market value for this report included both capital appreciation and cash flow activity. At the end of fiscal year 2015, the System's assets were allocated as follows:

	Market Value (in millions)	Percent of Total	Fiscal Year Rate of Return: ERS	Fiscal Year Rate of Return: Benchmark
U.S. Equity	$515.2	33.8%	6.7%	7.3%
International Equity	268.0	17.4%	-3.5%	-4.8%
U.S. Fixed Income	413.6	27.1%	2.0%	1.9%
Real Estate	154.0	10.1%	15.4%	13.0%
Private Equity	94.0	6.1%	12.5%	4.0%
Hedge Funds	77.2	5.1%	3.7%	4.0%
Cash Equivalents	5.9	0.4%		
Total Fund	$1,527.8	100.0%	4.6%	4.2%

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

Prepared by 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%

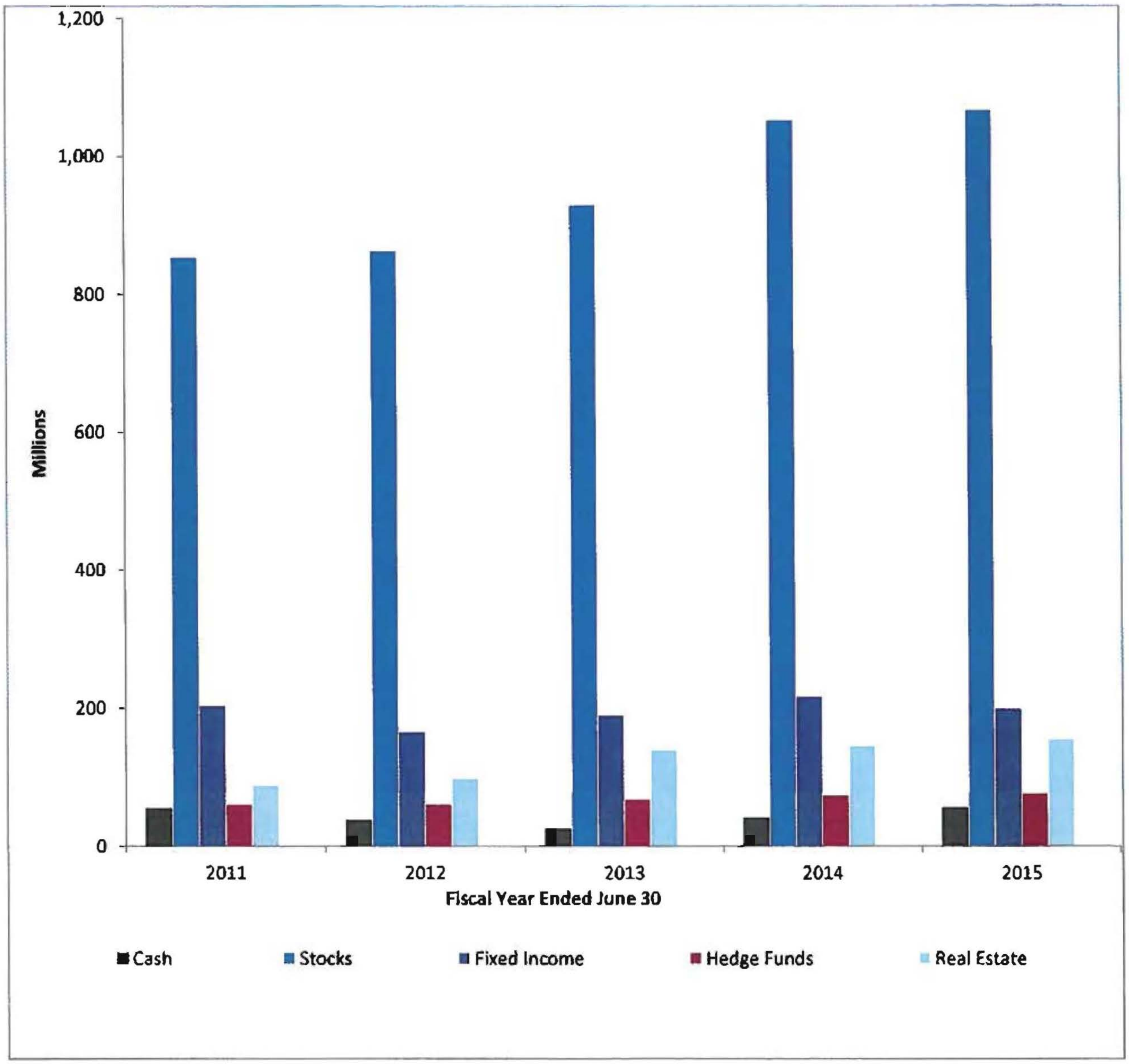
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to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

