2013

Employees' Retirement System

CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2013

A COMPONENT OF THE CITY OF BALTIMORE, MARYLAND

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

2013

Employees' Retirement System

CITY OF BALTIMORE, MARYLAND

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2013

PREPARED BY
Roselyn H. Spencer, Executive Director
Bernita James, Deputy Executive Director
Tal Willmott, Accounting Manager

A COMPONENT OF THE CITY OF BALTIMORE, MARYLAND

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

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Employees' Retirement System

Mission Statement

The System is committed to protecting and prudently investing member assets and providing accurate and timely retirement benefits with quality service to members and beneficiaries.

Standards of Conduct

As Trustees and Staff, we are committed to:

Safeguard the members' assets.

Strive for continuous improvement.

Maintain confidentiality as appropriate.

Effectively communicate accurate information.

Provide accountable and proactive leadership.

Conduct all business in a fair and respectful manner.

Foster an atmosphere of cooperation and teamwork.

Value members as clients and advocate on their behalf.

Comply with the System's plan provisions, policies and guidelines.

Work efficiently, simplify procedures, and minimize bureaucratic hurdles.

Form alliances and partnerships to benefit the membership and the System.

We expect all who interact with us to adhere to these standards of conduct.

Approved by the Board of Trustees February 21, 2002

Employees' Retirement System
City of Baltimore, Maryland
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System,

City of Baltimore, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM

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

December 31, 2013

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

I am pleased to present the Comprehensive Annual Financial Report of the Employees' Retirement System of the City of Baltimore, Maryland (ERS, System, and Plan), a component unit of the City of Baltimore, Maryland (City) for the fiscal year ended June 30, 2013. The System's administration is responsible for the accuracy of the data and the completeness of the presentation, including all disclosures. We believe the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the System's operations.

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

PROFILE OF THE PLAN

The ERS is a defined benefit plan established January 1, 1926 by legislation for eligible members who are employed in the general administrative services 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 page 66 through 74. The number of active, retired and deferred members, as well as beneficiaries of the Plan can be found in the Notes to Basic Financial Statements on page 25.

MAJOR INITIATIVES

Implementing pension reform changes to the ERS "C" Plan and completing the development of a proprietary web-based Benefits Administration System (BAS) were the major initiatives for the year.

At the recommendation of the Mayor's Ten-Year Financial Plan Study, Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS members. 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. Deduction for member's contribution started in the fourth calendar quarter of 2013. All deductions are transferred to BNY Mellon, the ERS custodian, for safekeeping and investment.

Another plan provision change was the elimination of the post-retirement variable benefit increase paid to retirees. The post-retirement benefit increase was an additional payment over the annual cost of living adjustments (COLA) that were made in years when investment earnings exceeded the actuarial assumed rate of investment return assumption. Even so, retirees will continue to receive the guaranteed COLA of 1.5% up to age 64 and 2% for retirees age 65 and over.

We continue our effort in developing and implementing Pension Technology Group's (PTG) Pension-Pro Benefit Administration System. Pension-Pro is a proprietary web-based Benefits Administration System (BAS) that is designed to enhance ERS service delivery in a secured and expedient manner, and to improve member communications. Currently, the design and development phase are complete. User testing and program acceptance is underway for other features. The main modules of Pension-Pro includes; maintenance, calculators, processes, pension payroll, workflow, reports, tools, member's web portal and administration.

Another accomplishment is that the retirement process is now fully automated from beginning to end. It allows for one-step processing from benefit calculation to benefit payment. Clear advantages are to eliminate processing errors, facilitating accurate recordkeeping of members' data and providing a high level of efficiency.

The Members' web portal will allow active members to view selected elements of their records, obtain benefit estimates, and view their annual member statement. Pension-Pro is an important step in providing members with information that is up-to-date, unfiltered and available when needed.

The final phase will include developing a comprehensive disaster recovery and business continuity plan; testing pension reform updates; and finalizing the member's annual statements.

FINANCIAL AND ECONOMIC SUMMARY

ERS returned 13.2% on its investments for the fiscal year ending June 30, 2013, outperforming the 7.75% actuarial assumed rate of return. Equities were the major contributor, with fixed income remaining flat, even though it outperformed its benchmark, the Barclay's Aggregate by 0.4 basis points. Economic events in the domestic economy caused the stock market to grow in a resilient fashion, resulting in strong returns in the stock market. Improvement in macroeconomics-driven events in the United States (U.S.) and in major global economies also led to modest growth and low inflation in the U.S. over the fiscal year; un-employment declined below 8%, housing was up, inflation remained low, and fiscal improvement in euro-zone economies continues, due to infusion of cash by the European Central Bank.

In terms of headwinds, the markets experienced some volatility due to concerns about the Federal Government's Sequestration ($85 billion in across the board cuts which began in March 2013), report of modest growth in Gross Domestic Product of 2.4% in May 2013, and concerns over the Federal Reserve Bank's announcement of its third round of quantitative easing (QE_3) or tapering of its bond purchasing program in June. Consequently, a strong start in the stock market at the beginning of the fiscal year was weakened, towards the end. We anticipate that the U.S. economy will continue to grow at a moderate pace, and expect that the Federal Reserve Bank will begin tapering its bond buying program some time soon.

INVESTMENT SUMMARY

The ERS Board of Trustees (Board) is responsible for investment of the ERS funds and for establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines, and achievement of the System's objectives. The Board has a fiduciary duty to exercise its investment authority prudently and solely in the interest of the System's participants and beneficiaries. The Board also seeks to safeguard the assets of the System by implementing proper risk mitigation strategies, and by broadly diversifying the assets. The plan investment objective is to earn or exceed 7.75% rate of return or to outperform the policy benchmark. During the fiscal year, the Board made strategic shifts in the asset allocation, but focused on monitoring performance, and rebalancing as necessary to remain close to the target allocations.

These efforts resulted in a 13.2% rate of return on investments, outperforming its policy benchmark of 11.4% and placing the ERS in the 22nd percentile of the public pension funds universe. Total net assets grew to $1.32 billion for the fiscal year. This represented an increase of 8.9% or $108.2 million. Outperformance in domestic and international equities, and hedge funds were largely responsible for the investment gains. Strong long-term, three and five year annualized returns of 11.5% and 4.9%

respectively are a good indication that most of the losses from year 2008 market downturn have been absorbed.

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

ACTUARY AND FUNDING RESULTS

An actuarial valuation report is prepared annually by the Board's Actuary to determine appropriate assumptions and funding requirement amount. Based on the 2013 Actuarial Valuation Report, the System's funded ratio increased slightly from 67.7% to 68.1%. The result of this change, plus the actuarial investment losses of $49.1 million, resulted in the unfunded liability increasing from $681.6 million in fiscal year 2012 to $686.0 million in fiscal year 2013.

The investment return assumption for funding purposes is 7.75% for active members and 6.55% for retired members. The Entry Age Normal Cost method is used to calculate the fund liability. The funding policy also calls for amortizing the unfunded actuarial liability over a fixed period of 20 years to be fully paid off in 2032.

Employer contribution was also determined actuarially, based on prior years' experience and results of the recently adopted changes. Total recommended employer contribution is $97.2 million for fiscal year 2014, a 2.4% increase from $94.1 million in 2013. Cost as a percent of pay for the same periods also went up from 24.3% to 24.7% of pay. Changing demographics within the Plan, such a participant longevity and accruing for lower investment returns in the past years continue to present a challenge. The Board is cognizant of its duties and makes every effort to maintain the System on an actuarially sound basis. The actuarial section contains additional information on the results of the June 30, 2013 valuation.

ACCOUNTING SYSTEMS AND INTERNAL CONTROL

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

The System's administration is responsible for establishing and maintaining adequate internal controls regarding achievement of all operational, financial reporting and compliance objectives. Specifically, the System's policies and procedures are designed to ensure that the assets are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Documented procedures of work duties are available for major job functions and implemented thoughtfully and consistently. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. Sufficient internal accounting controls exist to provide reasonable assurance regarding the security of assets, and the fair presentation of the financial statements and supporting schedules.

OTHER INFORMATION

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

Professional Services: The Board appoints a custodial bank, 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. The Board also monitors and terminates investment managers as necessary for underperformance, or for other material reasons as determined. All of the professionals that provide services to the Board are listed on pages 13 and 52 through 53 in the Introductory and Investment Sections of this Report.

AWARDS

It is gratifying to see that the ERS was awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers' Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the 30th consecutive year (fiscal years 1983-2012) that the ERS has received this prestigious award.

A Certificate of Achievement is valid for a period one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This annual report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions. It was prepared by System's accounting and administrative staffs. I would like to thank the staff and all others, including our investment consultant Marquette Associates, Inc., and our actuary, Cheiron, Inc. who contributed to preparing this report. Copies of this report will be submitted to the Elected City Officials' and other interested parties. It will also be available on the ERS website located at www.bcers.org.

Finally, I would like to thank the Board of Trustees, for their support and confidence; the entire ERS staff for their untiring commitment and services to our members, and to other professionals who partner with us in the administration of the ERS.

Sincerely yours,

Roselyn H. Spencer

Roselyn H. Spencer
Executive Director

CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE, Mayor

EMPLOYEES' RETIREMENT SYSTEM and
ELECTED OFFICIALS' RETIREMENT SYSTEM
ROSELYN H. SPENCER, Executive Director
7 E. Redwood Street
12th and 13th Floors
Baltimore, Maryland 21202

December 31, 2013

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

I am pleased to report that ERS's investments had a very good fiscal year, with an impressive absolute return of 13.2%, ranking high among our Public Funds peers. The success of this year's rate of return over last year's 2.0% is due to the conscientious efforts of my fellow board members, the Retirement System's staff, and our investment consultant. During a year of continued market volatility, we held on to a broadly diversified asset allocation that was monitored and strategically rebalanced to stay closely to target allocation. Our efforts paid off, with the fund well positioned to capture the gains from the rising stock market. The System's funding ratio also increased slightly to 68%.

Last year, I shared with you that we were installing a new Benefit Administration System (BAS) to replace the City's 35-year old system for keeping members' records and data. The BAS is a secured web-based cloud application, and we expect it to improve member communications and ERS's operations substantially. With our staff and BAS's consultants working hand in hand, designing, programming, and testing, I am pleased to report that the project is nearly completed. From what I have seen so far, the new system is quite impressive. The new BAS is projected to be available for use by staff and active ERS employees during the 2014 calendar year.

As you know, the City Council enacted changes to the ERS proposed by the Administration as part of the Mayor's Ten-Year Financial Plan for the City of Baltimore. Those changes, which will become effective in fiscal year 2014, added requirements that the active ERS members share the cost of their benefits by making pre-tax contributions and eliminated the variable post-retirement benefit increases for retirees and beneficiaries. ERS's "guaranteed" post-retirement increases (currently 1.5% for retirees and beneficiaries up to age 64 and 2% for retirees and beneficiaries age 65 and over), were retained. As a result, eligible retirees and beneficiaries will receive the appropriate post-retirement benefit increase starting in January 2014.

The composition of the Board also changed during the year. We welcomed three new Trustees: Thomas Corey, a Chief Solicitor with the Baltimore City Law Department; Jerome Sanders, the Founder & President of LVI Power, LLC; and Doris Brightful, Retired Community Health Nurse. Thomas was elected as the Active Member Trustee Representative to complete Brenda Clayburn's term, and to serve for the next four-year term. Jerome and Doris are appointed by the Mayor. Sadly, Brenda Clayburn passed away during the year. She made invaluable contributions during her time on the Board and will be greatly missed.