	2011		2012		2013		2014		2015	
Cash	$ 55	4%	$ 38	2%	$ 25	2%	$ 41	3%	$ 56	3%
Stocks	854	68	864	70	929	69	1,052	69	1,067	69
Fixed Income	204	16	166	14	190	14	217	14	200	14
Hedge Funds	61	5	61	5	68	5	74	5	77	5
Real Estate	89	7	99	8	140	10	146	9	156	10
Total	$ 1,263	100%	$ 1,228	100%	$ 1,352	100%	$ 1,530	100%	$ 1,556	100%

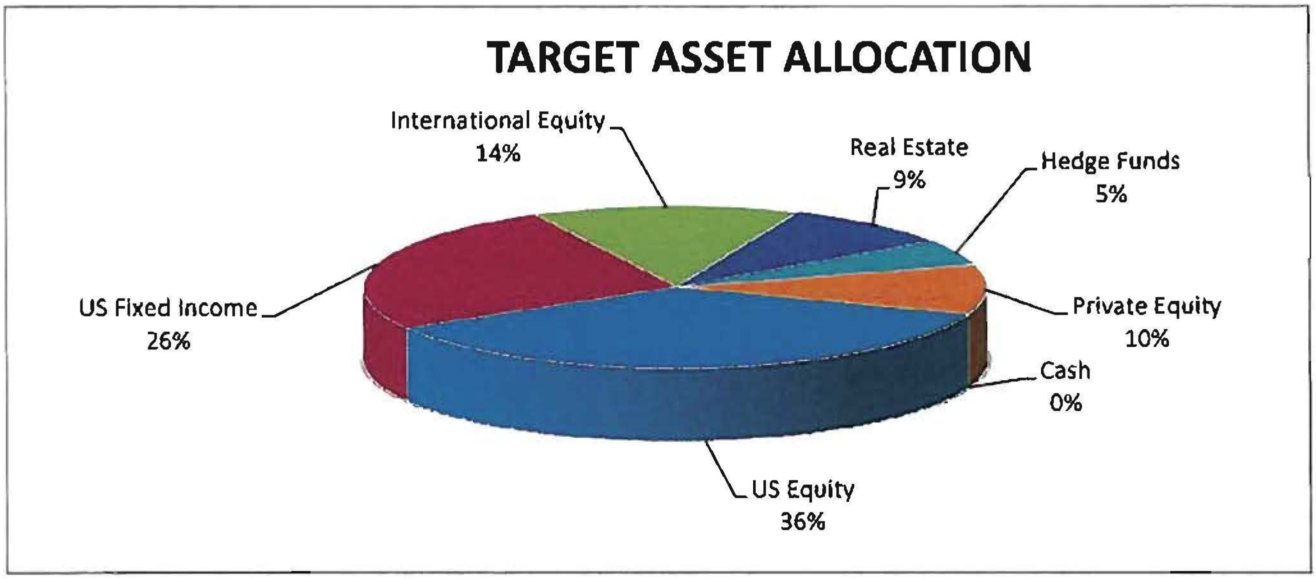
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

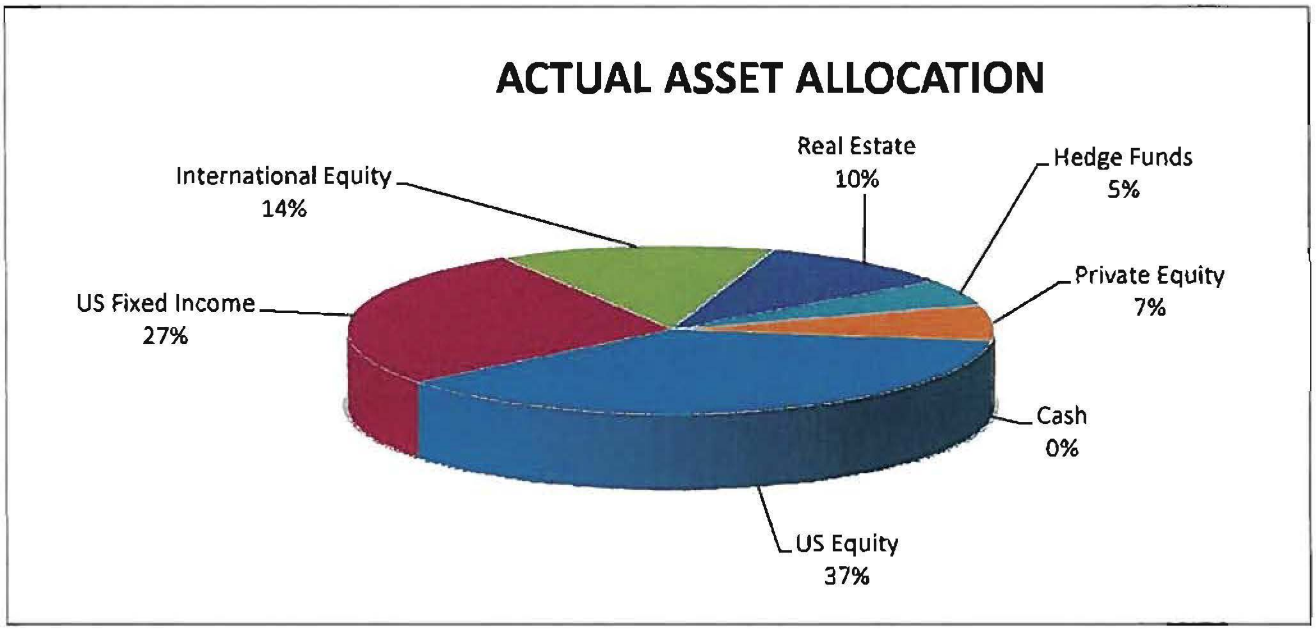
		Annualized		
	FY 2015	**3 Years**	**5 Years**	**10 Years**
TOTAL PORTFOLIO	4.6 %	11.0 %	10.9 %	6.8 %
Median Public Pension Fund	4.2	10.5	10.9	7.2
DOMESTIC EQUITIES	6.7	17.9	17.5	8.2
Russell 3000	7.3	17.7	17.5	8.2
INTERNATIONAL EQUITIES	3.5	9.5	8.1	5.6
MSCI ACWI ex-US	4.8	9.9	8.2	6.0
FIXED INCOME	2.0	2.3	4.0	4.5
Barclays Aggregate	1.9	1.8	3.3	4.4
REAL ESTATE	15.4	13.4	12.9	5.6
NPI	13.0	11.6	12.7	8.2
PRIVATE EQUITY COMPOSITE	1.6	15.2	15.7	8.3
Venture Economics Private Equity	1.4	15.4	16.1	7.5
HEDGE FUNDS	3.7	8.4	5.9	4.1
HFRI Fund of Funds	4.0	6.3	4.1	3.2

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.

ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS

June 30, 2015





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, 2015. 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, 2015

TOP TEN DOMESTIC EQUITY HOLDINGS

		Shares	Fair Value
1	AT&T INC	145,369	$ 5,163,507
2	EXXON MOBIL CORP	53,400	4,442,880
3	UNITEDHEALTH GROUP INC	35,700	4,355,400
4	GENERAL ELECTRIC CO	152,900	4,062,553
5	SBA COMMUNICATIONS CORP	34,100	3,920,477
6	PFIZER INC	116,508	3,906,513
7	ALLIANCE DATA SYSTEMS CORP	12,950	3,780,623
8	VERIZON COMMUNICATIONS INC	80,400	3,747,444
9	JOHNSON & JOHNSON	36,400	3,547,544
10	WAL-MART STORES INC	49,500	3,511,035
	Total		$ 40,437,976

TOP TEN INTERNATIONAL EQUITY HOLDINGS

		Shares	Fair Value
1	DASSAULT SYSTEMS	44,100	$ 3,204,664
2	CRODA INTERNATIONAL PLC	71,431	3,091,584
3	AIA GROUP LTD	452,000	2,958,897
4	CHR HANSEN HOLDING A/S	58,753	2,865,122
5	NESTLE SA ADR	38,100	2,751,849
6	ROTORK PLC	723,930	2,648,208
7	CAPITALAND MALL TRUST	1,544,000	2,465,355
8	WPP PLC	106,200	2,381,716
9	NIFCO INC/ JAPAN	54,600	2,369,354
10	SPIRAX-SARCO ENGINEERING PLC	43,148	2,302,447
	Total		$ 27,039,196