I would like to express my thanks to my fellow Board members for their countless contributions. Also on their behalf, I would like to acknowledge and express my gratitude to the ERS Executive Director, Roselyn Spencer, for her strong leadership and to the staff for their exemplary service.

Sincerely,

Joan M. Pratt, CPA

Joan M. Pratt, CPA
Chair, Board of Trustees

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

Joan M. Pratt, CPA
Chair
Ex-officio
Comptroller of the City of Baltimore, Maryland

Deborah F. Moore-Carter
Vice Chair
Term expires December 31, 2015
Mrs. Moore-Carter is the Labor Commissioner for the City of Baltimore.
She was elected by the active membership to serve a four-year term.

Doris Y. Brightful
Term expires December 31, 2015
Ms. Brightful is a retired Community Health Nurse II from the Health Department.
She was appointed by the Mayor.

Dorothy L. Bryant
Term expires December 31, 2015
Ms. Bryant is a Phlebotomist with the City of Baltimore Health Department.
She was elected by the active membership to serve a four-year term.

Thomas B. Corey
Term expires December 31, 2017
Mr. Corey is the Chief of the
City of Baltimore's Minority and Women's Business Opportunity Office in the Law Department.
He replaced Brenda Clayburn who died January 2013.
He was elected by the active membership to serve the remainder of the term
expiring December 31, 2013, and a consecutive four year term
expiring December 31, 2017.

Ernest J. Glinka
Term expires December 31, 2015
Mr. Glinka is a Retired Administrator for the City of Baltimore Retirement Systems.
He was elected by the retired membership to serve a four-year term.

Jerome Sanders
Term expires December 31, 2015
Mr. Sanders is President of LVI Power, LLC
He was appointed by the Mayor

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

LEGAL COUNSEL, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

City of Baltimore
Employees' Retirement System
Ian Berger

ACTUARY

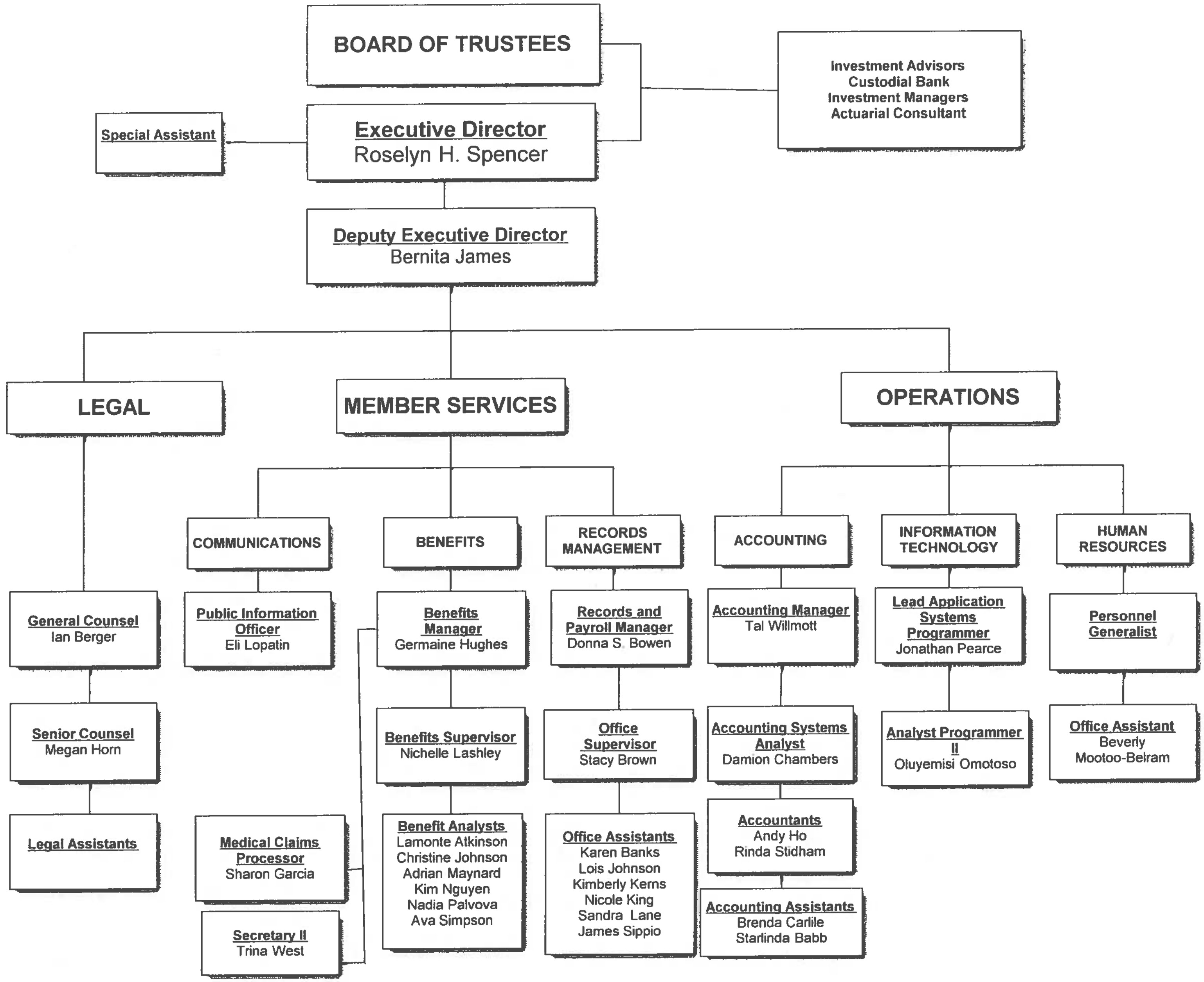
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

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

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

Employees' Retirement System
City of Baltimore, Maryland
Organization Chart



Financial Section

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2013

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor

DEPARTMENT OF AUDITS

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

December 31, 2013

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Baltimore, Maryland, a component unit of the City of Baltimore, which comprise the statement of plan net position as of June 30, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Employees' Retirement System's basic 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; 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Employees' Retirement System'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 Employees' Retirement System'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 respective statement of plan net position of the Employees' Retirement System as of June 30, 2013, and the respective changes in plan net position for the year then ended, in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter
The financial statements include real estate, venture capital and private equity investments valued at $207 million (16% percent of net position). As explained in Note 2, the fair values of these investments are reported in the financial statements of the Employees' Retirement System as of March 31, 2013.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, on pages 18 to 21, and the Required Supplementary Information and Supporting Schedules, on pages 33 to 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 financial statements that collectively comprise the Employees' Retirement System's basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 basic 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 basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report, dated December 31, 2013, on our consideration of the Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Employees' Retirement System's internal control over financial reporting and compliance.

Robert L. McCarty, Jr., CPA
City Auditor

We are pleased to provide this analytical overview of the financial activities of the Employees' Retirement System (ERS) for the fiscal year ended June 30, 2013. ERS is the administrator of a cost-sharing multiple employer defined benefit local government retirement plan (the Plan). Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Transmittal Letter, which begins on page 7 of this report.

Financial Highlights

- The net position at the close of the fiscal year 2013 is $1.325 billion. All of the net assets are available to meet the Plan's ongoing obligations to plan participants and their beneficiaries.

- The Plan's total net position held in trust for pension benefits increased by $108.2 million, compared to last year's decrease of $25.4 million. The increase of the net investment income was primarily due to the performances of investments among different asset classes in the Plan's portfolio.

- The rate of return for the fiscal year ended June 30, 2013 was 13.2% compared to the fiscal year ended June 30, 2012 return of 2.0%. The rate of return for fiscal year 2013 is attributed to the investment outperformance of the benchmarks in the equity markets.

- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2013, the funded ratio for the Plan was 68.1%. In general, this indicates that the Plan has approximately $0.68 of assets to cover every dollar of benefits due.

- Revenues (Additions to Plan Net Assets) for the year were $236.7 million. Revenues include member and employer contributions of $88.5 million, net investment gain of $147.9 million, and net securities lending income of $0.3 million.

- Expenses (Deductions from Plan Net Assets) increased by $5.0 million to $128.5 million from the prior year expenses of $123.5 million. The expenses are primarily comprised of retirement allowances and post-retirement benefits.

Overview of Financial Statements

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

The **Statement of Plan Net Position** provides a snapshot of the financial position of the Plan at June 30, 2013, the end of the Plan's financial year. It indicates the total assets and total liabilities at June 30, 2013 and the net assets available for future payment of retirement benefits and operating expenditures.

The **Statement of Changes in Plan Net Position**, on the other hand, summarizes the Plan's financial activities that occurred during the Plan's financial year from July 1, 2012 through June 30, 2013.

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The statements and the notes are in conformity with the accounting principles generally accepted in the United States. These principles require certain financial statement presentations and disclosures including the use of the accrual basis of accounting to record assets and liabilities, and revenues and expenses.

The Statement of Plan Net Position presents the Plan's assets and liabilities, as well as, the net assets available for future retirement benefits and operating expenses at June 30, 2013. The assets comprise receivables, mainly from investment activity, investments at fair market value and securities lending collateral. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Purchases and sales of investments are recorded on a trade date basis. The fair value of real estate holdings is estimated based primarily on appraisals by third-party appraisers. The fair value of private equity investments is estimated based primarily on audited financial statements provided to the individual fund managers. The payables comprise securities lending collateral, certain investment activity, retirement benefits and administrative expenses.

The Statement of Changes in Plan Net Position presents information showing how the Plan's net assets changed during the year. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when a formal commitment has been made by the City to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All investment gains and losses are shown at trade date. Both realized and unrealized gains and losses are shown on investments.

The Statement of Plan Net Position and the Statement of Changes in Plan Net Position can be found on pages 23 and 24 of this report.

The **Required Supplementary Information** that follows immediately after the notes to the basic financial statements provide two schedules showing ten year historical trend information concerning the funded status of the ERS and contributions made to the plan by the employer. See the Required Supplementary Information beginning on page 34 of this report.

The remaining supplemental schedules provide additional detailed information concerning operating expenses, investment expenses and payments to consultants. All of this information is considered useful in understanding and evaluating the financial activities of the Plan.

Financial Analysis

Net assets may serve over time as a useful indicator of the Plan's financial position. At June 30 2013, assets exceeded liabilities by $1.325 billion. All of the net assets are available to meet the Plan's ongoing obligation to Plan participants and their beneficiaries. As of June 30, 2013, total net assets increased by 8.9% over the prior year, The increase of the net investment income was primarily due to the performances of domestic, international and private equity asset classes in the Plan's portfolio. Management believes that the Plan remains in a strong financial position to meet its obligations to the members, retirees and their beneficiaries.