TOP TEN DOMESTIC FIXED INCOME HOLDINGS

		Shares	Fair Value
1	US TREASRY NOTE MAT 07/17/2015	9,900,000	$ 16,696,327
2	US TREASURY NOTE 1.625% 08/15/2022 DD 08/15/12	9,000,000	7,464,226
3	US TREASURY NOTE 3.500% 08/01/2045 DD 08/01/15	7,900,000	7,195,230
4	US TREASURY NOTE 3.000% 07/01/2045 DD 07/01/15	6,400,000	3,486,945
5	US TREASURY NOTE 2.500% 02/15/2045 DD 02/15/15	5,000,000	3,344,304
6	US TREASURY NOTE 4.000% 07/15/2045 DD 07/01/15	4,090,000	3,192,180
7	US TREASURY NOTE 1.375% 02/15/2044 DD 02/15/14	3,000,000	2,167,281
8	US TREASURY NOTE 4.500% 07/01/2045 DD 07/01/15	3,000,000	2,162,180
9	US TREASURY NOTE 3.500% 07/15/2045 DD 07/01/15	2,400,000	2,074,840
10	US TREASURY NOTE VAR RT 08/20/2029 DD 06/01/98	2,300,000	1,905,313
	Total		$ 49,688,826

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2015

	Fair Value	Percentage of Fair Value
Domestic Equity:		
Financial Services	$ 88,443,395	
Technology	60,608,758	
Health Care	38,220,953	
Consumer Services	35,163,573	
Energy	34,366,859	
Business Services	25,572,680	
Utilities	17,987,168	
Consumer Non-Durables	16,069,688	
Transportation	13,465,317	
Media	8,934,761	
Basic Industries	8,439,687	
Chemicals	5,834,379	
Capital Goods	5,590,086	
Consumer Durables	4,579,632	
Wholesale Distribution	3,958,108	
Total domestic equity	367,235,044	
Other		
Commingled funds	164,044,003	
International equity	210,542,534	
Global Non - U.S. equity	28,254,132	
Private equity	97,775,735	
Total other	500,616,404	
Total equity	**867,851,449**	**57.85%**
Fixed Income:		
U.S. securities and agencies		
U.S. agencies	57,255,965	
Treasury notes and bonds	23,611,726	
Total U.S. securities and agencies	80,867,691	
Corporate:		
Financial	73,142,710	
Non- U.S. fixed income	31,680,852	
Health Care	4,131,121	
Industrial	1,950,864	
Utilities	2,042,172	
Transportation	517,091	
Technology	2,020,466	
Consumer Non-Durables	2,973,205	
Energy	1,035,657	
Total corporate	119,494,138	
Commingle fixed income fund	198,903,632	
Total fixed Income	**399,265,461**	**26.62%**
Other investments:		
Real estate	155,533,144	
Hedge Funds	77,465,200	
Total other Investments	**232,998,344**	**15.53%**
Total investments	**$ 1,500,115,254**	**100.00%**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2015

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 464,682,386	$ 1,676,329
International equity	210,542,534	1,029,053
Fixed income	200,361,830	748,737
Commingled fixed income	198,903,632	96,317
Real estate	155,533,144	2,354,394
Global equities	94,850,795	618,959
Hedge funds	77,465,200	738,437
Venture Capital	53,921,754	909,847
Private equity	43,853,981	788,153
Securities Lending	30,894,532	89,215
Total investment managers' fees		**$ 9,049,441**
Other investment service fees:		
Custodial fees		$ 106,449
Investment consultant fees		255,000
Total other investment service fees		**$ 361,449**

Brokerage Fees
Broker's fees on investment transactions for the year ended June 30, 2015 amounted to $239,243
A list of the brokers receiving more than $3,200 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Finl Partners Ltd, Lake Success	$ 54,433	FBR Capital Markets & Co.	$ 6,622
Northern TR Co. Inc.	33,872	Deutsche Bank Secs Inc.	5,908
BNY Convergex	27,588	Citibank	5,480
Jefferies & Co. Inc.	13,920	Credit Suisse	5,345
Merrill Lynch Pierce Fenner Smith	11,802	Baird Robert W & Co, Inc.	5,267
National Finl Svc Corp	8,697	Investment Technology Group	5,100
RBC Capital Markets LLC	8,367	Stephens Inc.	5,021
J P Morgan Securities Inc.	7,513	ISI Group Inc.	4,797
Stifel Nicolaus	7,272	UBS Equities	4,794
Keefe Bruyette and Woods, Jersey	7,020	Raymond James & Assoc Inc.	3,663
Knight Equity Markets LP	6,762	Keybanc Capital Markets Inc.	3,260

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

Decatur Capital
Elizabeth Crenshaw
Decatur, Georgia

Martin Investments
Patrick Martin
Evanston, Illinois

Denali Advisors
Mike Munson
San Diego, California

Ativo Capital Management
Michael Brooks
Chicago, Illinois

Lombardia Capital
Keven Sapanli
Pasadena, California

WCM Investment Management
Nelvon E. Farias
Laguna Beach, California

Algert Global
Steve Genter
San Francisco, California

INTERNATIONAL EQUITY MANAGERS

Harding Loevner, LP
Alec Wash, CFA
Bridgewater, New Jersey

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, 2015

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

November 2, 2015

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

Re: 2015 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, 2015, determined the employer's contribution for the plan year beginning July 1, 2016. The contribution is determined for the following year and therefore, it is our understanding the contribution plus interest is historically made during the 2016 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. 67. 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 2010 to 2014 and resulted in changes that were incorporated in the June 30, 2015 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 No. 23. Asset information is provided on an unaudited basis.

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. 67, *Financial Reporting for Pension 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. Other users of these results are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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, 2015, 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

Anu Patel

Kenneth A. Kent, FSA, EA. FCA, MAAA
Principal Consulting Actuary

Anu Patel, FSA, EA, MAAA
Principal Consulting Actuary

Attachments

CHEIRON

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 expenses are expected to be equal to the prior years' actual expenses rounded up to the next hundred thousand dollars and added as part of the annual normal cost for the year. Effective 6/30/2015.
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 6/30/2015)

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

Age	Annual Rate of Salary Increase
20	.0630
25	.0580
30	.0530
35	.0470
40	.0410
45	.0370
50	.0350
55	.0350
60	.0350
65	.0350
69	.0350

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

Additional Assumptions:

Inflation:	2.65% (effective 6/30/2015)
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, 2015 actuarial valuation report. Sample rates as follow:

Rates of Retirement

Age	Less than 30 years	30 years	More than 30 years
45-49	0.00	0.10	0.00
50-54	0.00	0.10	0.05
55	0.03	0.10	0.05
56-57	0.04	0.10	0.05
58	0.05	0.10	0.05
59	0.05	0.10	0.10
60	0.05	0.10	0.10
61	0.07	0.20	0.15
62	0.15	0.20	0.25
63	0.11	0.20	0.20
64	0.14	0.20	0.17
65	0.20	0.30	0.25
66	0.20	0.20	0.25
67	0.17	0.20	0.20
68	0.15	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	13.50	
2	11.50	
3	9.00	
4	8.00	
5	8.00	
6	7.00	
7	6.00	
8	4.00	
9	4.00	
10	4.00	
11	4.00	
12	4.00	
13	3.00	
14	3.00	
15+	3.00	

Age	Non-Line-of -Duty Disability	Line-of-Duty Disability (Class A&B)	Line-of-Duty Disability (Class C)	Non-Line-of-Duty Death Male*	Non-Line-of-Duty Death Female*	Line-of-Duty Death
25	0.00050	0.00004	0.00008	0.00037	0.00021	0.00005
30	0.00059	0.00004	0.00008	0.00061	0.00037	0.00005
35	0.00073	0.00005	0.00010	0.00093	0.00055	0.00005
40	0.00190	0.00006	0.00013	0.00122	0.00084	0.00005
45	0.00332	0.00009	0.00018	0.00169	0.00127	0.00005
50	0.00394	0.00012	0.00023	0.00255	0.00194	0.00005
55	0.00567	0.00013	0.00025	0.00457	0.00369	0.00005
60	0.00715	0.00034	0.00068	0.00888	0.00737	0.00005
65	0.00130	0.00038	0.00076	0.01608	0.01295	0.00005
69	0.00078	0.00039	0.00078	0.02455	0.01990	0.00005

* Rates for individuals who are the age shown as of 6/30/15.