PLAN NET POSITION	Fiscal Year 2013	Fiscal Year 2012	Increase / (Decrease)	Percentage Change
Investments at Fair Value	$1,371,358,107	$1,234,271,937	$137,086,170	11.1%
Other Assets	89,921,690	74,181,120	15,740,570	21.2%
Total Assets	1,461,279,797	1,308,453,057	152,826,740	11.7%
Total Liabilities	136,545,983	91,954,611	44,591,372	48.5%
Total Net Assets	$1,324,733,814	$1,216,498,446	$108,235,368	8.9%

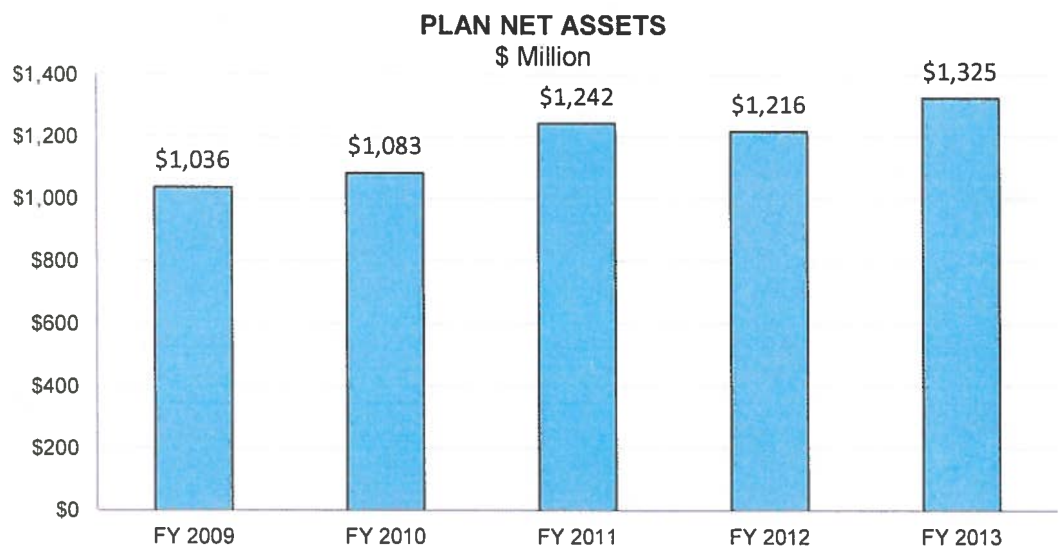
Investment Assets

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, 2013 was 13.2%, a 11.2% increase compared to the fiscal year 2012 rate of return 2.0%. The annualized rate of return for the last three and five year periods ended June 30, 2013 were 11.6% and 4.9%, respectively. The Plan's long-term actuarial investment return assumption is 7.75%. The positive rate of return is attributed outperformance of benchmark in domestic, international and private equity asset classes of the Plan's portfolio.

The Plan invests in domestic equities, international equities, domestic fixed income, real estate, tactical asset allocation strategy (which are investments in domestic equities and domestic fixed income), and alternative investments. The Plan also participates in a securities lending program, which is managed by the Plan's custodian bank. External investment management firms selected by the Plan's Board of Trustees manage all of the assets. BNY Mellon Bank, the Plan's custodian bank, holds all marketable securities.

The Investment Section beginning on page 41 gives detailed information on the Plan's investment policies. See page 48 of this report for charts showing the asset allocation targets established by the Board of Trustees and the actual asset allocation of System assets at June 30, 2013.



Liabilities

The current liabilities are payables incurred by the transaction activity of the investment assets, the retirement benefit expenses, and operating expenses of the Plan's office.

CHANGES IN PLAN NET POSITION	Fiscal Year 2013	Fiscal Year 2012	Increase / (Decrease)
Additions			
Employer Contribution	$88,300,214	$77,995,003	$10,305,211
Members Contributions	223,720	359,028	(135,308)
Net Investment Income	147,926,517	19,552,194	128,374,323
Net Securities Lending Income	252,184	144,955	107,229
Total Additions	236,702,635	98,051,180	138,651,455
Deductions			
Retirement Allowances	$124,152,899	$118,802,304	$5,350,595
Administrative Expenses	3,554,942	3,297,684	257,258
Death Benefits	572,966	1,289,869	(716,903)
Lump Sum Cash Payments	180,079	73,596	106,483
Refund of Members' Contribution	6,381	9,088	(2,707)
Total Deductions	128,467,267	123,472,541	4,994,726
Net Increases (Decreases)	$108,235,368	($25,421,361)	$133,656,729

Contributions and Investment Income

Employer contributions increased by 13.2% over last year's contributions. The employer's contributions are actuarial based and are calculated a fiscal year in advance. The salaries of the current active membership and the actuarial changes to the rates are used to calculate the normal cost of the benefits for the members required the employer's contribution. Member contribution's decreased by $135,308, a decline in the repurchase of membership service. The increase in net investment income by $128.4 million is to due to the Plan investments out performing the equities benchmarks. Net investment income includes investment expenses as a deduction. Investment expenses were $6.9 million fiscal year 2013, 11.3% more than fiscal year 2012.

Retirement Benefits and Administrative Expenses

The Plan was created to provide lifetime service retirement benefits, survivor benefits and disability benefits to eligible members and their beneficiaries. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the cost of administering the Plan. The primary source of expense during fiscal year 2013 was for the payment of continuing retirement benefits totaling $124.1 million, which compares to $118.8 million for fiscal year 2012. Retirement allowances increased $5.3 million due to an increase in the number of benefit recipients and the annual cost of living adjustment of 1.5% for participants under age 65 and 2.0% for participants age 65 and over.

Requests for Information

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

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Employees' Retirement System
City of Baltimore, Maryland
Statement of Plan Net Position
June 30, 2013

Assets			
Cash and cash equivalents			$ 25,337,068
Receivables			
Investments sold	$ 14,077,981		
Foreign currency contracts	47,689,180		
Accrued income	1,817,304		
Other receivables	166,652		
Total receivables			63,751,117
Capital assets			
Leasehold improvements	1,449,678		
Depreciation - leasehold improvements	(753,432)		
Net leasehold improvement total		$ 696,246	
Office furniture	343,918		
Depreciation - office furniture	(335,531)		
Net office furniture total		8,387	
Office equipment	381,598		
Depreciation - office equipment	(252,726)		
Net office equipment total		128,872	
Total capital assets			833,505
Investments, at fair value			
Stocks	668,658,243		
International stock	193,319,375		
Bonds	189,564,068		
Real estate	140,096,340		
Hedge funds	67,672,753		
Venture Capital	43,528,394		
Private Equity	23,687,523		
Total investments			1,326,526,696
Securities lending collateral			44,831,411
Total assets			1,461,279,797
Liabilities			
Foreign currency contracts	47,233,138		
Securities lending collateral	44,831,411		
Investments purchased	41,957,837		
Investment management fees payable	1,065,284		
Other accounts payable	1,057,966		
Administrative expenses payable	400,347		
Total liabilities			136,545,983
Net assets held in trust for pension benefits			$ 1,324,733,814

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

Employees' Retirement System
City of Baltimore, Maryland
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2013

Additions		
Contributions		
Employers	$ 88,300,214	
Plan members	223,720	
Total contributions		$ 88,523,934
Investment Income		
Interest, dividends, and real estate income	19,359,439	
Net appreciation in fair value of investments	135,498,253	
Less: Investment expenses	(6,931,175)	
Net investment income		147,926,517
Securities lending income	359,807	
Less: Securities lending fees	(107,623)	252,184
Total additions		236,702,635
Deductions		
Retirement allowances	124,059,639	
Adminstrative expenses	3,554,942	
Death benefits	689,223	
Lump sum cash payments	157,082	
Refund of members contributions	6,381	
Total deductions		128,467,267
Net increase		108,235,368
Net assets held in trust for pension benefits		
July 1, 2012		1,216,498,446
June 30, 2013		$ 1,324,733,814

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

1. Plan Description:

The Employees' Retirement System of the City of Baltimore (ERS) is the administrator of a cost-sharing multiple employer defined benefit local government retirement plan (the Plan). Established January 1, 1926, the Plan covers City employees and the Baltimore City Public School System employees with the exception of those required to join the Maryland State Retirement System, or the two other Baltimore City retirement systems, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System. Based on criteria established by the Governmental Accounting Standards Board, the ERS is a component unit of the City of Baltimore and is included in the City's financial report as a Public Employees' Retirement System (PERS).

At June 30, 2013, the ERS membership consisted of:

Active Plan Members	9,004
Retirees and Beneficiaries - currently receiving benefits	8,808
Terminated Plan Members - entitled to but not yet receiving benefits	1,042
Total Membership	18,854

The Plan provides service retirement benefits as well as death and disability benefits in accordance with the Plan Provisions, Article 22 of the Baltimore City Code. Only the Mayor and City Council may amend the Plan Provisions. The reduction of benefits is precluded by the City Code.

The ERS is composed mainly of non-contributory active members, 99.70% of the membership. The non-contributory class consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the contributory class.

Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS non-contributorty 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. Deduction for member's contribution started in the fourth calendar quarter of 2013. All deductions proceeds are transferred to BNY Mellon, the ERS custodian for safekeeping and investment.

2. Summary of Significant Accounting Policies:

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

Basis of Accounting:
These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due. 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.The fair value of real estate, private equity, and venture capital as of March 31, 2013 (one-quarter reporting lag) is reported in the financial statements of the Plan.

3. Contributions:

Less than 0.01% of active members remain as contributory class members. The contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to the non-contributory class. Membership was mandatory on the member's second anniversary of employment. However, the member could voluntarily enroll within the first two years of employment.

Contributory members are required by the Plan provisions to contribute 4.0% of regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. The valuation method is stipulated in the Plan provisions.

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, 2012 will receive the minimum guaranteed benefit increase and is payable on January 1, 2014.

5. Securities Lending:

The Plan has a Securities Lending Authorization Agreement with BNY Mellon Bank (the Custodian). All individual securities which are readily marketable and which are not restricted due to an outstanding short option are eligible for loan at the discretion of the Custodian. The investment manager may loan securities held in custody of commingled accounts if authorized in the manager's contract with the ERS.

Collateral received in exchange for securities loaned is collected in an escrow account for the Plan's benefit for the duration of the loan. At no time will the Plan lose custody of the loaned securities. Collateral in exchange for the principal loaned may be in the form of cash, or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. Irrevocable Letters of Credit from banks approved by the Custodian may not be used as collateral. The minimum levels of collateral will be set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral will be collected to maintain the appropriate minimum level. All collateral amounts are marked to market daily. As of June 30, 2013, 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, 2013, the Plan had no credit risk exposure to borrowers because the amounts the Plan owes borrowers exceeded the amounts the borrowers owed the Plan. The market value of securities on loan at June 30, 2013 was $42,969,458 and the market value of the collateral received for those securities on loan was $44,831,411. 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, 2013.

Securities Lent	Fair Value Loaned Securities	Collateral Fair Value	Percentage Collateralized
***Lent for cash collateral*:**			
Stock	$17,118,668	$18,347,539	107.2 %
U.S. Treasury Notes & Bonds	4,496,595	4,585,950	102.0
Corporate Bonds	424,559	436,788	102.9
***Lent for noncash collateral*:**			
U.S. Treasury Notes & Bonds	19,140,315	19,575,056	102.3
Stock	1,214,040	1,296,630	106.8
U.S. Agencies	575,281	589,448	102.5
Total securities lent	$42,969,458	$44,831,411	104.3 %

6. Cash and Investments:

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

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

The Plan's investments as of June 30, 2013 are listed below:

Investment type	Fair Value
Debt securities:	
U.S. Treasury Notes and Bonds	$39,440,724
U.S. Government Agency Bonds	55,106,708
Corporate Bonds	95,016,636
Cash and Cash Equivalents	25,337,068
Total Debt Securities	214,901,136
Other:	
Stock	668,658,243
International Stock	193,319,375
Real Estate	140,096,340
Hedge Funds	67,672,753
Venture Capital	43,528,394
Private Equity	23,687,523
Total Other	1,136,962,628
Total Investments	1,351,863,764
Less: Cash and Cash Equivalents	25,337,068
Total Net Investments	$1,326,526,696

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The Plan has selected the duration method to disclose the debt securities exposure to changes in interest rates. The Plan does not have a formal policy to limit interest rate risk.