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	0.00407	0.00328	0.03524	0.01956
60	0.00776	0.00641	0.04282	0.02562
65	0.01447	0.01172	0.05365	0.03403
70	0.02437	0.01990	0.06924	0.04709
75	0.04222	0.03212	0.09305	0.06384
80	0.07466	0.05341	0.12515	0.08899

The post-retirement mortality for retirees and beneficiaries is based on the RP 2000 Healthy Mortality table with generational projections using 50% of the AA scale projected to 15 years with a two year set forward for both male and females.

The RP 2000 Disabled mortality table with generational projections using 50% of the AA scale projected 15 years with a four year set forward is used for both male and female disabled members.

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	
6/30/2006	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	
6/30/2015	8,673		408,095,216		47,054	4.4	

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

	Added to Rolls		Removed from Rolls		Rolls - End of Year			
Year Ended	No.	Annual Allowances*	No.	Annual Allowances*	No.	Annual Allowances*	% Increase In Annual Allowances	Average Annual Allowances
6/30/2006	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
6/30/2015	393	10,089,809	388	6,224,773	8,898	134,771,974	3.0	15,145

* Includes post-retirement adjustments.

Employees' Retirement System
City of Baltimore, Maryland
SOLVENCY TEST

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

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

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

	Aggregate Accrued Liabilities For:					Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)
6/30/2006	$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
6/30/2015	10,682,704	1,356,302,147	52,902,899	838,954,485	1,615,564,322	100	100	100	23.3

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

Type of Activity	Gain / (Loss) FY2014	Gain / (Loss) FY2015
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.	$ 964,000	$ 4,260,000
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(4,669,000)	(2,782,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(3,591,000)	(3,655,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(7,667,000)	(8,104,000)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	5,589,000	1,844,000
Investment Income* If there is greater investment income than assumed, there is a gain. If less, a loss.	(10,346,000)	(16,475,000)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. (includes PuBF G/(L))	3,717,000	7,621,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(8,232,000)	(2,954,000)
Plan Changes or Increase in Periodic Pension Plan changes or one time increase in the periodic benefit payments.	1,001,000	0
Assumption, Method and Plan Changes Changes due to assumption changes and/or changes in accounting and liability.	0	3,829,000
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	(68,000)	1,717,000
Gain or (Loss) During Year From Financial Experience	$ (23,302,000)	$ (14,699,000)

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 and before July 1, 2014, or any other members who may have elected to transfer during various open transfer periods to Class C membership.

Class D - Members who were hired or rehired on or after July 1, 2014, and are Retirement Savings Plan "hybrid members".

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.

Class D members contribute 5% of earnable compensation.

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) **Classes C** and D

(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.

(C) **Class D**

(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:**

(a) 1.0% for each year of service times the member's average final compensation.

(b) .For members who retire at age 62 with at least 20 years of service, 1.1% for each year of service 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.

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) **Classes C and D**

(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) **Classes C and D**

(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 (Classes C and D 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.

(C) **Class D**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 65, completion of 10 years of service.

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

(2) **Benefit Amount:**

Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

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) **Classes C and D**

(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:**

(A) **Eligibility Requirements;**

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 12 months, are eligible for the increase. The increase is payable commencing in the January after the June 30th determination date.

(B) **Amount:**

(1) **Classes A, B and C**

1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over.

(2) **Class D**

(a) In pay status under age 65:

1.5% if Class D funded status is 85% or more.

1.0% if Class D funded status is at least 70% but less than 85%.

No increase if Class D funded status is less than 70%.

(b) In pay status age 65 or older:

2.0% if Class D funded status is 85% or more.

1.0% if Class D funded status is at least 70% but less than 85%.

No increase if Class D funded status is less than 70%.