Investment Type	Fair Value	Duration (Years)
Debt securities:		
U.S. Treasury Notes and Bonds	$39,440,724	6.81
U.S. Government Agency Bonds	55,106,708	4.78
Corporate Bonds	95,016,636	4.08
Cash and Cash Equivalents	25,337,068	0.09
Total Debt Securities	$214,901,136	

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, 2013 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, 2013 is presented in the following table:

Currency	Total
British Pound Sterling	$31,407,473
Euro Currency Unit	27,916,078
Japanese Yen	9,876,575
Hong Kong Dollar	8,095,986
Singapore Dollar	9,062,714
Swiss Franc	4,480,791
Canadian Dollar	4,439,224
Australian Dollar	3,122,260
Danish Krone	2,928,780
Swedish Krona	1,601,062
Norwegian Krone	326,342
Mexican New Peso	879,765
South Korean Won	826,081
Brazil Real	993,000
New Zealand Dollar	489,952
South African Rand	1,877
Indonesian Rupiah	1,286
Russian Rubel	171
Total Foreign Currency Securities	106,449,417
U.S. Dollars held by International Investment Managers	92,171,031
Total Foreign Currency Exposure	$198,620,448

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, 2013 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale:

Investments at Fair Value / Credit Risk by Quality Rating

Investment Type	AAA - A	BBB – B	CCC - C	Not Rated	Total
Debt securities:					
U.S. Treasury Notes and Bonds	$39,436,528			$4,196	$39,440,724
U.S. Government Agency Bonds	31,445,486			23,661,222	55,106,708
Corporate Bonds	24,321,093	$12,580,207	$3,998,882	54,116,454	95,016,636
Cash and Cash Equivalents				25,337,068	25,337,068
Total Debt Securities	$95,203,107	$12,580,207	$3,998,882	$103,118,940	$214,901,136

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, 2013, the ERS has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

7. *Derivatives Instruments*

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

The System enters into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. The System also enters into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as forward contract when the settlement date is more than two days after the contract date. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation/depreciation in the statement of plan 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 plan net position.

The table below summarizes the fair value of foreign currency contracts as of June 30, 2013:

Currency	Receivables at Cost	Receivables at Market	Payables at Cost	Payables at Market	Net Unrealized Gain/(Loss)
Australian Dollar	$1,308,354	$1,228,048	($3,241,893)	($2,921,497)	$240,089
Brazilian Real	919,000	875,019	(306,958)	(307,209)	(44,232)
Canadian Dollar	252,856	244,072	(8,546)	(8,514)	(8,752)
Chinese Yuan Renminbi	1,838,387	1,840,715	(1,818,057)	(1,840,715)	(20,330)
Euro Currency	4,355,757	4,297,280	(8,224,442)	(8,227,687)	(61,721)
Hong Kong Dollar			(22,588)	(22,590)	(3)
Japanese Yen	7,848,795	7,842,838	(13,790,947)	(13,561,814)	223,176
Mexican New Peso			(960,774)	(904,434)	56,340
New Zealand Dollar			(940,318)	(857,797)	82,521
Pound Sterling	1,009,911	977,175	(966,167)	(943,624)	(10,193)
Swiss Franc	104,197	103,343			(853)
U.S. Dollar	30,280,690	30,280,690	(17,637,257)	(17,637,257)	
Total Currency	$47,917,947	$47,689,180	($47,917,947)	($47,233,138)	$456,042

8. Capital Assets

The capital assets purchased as of the fiscal year ending June 30, 2013 consist of leasehold improvements, office equipment and office furniture. All capital assets are recorded at cost less accumulated depreciation.

Capital Assets	Accumulated Cost	Net Appreciation	Capital Assets
Leasehold Improvements	$1,449,678	($753,432)	$696,246
Office Furniture	343,918	(335,531)	8,387
Office Equipment	381,598	(252,726)	128,872
Total Capital Assets	$2,175,194	($1,341,688)	$833,505

9. *Funding Policy*

Funding of the System is accomplished through member and employer contributions, and the investment earnings. The System uses the entry age normal method. The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. A ten year schedule of the funding progress is on page 34 of this report.

Funding Progress Schedule

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
06/30/13	$1,465,943,503	$2,151,993,000	$686,049,497	68.1%	$392,868,271	174.6%

The Plan's obligations to its members are based on the actuarial valuation of the assets and liabilities of the Plan. The market value ratio indicates the Plan's ability to pay its obligations in a snapshot in time, such as, June 30, 2013. It does not take into account the increase and decrease of the Plan's assets and liabilities over a multitude of years.

Market Value Ratio

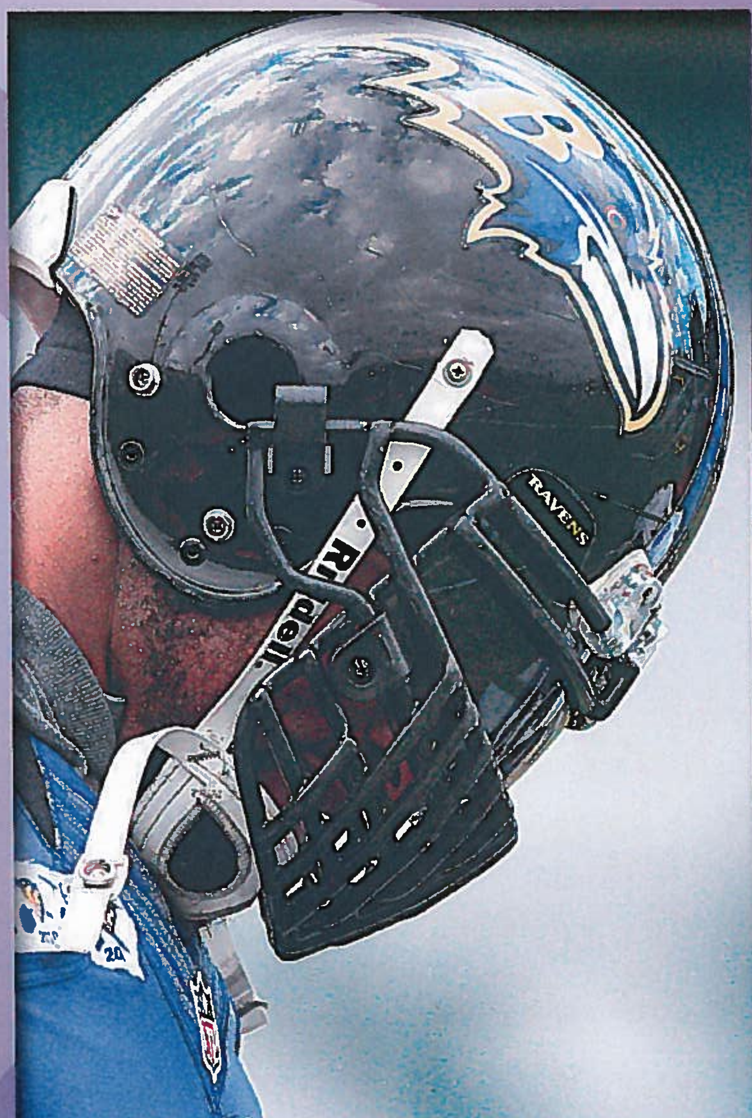
Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL Market (b-a)	Market Ratio (a/b)	Covered Payroll (c)	Market (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
06/30/13	$1,324,733,814	$2,151,993,000	$827,259,186	61.6%	$392,868,271	210.6%

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2013. The information presented below is in the required supplementary schedules of this report on page 36.

Actuarial funding method:	Entry Age Normal Method. Effective June 30, 2012
Amortization period:	Level dollar, open for 20 year period, decreased each year until 2031 at which time to be fully paid. Effective Jun 30, 2011.
Asset valuation method:	Market value adjusted for investment surpluses and deficits over a five year period. The actuarial value of assets is the market value less cumulative unallocated earnings. Any contribution receivable of the upcoming fiscal year (as determined in the prior year's valuation) is added to the results. Effective June 30, 2011.
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	7.75%
Post-retirement	6.55%
Projected salary increases:	Inflation rate approximately 2.75%.
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.

Required Supplementary Information and Supporting Schedules

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2013



City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
6-30-04	$ 1,397,581,780	$ 1,429,231,020	$ 31,649,240	97.8 %	$ 322,914,690	9.8 %
6-30-05	1,403,206,754	1,466,857,297	63,650,543	95.7	320,985,908	19.8
6-30-06	1,411,165,977	1,530,526,367	119,360,390	92.2	331,888,366	36.0
6-30-07	1,447,196,612	1,598,682,178	151,485,566	90.5	346,391,734	43.7
6-30-08	1,475,533,717	1,664,078,322	188,544,605	88.7	367,517,243	51.3
6-30-09	1,424,202,643	1,724,930,682	300,728,039	82.6	398,009,463	75.6
6-30-10	1,390,514,840	1,830,224,519	439,709,679	76.0	401,328,980	109.6
6-30-11	1,410,211,059	1,940,447,224	530,236,165	72.7	392,941,135	134.9
6-30-12	1,429,666,081	2,111,278,169	681,612,088	67.7	390,557,576	174.5
6-30-13	1,465,943,503	2,151,993,000	686,049,497	68.1	392,868,271	174.6

See notes to required supplementary information.

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

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed
2004	$17,352,473	100 %
2005	23,624,914	100
2006	31,003,063	100
2007	36,841,351	100
2008	43,918,411	100
2009	43,673,027	100
2010	48,748,397	100
2011	62,374,396	100
2012	77,995,003	100
2013	88,300,214	100

See notes to required supplementary information.

Employees' Retirement System
City of Baltimore, Maryland
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented in the required supplementary schedules was determined as part of the actuarial valuation dated June 30, 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 2.75%. Effective June 30, 2011.
Cost-of-living adjustments	1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over.

2. Effective July 1, 2006, amendments were made to the Plan provisions. These amendments included combining the assets of the Plan and increasing the cost of living adjustment. The investments in the paid up benefit and the contingency reserve funds were passively invested and not used in the actuary's valuation of the Plan's assets. The new Plan provision no longer separates the paid up benefit fund and the contingency reserve fund. The combining of assets allow the Plan to have all assets actively invested. The cost of living adjustment was changed to a guaranteed adjustment of 1.5% with an additional variable increase based on excess investment returns.

   All of the assumption and Plan provision changes resulted in a .056%, or $245,384, decrease in annual City cost for the fiscal year as well as an increase of the unfunded liability from $119.4 million to $151.5 million. The changes to the Plan provision paid an additional ad hoc cost of living adjustment of $13.1 million or a one time increase of 1.45% to all retirees and beneficiaries with a retirement date on or before June 30, 2006 which was paid during fiscal year ending June 30, 2007. Changes were effective as of June 30, 2007.

3. The actuarial asset value return was 6.49% which produced a net loss of $25.2 million to the Plan for fiscal year 2008. The unfunded actuarial liability increased from $151.5 million on June 30, 2007 to $188.5 million on June 30, 2008, primarily due to the investment experience on actuarial asset value and adverse demographic experience.

   The total recommended contributions increased by 13.08% from $43,673,028 for fiscal year 2009 to $48,748,396 for fiscal year 2010 as a reflection of the prior year's experience and increased unfunded actuarial liability as of June 30, 2008. This represents a projected increase in cost as a percent of pay from 12.61% to 13.26%.

4. The actuarial asset value return was 0.75%, which produced a net loss of $104.0 million for the Plan fiscal year 2009. The unfunded actuarial liability increased from $188.5 million on June 30, 2008 to $300.7 million on June 30, 2009, primarily due to economic conditions, the investment experience on actuarial asset value, and to a lesser degree adverse demographic experience.

   The total recommended contribution increased by 28% from $48,748,397 for fiscal year 2010 to $62,374,396 for fiscal year 2011 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2009. This represents a projected increase in cost as a percent of pay from 13.26% to 15.67%.

   The valuation for fiscal year 2009 reflects a significant increase in the number of active participants for the Baltimore City Public School System that will be covered under the Plan. The membership increased from 1,548 in 2008 to 1,787 in 2009.

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

   The total recommended contribution increased by 25.0% from $62,374,396 for fiscal year 2011 to $77,995,003 for fiscal year 2012 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2011. This represents a projected increase in a cost as a percent of pay from 15.67% to 19.43%.

6. The total recommended contribution increased by 13.2% from $77,995,003 for fiscal year 2012 to $88,300,214 for fiscal year 2013 as a reflection of the prior years experience and increased unfunded actuarial liability as of June 30, 2011. The experience study changes increased the recommended contributions by $10,305,211. This represents a projected increase in cost as a percent of pay from 19.43% to 22.47%.

   The newly adopted funding policy of the Board provides for the unfunded actuarial liability to be amortized over a fixed period of 20 years targeting 100% funding by the fiscal year ending 2031.

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

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

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

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

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2013

Salaries and wages:		
Permanent full-time salaries	$ 1,392,866	
Contract salaries and wages	9,828	
Overtime	12,731	
Total salaries and wages		$ 1,415,425
Other personnel costs:		
Social security	255,436	
Medical insurance and health care	243,989	
Other	18,870	
Total other personnel costs		518,295
Contractual services:		
Computer network services	371,331	
Professional services	310,523	
Lease purchase agreements	257,281	
Retirement payroll processing	154,379	
Actuarial services	118,133	
Data processing services	83,131	
Audit Fees	29,400	
Postage	25,297	
Printing	20,380	
Telephone systems	19,970	
Trustee Education	17,430	
Miscellaneous	11,841	
Equipment maintenance	11,539	
Lease of business machines	6,993	
Dues and publications	6,417	
Advertising	4,315	
Staff training	3,175	
Legal fees	32	
Total contractual services		1,451,567
Materials and supplies:		
Office Supplies		13,561
Depreciation expense		156,094
Total administrative expenses		$ 3,554,942

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2013

Schedule of Investment Expenses

Investment expenses:	**Fees**
Investment management fees	$ 6,558,991
Investment consultant fees	255,000
Custodial fees	117,184
Subtotal	6,931,175
Securities lending fees	107,623
Total investment expenses	**$ 7,038,798**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
Pension Technology, Inc.	$ 250,960	Benefits Adminstration System
LRWL, Inc.	233,887	Benefits Administration System Project Manager
Cheiron, Inc.	118,132	Actuarial Services
Sona Network	91,600	Computer Network Services
Baltimore City Department of Audits	29,400	Financial Audit
American Arbitration Association	26,021	Trustee Election
BellaArt	19,775	Web and Graphic Communications
Total of payments to consultants	**$ 769,775**	

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

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Investment Section

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2013

MarquetteAssociates

INVESTMENT CONSULTANT'S REPORT

Introduction

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

Distinction of Responsibilities

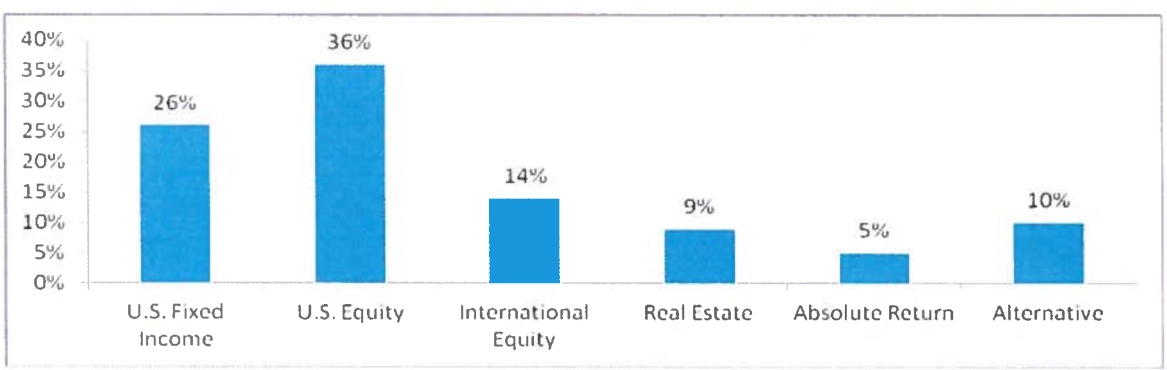
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner that is consistent with the retirement objectives of the System's members. These responsibilities are detailed in the Investment Guidelines.

The primary investment objectives of the System are to preserve the capital value of the System assets adjusted for inflation, to ensure adequate liquidity to meet benefit liabilities as they fall due, to meet the actuarial interest rate assumptions, and without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of System assets.

The investment managers appointed to execute the policy will invest ERS assets in accordance with the policy guidelines and with their judgment concerning relative investment values. In particular, the investment managers are accorded full discretion to: (1) select individual securities, (2) make periodic strategic adjustments to the mix of the common stock and fixed income securities, where applicable and (3) diversify their portfolios.

Investment Asset Allocation Structure

The goal of the asset allocation structure is to provide a favorable rate of return coupled with a prudent level of risk. Diversification of asset classes is critical to achieve long term return objectives while reducing risk. The System made two primary changes over the fiscal year to enhance the diversification of the assets. Given the risk in a lower interest rate fixed income market environment, the System conducted an analysis of potential changes to the fixed income portfolio. As a result, a global fixed income allocation was implemented over the summer of 2013. In addition, a full review of the emerging markets exposure within the international portfolio was conducted in the spring of 2012. Subsequently an allocation to emerging markets small-cap was also implemented in the spring of 2013. The following table outlines the ERS's investment policy targets:



Investment Objective

The investment return is evaluated against a policy benchmark consisting of 36% Russell 3000, 14% MSCI ACWI ex US, 26% Barclays Capital Agg, 9% CPI+6%, 5% T-bills plus 5%, and 10% Venture Economics. In addition, the ERS's performance is evaluated relative to the Investorforce Public Fund Universe, a universe representing the performance of 166 Public Funds and consisting of $381 billion in assets. Marquette utilizes the InvestorForce Performance Reporting network, an advanced and comprehensive analysis and performance management platform, comprised of 25 different investment consulting firms located throughout the United States.

Market Overview

The fiscal year ended June 30, 2013 was particularly strong for U.S. equity markets as the asset class posted the greatest gains. The stock market benefited from growing consumer confidence fueled by a resurgent housing market and a growth oriented fiscal policy. Also positively contributing to returns was continued strength in corporate earnings and increased merger and acquisition activity. Improving economic conditions in Europe also led to strong international equity market results. As a result, the domestic stock market as proxied by the Russell 3000 Index returned 21.5% and the international stock market as proxied by the MSCI All Country World ex-US Index returned 14.1%. In domestic markets, small-cap stocks outpaced large-cap stocks as risk was rewarded. Fixed income markets however were negatively impacted by rising yields particularly for longer maturity bonds. Fixed income returned -0.7% as proxied by the Barclays Capital Aggregate Index. Private core real estate continued to perform well as the asset class was fueled by investor appetite for greater yields. The asset class returned 10.7% as proxied by the NPI Index.

Investment Performance

For the fiscal year ending June 30, 2013, the System posted a strong 13.2% return which outpaced the policy benchmark by 11.4% and resulted in top quartile performance in the peer group universe. The System's performance return ranked in the 22nd percentile of the public fund universe. All of the underlying asset class composite returns outpaced their benchmarks contributing to the strong outperformance. The domestic equity portfolio benefited from its exposure to small-cap equity as small company stocks rallied. Although fixed income markets were negative, the System's underlying fixed income managers were able to buffer losses with greater diversification versus the benchmark. As a result, the fixed income composite return was slightly positive versus the benchmark that posted a negative return. Exposure as well as an additional allocation to private real estate continued to add value as well as a successful year in the private equity program.

The market value of the ERS assets increased from $1.22 billion on June 30, 2012 to $1.33 billion on June 30, 2013. The increase in the Total Fund market value for this report was attributable to capital appreciation and cash flow activity. At the end of fiscal year 2013, the System's assets were allocated as follows:

			Fiscal Year Rate of Return	
	Market Value (in millions)	Percent of Total	ERS	Benchmark
U.S. Equity	$497.9	37.4%	22.6%	21.5%
International Equity	197.7	14.8%	14.9%	14.1%
U.S. Fixed Income	350.2	26.3%	0.3%	-0.7%
Real Estate	143.5	10.8%	11.3%	10.7%
Private Equity	68.7	5.1%	11.1%	7.6%
Hedge Funds	67.3	5.1%	11.1%	7.3%
Cash Equivalents	6.2	0.5%		
Total Fund	$1,331.5	100.0%	13.2%	11.4%

Nichole Roman-Bhatty

Nichole Roman-Bhatty
Managing Partner
Marquette Associates, Inc.