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Statistical Section

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report
YEAR ENDED JUNE 30, 2015

H. P. RAWLINGS CONSERVATORY & BOTANIC GARDENS

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

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

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

	2011	2012	2013	2014	2015
Additions					
Contributions					
Employer	$ 62,374,396	$77,995,003	$ 88,300,214	$ 94,917,886	$ 97,170,796
Plan members	358,202	359,028	223,720	3,623,467	6,728,131
Total contributions	$ 62,732,598	$78,354,031	$ 88,523,934	$ 98,541,353	$ 103,898,927
Investment Income					
Net appreciation in fair value of investments	$ 195,926,226	$18,948,964	$ 135,498,253	$ 192,951,419	$ (14,411,263)
Interest, dividends, and real estate income	20,583,936	6,758,532	19,359,439	24,639,052	90,342,747
Less: investment expenses	(6,115,531)	(6,155,302)	(6,931,175)	(8,117,367)	(9,321,676)
Net investment income	$ 210,394,631	$19,552,194	$ 147,926,517	$ 209,473,104	$ 66,609,808
Securities lending income	$ 283,344	$205,199	$ 359,807	$ 788,486	$ 297,447
Securities lending fees	(83,849)	(60,244)	(107,623)	(614,421)	(89,215)
Net securities lending income	$ 199,495	$144,955	$ 252,184	$ 174,065	$ 208,232
Total additions	$ 273,326,724	$98,051,180	$ 236,702,635	$ 308,188,522	$ 170,716,967
Deductions					
Retirement allowances	$ 112,642,028	$118,802,304	$ 124,059,639	$ 129,205,776	$ 133,129,502
Adminstrative expenses	3,189,932	3,297,684	3,554,942	3,711,975	3,748,434
Death benefits	546,942	1,289,869	689,223	699,991	943,540
Lump cash payments	123,425	73,596	157,082	63,979	125,608
Refund of Contributions	95,936	9,088	6,381	4,224	72,008
Total deductions	$ 116,598,263	$123,472,541	$ 128,467,267	$ 133,685,945	$ 138,019,092
Net increases / (decreases)	$ 156,728,461	($25,421,361)	$ 108,235,368	$ 174,502,577	$ 32,697,875
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,085,191,346	$1,241,919,807	$ 1,216,498,446	$ 1,324,733,814	$ 1,499,236,391
Ending Balance	$ 1,241,919,807	$1,216,498,446	$ 1,324,733,814	$ 1,499,236,391	$ 1,531,934,266

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)
2006	$ 111,485,552	$ 31,003,063	9.3	$ 422,548	$ 142,911,163
2007	225,820,282	36,841,351	10.6	308,703	262,970,336
2008	(71,133,793)	43,918,411	11.5	345,637	(26,869,745)
2009	(255,038,464)	43,673,027	11.0	172,567	(211,192,870)
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
2015	66,818,039	97,170,796	23.8	6,728,131	170,716,966

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
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
2015	134,198,650	72,007	3,748,433	138,019,090

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

Years of Credited Service	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0-4	2,188	2,124	2,306	2,714	2,675	2,426	2,051	1,811	1,766	1,800
5-9	1,833	1,789	1,812	1,826	1,917	1,929	2,033	2,181	2,215	2,026
10-14	940	1,093	1,304	1,406	1,376	1,422	1,426	1,425	1,430	1,451
15-19	1,560	1,286	949	724	705	710	817	988	1,054	1,034
20-24	918	974	1,166	1,320	1,307	1,192	979	721	550	519
25-29	1042	1036	976	929	794	707	772	892	992	968
30+	712	733	767	800	906	1,007	1,029	986	897	875
Total Members	9,193	9,035	9,280	9,719	9,680	9,393	9,107	9,004	8,904	8,673
Average Service Credit	13.80	13.83	13.56	13.17	13.27	13.58	13.92	13.92	13.83	13.88
Average Age	48.32	48.64	48.66	48.61	48.96	49.35	49.74	49.89	49.89	50.10

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2015

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
0-29						
30-39	8				8	
40-44	13				12	1
45-49	38	1		5	32	
50-54	136	24		27	80	5
55-59	588	151	149	104	177	7
60-64	1,166	445	358	176	176	11
65-69	1,645	821	484	197	136	7
70-74	1,294	727	339	136	84	8
75-79	969	510	289	109	51	10
80-84	786	378	292	81	27	8
85 and up	849	531	212	72	25	9
Totals	7,492	3,588	2,123	907	808	66
Average Annual Benefit	$16,460	$22,445	$7,310	$20,397	$9,144	$21,316

*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, 2015

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	14	5	1	2	4		2	
25-29	1				1			
30-34								
35-39								
40-44	1			1				
45-49	6	1	1		3	1		
50-54	31	8	7	2	11		3	
55-59	78	32	13	6	16	1	10	
60-64	140	53	20	9	43		15	
65-69	169	73	26	22	33	3	12	
70-74	207	92	41	17	38	1	17	1
75-79	210	103	51	14	30	2	10	
80-84	245	128	57	23	21	3	13	
85 and up	304	203	51	8	28	5	9	
Totals	1,406	698	268	104	228	16	91	1
Average Annual Benefit	$8,139	$9,965	$4,032	$10,097	$5,100	$10,575	$11,152	$10,488

*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
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	107,713,150	9,102,520	63,979	404,560	1,236,993	699,991	1,498,018	7,721,421	1,529,114	129,969,746
2015	110,984,187	9,378,946	125,608	416,846	1,274,558	943,540	1,543,510	7,955,905	1,575,550	134,198,650

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

Retirement Effective Dates From July 1, 2005 to June 30, 2015	Years of Credited Service 0-10	11-15	16-20	21-25	26-30	31+
Period 7/1/05 to 6/30/06						
Average-Average Final Compensation	$ 4,840	$ 6,718	$ 9,412	$ 14,707	$ 19,297	$ 22,363
Average Monthly Benefit	403	560	784	1,226	1,608	1,864
Total No. of Retirees	30	19	40	36	48	127
Period 7/1/06 to 6/30/07						
Average-Average Final Compensation	$ 3,720	$ 3,067	$ 8,433	$ 18,120	$ 16,174	$ 17,621
Average Monthly Benefit	310	256	703	1,510	1,348	1,468
Total No. of Retirees	19	13	25	21	23	210
Period 7/1/07 to 6/30/08						
Average-Average Final Compensation	$ 3,764	$ 4,748	$ 12,764	$ 14,912	$ 21,941	$ 24,593
Average Monthly Benefit	314	396	1,064	1,243	1,828	2,049
Total No. of Retirees	43	33	32	41	47	82
Period 7/1/08 to 6/30/09						
Average-Average Final Compensation	$ 3,630	$ 5,227	$ 8,932	$ 12,607	$ 23,981	$ 28,459
Average Monthly Benefit	303	436	744	1,050	1,998	2,372
Total No. of Retirees	55	55	55	29	48	96
Period 7/1/09 to 6/30/10						
Average-Average Final Compensation	$ 4,954	$ 6,459	$ 11,517	$ 16,972	$ 18,543	$ 28,033
Average Monthly Benefit	413	538	960	1,414	1,545	2,336
Total No. of Retirees	53	48	37	54	49	109

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2005 to June 30, 2015	0-10	11-15	16-20	21-25	26-30	31+
Period 7/1/10 to 6/30/11						
Average-Average Final Compensation	$ 4,780	$ 6,622	$ 9,610	$ 18,407	$ 24,186	$ 31,267
Average Monthly Benefit	398	552	801	1,534	2,016	2,606
Total No. of Retirees	44	47	52	49	71	98
Period 7/1/11 to 6/30/12						
Average-Average Final Compensation	$ 4,780	$ 6,621	$ 10,673	$ 15,603	$ 25,384	$ 30,185
Average Monthly Benefit	398	552	889	1,300	2,115	2,515
Total No. of Retirees	64	58	26	52	59	112
Period 7/1/12 to 6/30/13						
Average-Average Final Compensation	$ 4,253	$ 6,872	$ 10,568	$ 13,679	$ 22,352	$ 31,118
Average Monthly Benefit	354	573	881	1,140	1,863	2,593
Total No. of Retirees	67	59	38	58	54	105
Period 7/1/13 to 6/30/14						
Average-Average Final Compensation	$ 4,808	$ 7,079	$ 10,852	$ 14,902	$ 22,540	$ 29,172
Average Monthly Benefit	401	590	904	1,242	1,878	2,431
Total No. of Retirees	66	69	34	56	54	133
Period 7/1/14 to 6/30/15						
Average-Average Final Compensation	$ 7,428	$ 7,216	$ 12,285	$ 14,845	$ 24,251	$ 29,659
Average Monthly Benefit	619	601	1,024	1,237	2,021	2,472
Total No. of Retirees	71	50	42	31	61	106

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
www.bcers.org

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