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

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

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

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

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

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

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

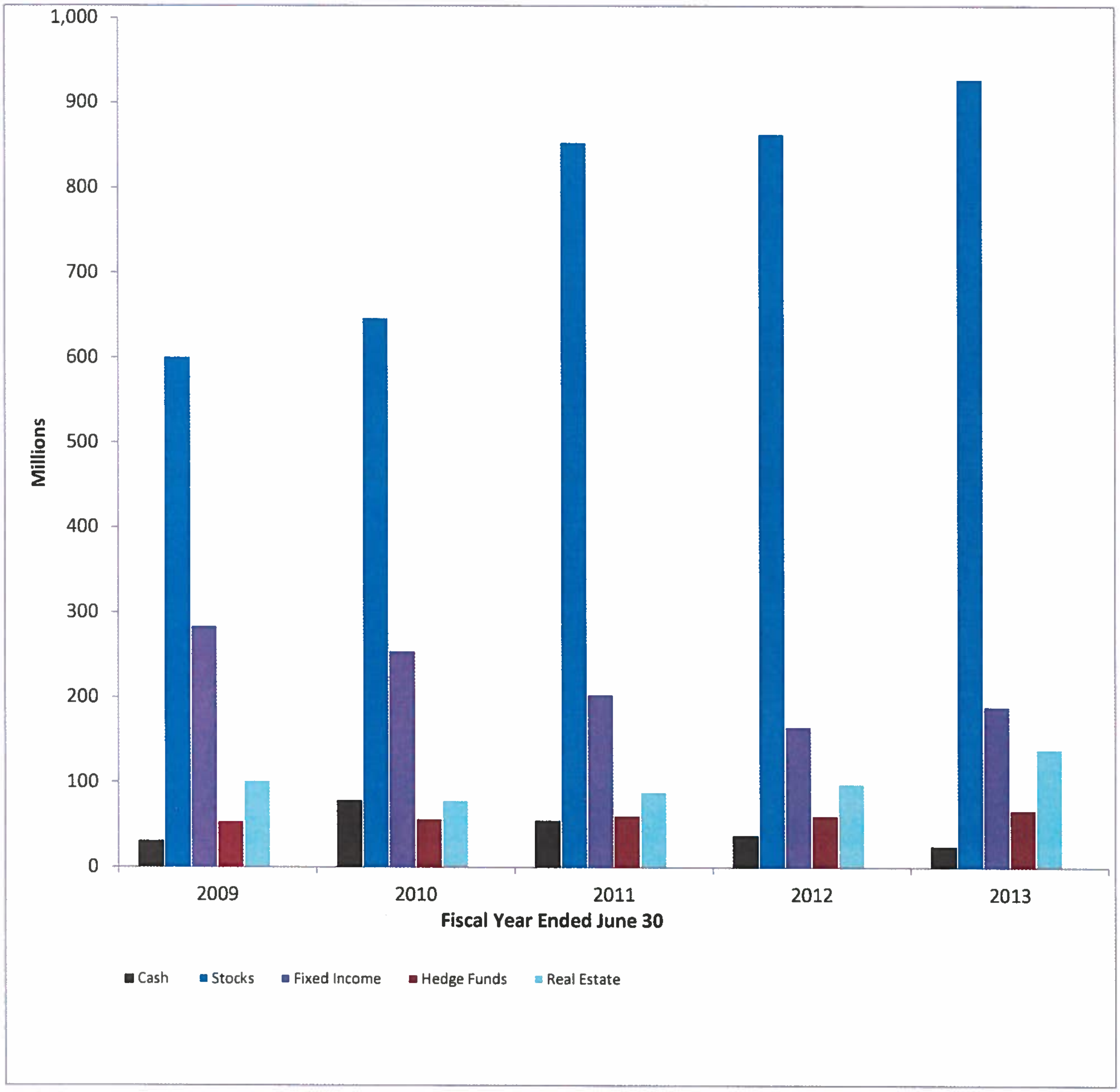
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Plan's investment managers. Additionally, each is expected to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

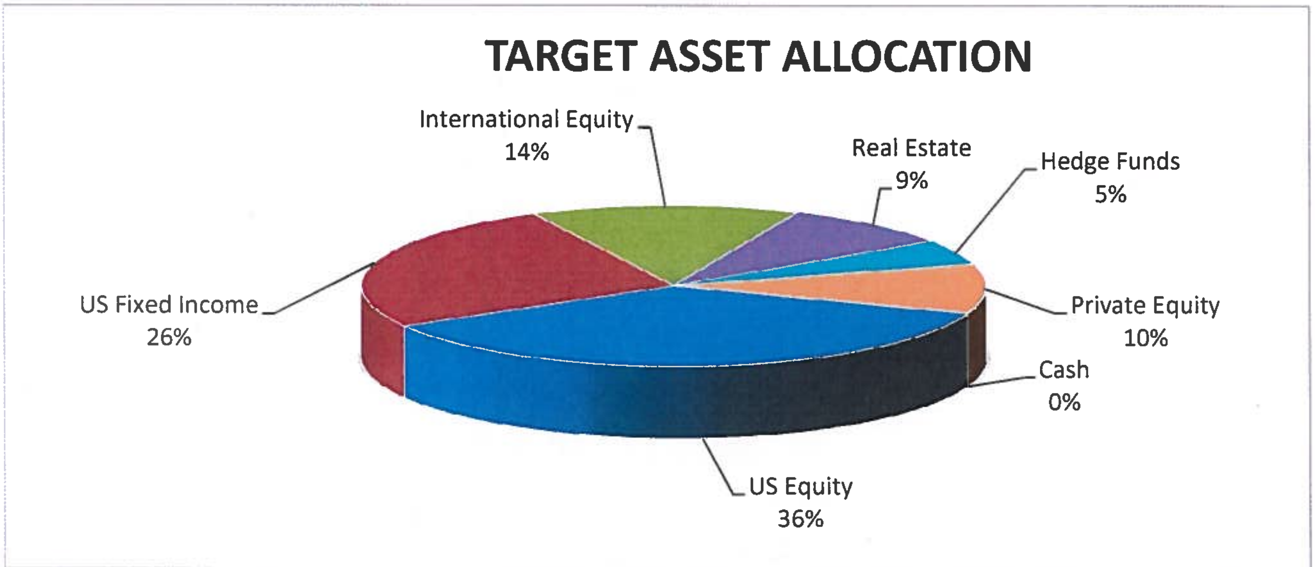
	2009		2010		2011		2012		2013	
Cash	$ 31	3%	$ 79	7%	$ 55	4%	$ 38	3%	$ 25	2%
Stocks	601	56	647	58	854	68	864	70	929	69
Fixed Income	284	26	255	23	204	16	166	14	190	14
Hedge Funds	54	5	57	5	61	5	61	5	68	5
Real Estate	102	10	79	7	89	7	99	8	140	10
Total	$ 1,072	100%	$ 1,117	100%	$ 1,263	100%	$ 1,228	100%	$ 1,352	100%

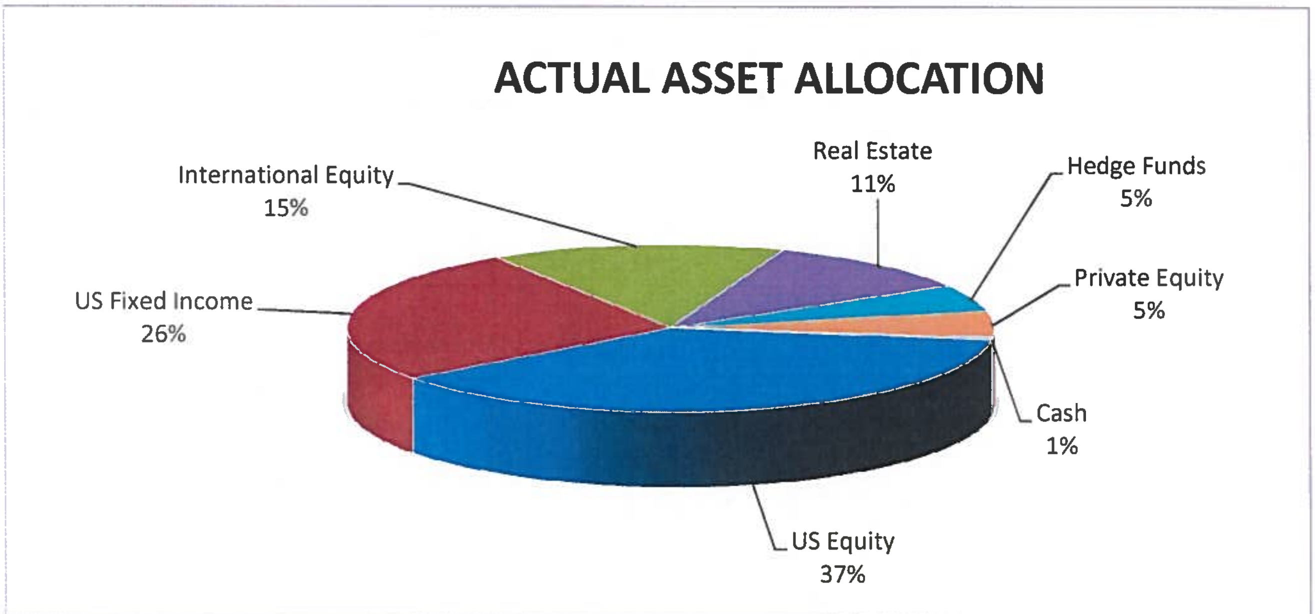
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

		Annualized	
	FY 2013	**3 Years**	**5 Years**
TOTAL PORTFOLIO	13.2 %	11.5 %	4.9 %
Median Public Pension Fund	11.4	11.2	5.1
DOMESTIC EQUITIES	22.6	18.8	7.1
Russel 3000	21.5	18.6	7.2
INTERNATIONAL EQUITIES	14.9	9.0	0.3
MSCI ACWI ex-US	14.1	8.5	(0.3)
FIXED INCOME	0.3	4.5	5.9
Barclays Aggregate	(0.7)	3.5	5.2
REAL ESTATE	11.5	12.0	(0.8)
NPI	10.7	13.1	2.8
PRIVATE EQUITY COMPOSITE	11.1	11.4	7.4
Venture Economics Private Equity	7.6	11.8	5.9
HEDGE FUNDS	11.5	5.2	1.1
HFRI Fund of Funds	7.2	3.0	(0.6)

Note: The calculations above were prepared by the Employees' Retirement System's investment advisor, Marquette Associates, Inc. using a time weighted rate of return, based on market value. The performance shown for the Total Portfolio does not include "Other Assets" dedicated to the payment of post-retirement benefit increases. The Median Public Pension Fund exhibits the overall rate of return for the average Public Pension Plan as measured by the Investorforce Public Universe.

Employees' Retirement System
City of Baltimore, Maryland
ASSET ALLOCATION - ACTIVELY MANAGED ACCOUNTS
June 30, 2013





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, 2013. Assets in the cash reserve are also excluded from this illustration. These assets are for the purpose of providing cash for the payment of benefit and administrative expenses.

Employees' Retirement System
City of Baltimore, Maryland
TOP EQUITY AND FIXED INCOME HOLDINGS BY MARKET VALUE
June 30, 2013

		Shares	Market Value
TOP TEN DOMESTIC EQUITY HOLDINGS			
1	INTEL CORP	163,860	$3,970,328
2	GENERAL ELECTRIC CO	150,815	3,497,400
3	UNITEDHEALTH GROUP INC	51,919	3,399,656
4	DAVITA HEALTHCARE PARTNERS INC	25,475	3,077,380
5	SBA COMMUNICATIONS CORP	39,800	2,949,976
6	PFIZER INC	103,997	2,912,956
7	WAL-MART STORES INC	36,850	2,744,957
8	WALGREEN CO	61,722	2,728,112
9	CHEVRON CORP	22,946	2,715,430
10	AT&T INC	73,078	2,586,961
	Total		$30,583,155
TOP TEN INTERNATIONAL EQUITY HOLDINGS			
1	SYMRISE AG NPV (BR)	67,260	$2,719,882
2	ROTORK ORD 5P	65,014	2,632,800
3	CRODA INTL ORD 10P	67,446	2,533,856
4	COMMONWEALTH PROPERTY OFFICE	2,120,706	2,135,307
5	BOSKALIS WESTMINSTER GROEP NV	58,269	2,121,883
6	CAPITAMALL TRUST SGD1 UNITS	1,205,000	1,895,431
7	TOYOTA MOTOR CORP NPV	30,132	1,816,990
8	SAI ENGINEERING CO SGD0.10	447,000	1,776,299
9	CHRISTIAN HANSEN HOLDING A/S	48,787	1,668,135
10	MITSUBISHI UFJ FINANCIAL GROUP	268,467	1,654,017
	Total		$20,954,600
TOP TEN DOMESTIC FIXED INCOME HOLDINGS			
1	U S TREASURY NOTE 1.625% 08/15/2022 DD 08/15/12	10,600,000	$9,940,892
2	U S TREASURY NOTE 1.000% 08/31/2019 DD 08/31/12	5,890,000	5,639,675
3	U S TREASURY NOTE 2.000% 02/15/2023 DD 02/15/13	5,300,000	5,097,911
4	U S TREASURY NOTE 1.750% 05/15/2023 DD 05/15/13	4,100,000	3,839,896
5	U S TREASURY NOTE 0.625% 09/30/2017 DD 09/30/12	3,700,000	3,616,935
6	U S TREASURY NOTE 0.875% 01/31/2017 DD 01/31/12	3,200,000	3,195,008
7	U S TREASURY NOTE 1.000% 11/30/2019 DD 11/30/12	1,800,000	1,714,914
8	U S TREASURY NOTE 1.125% 03/31/2020 DD 03/31/13	1,400,000	1,333,934
9	U S TREASURY NOTE 0.125% 12/31/2014 DD 12/31/12	1,300,000	1,297,660
10	U S TREASURY NOTE 0.625% 08/31/2017 DD 08/31/12	600,000	587,592
	Total		$36,264,416

A complete list of portfolio holdings is available on request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2013

	Market Value	Percentage of Market Value
Stock:		
Technology	$ 53,305,977	
Financial Services	49,596,500	
Utilities	44,982,157	
Health Care	33,860,551	
Consumer Durables	30,126,677	
Energy	20,771,766	
Consumer Services	17,105,560	
Capital Goods	15,924,141	
Business Services	15,733,664	
Chemicals	10,066,454	
Wholesale Distribution	8,470,312	
Consumer Non-Durables	8,108,795	
Media	7,231,858	
Transportation	3,960,994	
Basic Industries	1,332,783	
Total stock	320,578,189	
Other		
Commingled funds	348,080,054	
International stock	193,319,375	
Venture Capital	43,528,394	
Private equity	23,687,523	
Total other	608,615,346	
Total stock	**929,193,535**	**70.05%**
Bonds:		
U.S. securities and agencies		
U.S. agencies	55,106,708	
Treasury notes and bonds	39,440,724	
Total U.S. securities and agencies	94,547,432	
Corporate:		
Financial	91,809,545	
Utilities	1,857,255	
Industrial	1,349,836	
Total corporate	95,016,636	
Total bonds	**189,564,068**	**14.29%**
Other investments:		
Real estate	140,096,340	
Hedge Funds	67,672,753	
Total other investments	**207,769,093**	**15.66%**
Total investments	**$ 1,326,526,696**	**100.00%**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2013

	Assets Under Management	Fees
Investment managers' fees		
Domestic equity	$ 668,658,243	$ 1,924,633
Fixed income	189,564,068	556,318
International equity	193,319,375	1,039,968
Real estate	140,096,340	1,068,488
Securities Lending	44,831,441	107,623
Hedge funds	67,672,753	624,606
Venture Capital	43,528,394	583,103
Private equity	23,687,523	761,874
Total investment managers' fees		**$ 6,666,615**
Other investment service fees:		
Custodial fees		$ 117,184
Investment consultant fees		255,000
Total other investment service fees		**$ 372,184**

Brokerage Fees

Broker's fees on investment transactions for the year ended June 30, 2013 amounted to $455,228.
A list of the brokers receiving more than $5,300 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Percival Finl Partners Ltd, Lake Success	$45,989	Keefe Bruyette and Woods, Jersey City	$7,071
BNY Convergex, NY	42,962	Williams Capital Group LP, Jersey City	7,032
Deutsche Bk Secs Inc, NY	20,874	Barclays Capital Le, Jersey City	6,936
Morgan Stanley & Co Inc, NY	16,860	Tourmaline Partners LLC, New York	6,865
JP Morgan Securities Inc., Brooklyn	13,817	Citation Group / BCC CLRG, New York	6,413
Loop Capital Markets, Jersey City	13,311	Investment Technology Group, New York	6,006
Goldman Sachs & Co, NY	11,096	Knight Equity Markets LP,Jersey City	5,870
BNP Paribas Securities Corp., New York	10,411	Merrill Lynch Pierce Fenner Smith Inc NY	5,782
Stifel Nicolaus	9,813	Credit Suisse, New York	5,526
UBS Securities LLC, Stamford	8,621	Stephens Inc, Little Rock	5,498
Merrill Lynch Intl. London Equities	8,495	Pershing LLC, Jersey City	5,401
Barclays Capital (London)	7,143	Wells Fargo Securities LLC, Charlotte	5,375

Brokerage Commissions

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

EQUITY MANAGERS

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

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

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

EQUITY FUND OF FUNDS

Group Advisor

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

Vision Capital Management
Todd Jessup
Portland, Oregon

Herndon LCV
Melissa Craig
Atlanta, Georgia

Lombardia Capital
Ariana Salazar
Pasadena, California

The Ithaka Group
Scott O'Gorman
Bethesda, Maryland

Martin Investments
Patrick Martin
Evanston, Illinois

Nicholas Investments
Tammy Wiseman
Del Mar, California

OakBrook Enhance Inv.
Debbie Burak
Lisle, Illinois

OakBrook Investments
Debbie Burak
Lisle, Illinois

Opus Capital Management
Ted O'Reilly
Cincinnati, Ohio

Profit Investment Management
Alba Gonzalez
Silver Spring, Maryland

McClain Value Management
Rob Lodge
New Canaan, Connecticut

INTERNATIONAL EQUITY MANAGERS

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

Mondrian Investment Partners
Laura Conlon
Philadelphia, Pennsylvania

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

HEDGE FUND MANAGERS

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Scott Crossley
New York, New York

Grosvenor Capital Management, LLC
David Holmberg
Chicago, Illinois

Employees' Retirement System
City of Baltimore, Maryland
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New York, New York

PIMCO
Elizabeth Philipp, CFA
New York, New York

Manulife Asset Mgt.
Mark Flinn, CFA
Boston, Massachusetts

REAL ESTATE MANAGERS

American Realty Advisors
Stanley Iezman
Glendale, California

Ares Capital Mgt. (AREA)
Steven M. Wolf
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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

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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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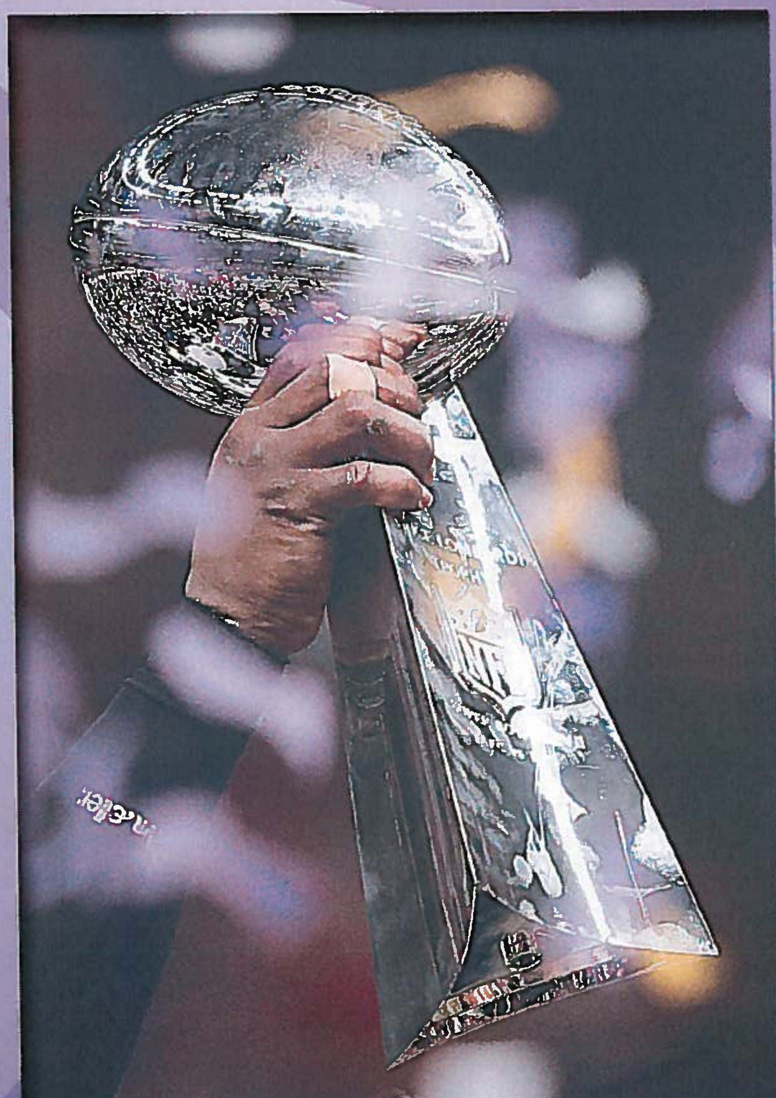
Actuarial Section

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2013



November 12, 2013

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

Re: 2013 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, 2013, determined the employer's contribution for the plan year beginning July 1, 2014. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest is historically made during the 2014 fiscal year.

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

The funding method used in the annual valuation is the Entry Age Normal Cost method. This method computes level contributions as a percentage of pay over the entire working lifetime of the plan participant. The employer's contribution is increased or decreased to amortize the difference between the actuarial value of assets and the actuarial accrued liability as a level dollar amount over 20 years as of July 1, 2011, targeting 100% funding by the fiscal year ending 2032.

The valuation is based on actuarial assumptions recommended by the actuary and approved by the Board of Trustees. The assumptions and methods used for funding purposes meet the parameters set forth in the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 25. Some actuarial assumptions are incorporated into Article 22 of the Baltimore City Code. The plan provisions require a periodic review of the assumptions by the Actuary. The most recent review examined experience from 2006 to 2010 and resulted in changes that were incorporated in the June 30, 2011 valuation. The current assumptions are a reasonable estimate of the anticipated experience of the System.

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

Board of Trustees
Employees' Retirement System
November 12, 2013
Page ii

The valuation is based on a closed group of membership; no new hires are assumed. The actuarial value of assets for this disclosure is equal to the market value adjusted for investment performance above or below the assumed rate of return. Such gains or losses are aggregated and recognized at the rate of 20% each year. Membership data used for the actuarial valuation is supplied by the Retirement System. The data is examined by the actuary for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. Asset information is provided on an unaudited basis.

All supporting schedules in the Actuarial Section and the Schedule of Employer Contributions and the Schedule of Funding Progress in the Financial Section have been prepared by the System and reviewed by Cheiron. The undersigned meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained in this letter and the actuarial report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

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

To the best of our knowledge, the exhibits that make up the actuarial section of this report and its contents when taken in context with our full valuation report as of July 1, 2013 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..

Sincerely,
Cheiron

Anu Patel

Kenneth Kent, FSA, FCA
Principal Consulting Actuary

Anu Patel, FSA, EA
Consulting Actuary

Attachments

ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Method of Funding:	The Entry Age Normal Cost Funding Method effective, June 30, 2012 The current Unfunded Actuarial Liability is amortized as a level dollar figure over 20 years. This 20-year period decreases from 2011 until 2031, at which time the unfunded liability will be fully paid.
Asset Valuation:	The actuarial value of assets is equal to the market value, adjusted for investment surpluses and deficits over a five-year period. This calculation is done in the following steps: 1. The investment gain or loss for the current year is calculated; this equals the actual investment earnings during the year minus the expected earnings. Expected earnings are calculated using a weighted average of the pre- and post-retirement interest rate assumptions multiplied by the mean market value of assets during the year. 2. The current net excess earnings are computed by adding the investment gain or loss for the current year to the remaining excess earnings for the prior valuation. One fifth of the excess earnings are recognized in the actuarial value as of the current valuation and four fifths are deferred to future years. 3. The net assets are then adjusted to account for the Normal Cost Reserve held for the plan changes made during 2001. 4. The present value of the prior year's City contribution is added to the net assets to account for the one year lag between required contributions and when the contributions are actually received. 5. The actuarial value of assets will not be greater than 120% nor less than 80% of the market value of assets as of the valuation date.
Discount Rate:	7.75% compounded annually until retirement except employee accumulations; 6.55% compounded annually after retirement.
Job Elimination Benefit:	A liability load of 1.75% is applied to active retirement benefits to account for value of this benefit.
Expenses:	Administration and investment expenses are assumed to be paid out of investment earnings. It is assumed that the Fund will have sufficient earnings to pay these expenses and meet the interest assumption.

Investment Return:

A liability weighted return on assets is expected on the basis that an 7.75% return is achieved on the portion of assets attributable to active participants, and a 6.55% return is assumed for non-active based assets. The weighted expected return this year is 7.10%. The liability weighted return on assets for next year's valuation will be based on the rates listed in the discount rate section above.

Salary Scale:
(Effective 7/1/2006)

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

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

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

Additional Assumptions:

Inflation: 2.75% (effective 6/30/2011)

Cost of Living 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

Active decrements and service retirement rates are the same as presented in the June 30, 2013 actuarial valuation report. Sample rates as follow:

Rates of Retirement

Age	Less than 30 years	30 years	More than 30 years
55-56	0.06	0.20	0.10
57	0.06	0.20	0.10
58	0.06	0.20	0.10
59	0.06	0.20	0.10
60	0.07	0.20	0.15
61	0.10	0.20	0.20
62	0.17	0.20	0.40
63-64	0.15	0.20	0.20
65	0.20	0.20	0.35
66	0.20	0.20	0.25
67	0.17	0.20	0.25
68	0.17	0.20	0.20
69	0.20	0.20	0.20
70	1.00	1.00	1.00

Withdrawals

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

Age	Non-Line-of -Duty Disability	Line-of-Duty Disability (Class A&B)	Line-of-Duty Disability (Class C)	Non-Line-of-Duty Death Male*	Non-Line-of-Duty Death Female*	Line-of-Duty Death
25	0.00050	0.00004	0.00008	0.0008	0.0003	0.00005
30	0.00059	0.00004	0.00008	0.0009	0.0004	0.00005
35	0.00115	0.00008	0.00016	0.0010	0.0005	0.00005
40	0.00236	0.00008	0.00016	0.0015	0.0008	0.00005
45	0.00425	0.00012	0.00024	0.0023	0.0010	0.00005
50	0.00675	0.00020	0.00039	0.0039	0.0015	0.00005
55	0.01043	0.00024	0.00047	0.0069	0.0026	0.00005
60	0.00579	0.00027	0.00055	0.0128	0.0053	0.00005
65	0.00130	0.00038	0.00076	0.0218	0.0102	0.00005
69	0.00078	0.00039	0.00078	0.0313	0.0144	0.00005

* Rates for individuals who are the age shown as of 6/30/13.

Mortality Rates for Retired and Disabled Members and Beneficiaries

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

The post-retirement mortality for service retirement is based on the 1994 Uninsured Pensioners' Generational Mortality table with generational projections using 50% of the AA scale projected to 2016. Retirees and Beneficiaries rates effective 6/30/2013.

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
6/30/2004	9,722	$322,914,690	$33,215	3.2 %
6/30/2005	9,412	320,985,907	34,104	2.7
6/30/2006	9,193	331,888,366	36,102	5.9
6/30/2007	9,035	346,391,734	38,339	6.2
6/30/2008	9,280	367,517,242	39,603	3.3
6/30/2009	9,719	398,009,463	40,952	3.4
6/30/2010	9,680	401,328,980	41,460	1.2
6/30/2011	9,393	392,941,135	41,833	0.9
6/30/2012	9,107	390,557,576	42,885	2.5
6/30/2013	9,004	392,868,271	43,633	1.7

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
6/30/2004	534	$6,850,549	436	$3,591,049	8,487	$87,864,971	3.9 %	$10,353
6/30/2005	507	5,115,926	371	3,154,496	8,623	89,826,401	2.2	10,417
6/30/2006	473	5,572,251	408	3,239,121	8,688	92,159,531	2.6	10,608
6/30/2007	436	11,159,559	428	3,725,576	8,696	99,593,514	8.1	11,453
6/30/2008	382	7,846,827	440	3,953,061	8,638	103,487,280	3.9	11,980
6/30/2009	478	6,819,538	498	4,385,748	8,618	105,921,070	2.4	12,291
6/30/2010	473	8,065,853	454	4,252,838	8,637	109,734,085	3.6	12,705
6/30/2011	493	9,685,011	437	4,966,673	8,693	114,452,423	4.3	13,166
6/30/2011	493	9,685,011	437	4,966,673	8,693	114,452,423	4.3	13,166
6/30/2012	497	10,860,356	451	4,339,871	8,739	120,972,909	5.7	13,843
6/30/2013	501	5,023,519	432	5,192,731	8,808	125,996,428	4.2	14,305

* Includes post-retirement adjustments.

Employees' Retirement System
City of Baltimore, Maryland
SOLVENCY TEST

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

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

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

	Aggregate Accrued Liabilities For:								
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)	(4)
6/30/2004	$6,273,379	$869,826,880	$23,580,754	$537,210,520	$1,397,581,780	100	100	100	92.7 %
6/30/2005	5,585,067	898,978,213	27,015,479	545,367,724	1,403,206,754	100	100	100	87.8
6/30/2006	5,142,918	937,648,822	29,987,196	578,363,462	1,411,165,976	100	100	100	75.8
6/30/2007	4,891,816	991,713,294	33,164,687	568,912,381	1,447,196,612	100	100	100	73.4
6/30/2008	4,265,169	1,023,749,711	37,096,665	598,966,777	1,475,533,717	100	100	100	68.5
6/30/2009	3,875,023	1,039,839,384	40,657,298	640,558,977	1,424,202,643	100	100	100	53.1
6/30/2010	3,419,652	1,103,746,648	46,882,433	676,175,786	1,390,514,840	100	100	100	35.0
6/30/2011	3,013,222	1,169,599,360	43,416,490	724,418,152	1,410,211,059	100	100	100	26.8
6/30/2012	2,977,938	1,228,202,331	44,829,153	835,268,747	1,429,666,081	100	100	100	18.4
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

Employees' Retirement System
City of Baltimore, Maryland
ANALYSIS OF FINANCIAL EXPERIENCE

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

Type of Activity	Gain / (Loss) FY2012	Gain / (Loss) FY2013
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.	$ (3,885,000)	$ (6,585,000)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(3,942,000)	(1,689,000)
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(2,907,000)	(3,096,000)
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(2,806,000)	(2,796,000)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	11,617,000	18,091,000
Investment Income* If there is greater investment income than assumed, there is a gain. If less, a loss.	(49,145,000)	(40,132,000)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain. (includes PuBF G/(L))	1,350,000	3,620,000
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(4,456,000)	(2,011,000)
Increase in Periodic Pension One time increase in the periodic benefit payments - Variable COLA	(17,676,000)	
Assumption and Asset Method Changes Changes due to assumption changes and the change in accounting and liability	(100,194,000)	
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	2,070,000	1,420,000
Loss During Year From Financial Experience	$ (169,974,000)	$ (33,178,000)

1. **EFFECTIVE DATE:**

The Employees' Retirement System was established by City Ordinance, effective January 1, 1926, and has been amended periodically.

2. **ELIGIBILITY:**

Any regular and permanent officer, agent, or employee of the City with the exception of those required to join the Maryland State or other Retirement System will become a Class C member of the Employees' Retirement System upon completion of one year of employment. The Board of Estimates may authorize prospective membership for any class of part-time employees. There are three classes of members as follows:

Class A - Members who were hired before July 1, 1979, and entered membership on or after January 1, 1954, or who were employed and elected prior to April 1, 1954, to contribute at the higher Class A rate.

Class B - Members as of January 1, 1954, who did not elect Class A membership. Any Class B member may elect to become a Class A member by bringing his accumulated contributions and interest up to what they would be if he had elected Class A membership on January 1, 1954.

Class C - Members who were hired on or after July 1, 1979, or any other members who may have elected to transfer during various open transfer periods to Class C membership.

3. **MEMBER CONTRIBUTIONS:**

Class C members make no contributions. Class A and Class B members contribute 4% of earnable compensation. Contributions are not required upon attaining age 60 and completing 35 years of service.

4. **COMPENSATION:**

Earnable compensation is the annual salary authorized for the member, not including overtime, differential pay, environmental pay, hazardous duty pay, pay for conversion of leave or other fringe benefits, or any like additional payment.

Average final compensation is the average of the member's annual earnable compensation on January 1 for the three successive years of service when the member's earnable compensation is the highest or, if the member is in service on January 1 for less than three successive years, then the average during total service.

Covered compensation (for Class C members only) is the average of the FICA wage base for the 35 year period ending with the calendar year which ends immediately prior to the earlier of: (1) January 1, which is one year prior to January 1 of the calendar year in which member terminates employment; or (2) January 1 of the calendar year in which the member attains age 65.

5. **MILITARY SERVICE CREDIT:**

(A) **Classes A and B**

(1) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 60; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Reemployment Rights Act and the Uniformed Services Employment and Reemployment Rights Act of 1994.

(B) **Class C**

(1) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 62; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Re-employment Rights Act and the Uniformed Services Employment and Reemployment Rights Act of 1994.

6. **SERVICE RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:**

(a) Age 60 with five years of service; or

(b) 30 years of membership service, regardless of age.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension, which together with the annuity will be equal to 1.935% for Class A members and 1.785% for Class B members for each year of service, times the member's average final compensation.

(B) **Class C**

(1) **Eligibility Requirements:**

(a) Age 65 with five years of service;

(b) 30 years of service, regardless of age; or

(c) Age 55 with five years of service, payable at age 65 or reduced for payment before age 65.

(2) **Benefit Amount:** The sum of:

(a) a pension of 1.60% for each year of service (not to exceed 30), times the member's average final compensation; plus

(b) .25% for each year of service not to exceed 30, times member's average final compensation in excess of covered compensation; plus

(c) 1.85% for each year of service in excess of 30, times the member's average final compensation.

If a member elects to have his maximum or optional pension commence prior to normal retirement date, age 65 with less than 30 years, the amount of his pension will be reduced 6.667% for each of the first five years (prorated for shorter periods) and 3.333% for each of the next five years (prorated for shorter periods) by which the commencement of his pension precedes his normal retirement age 65.

(3) **Offset to Retirement Allowance:** Unemployment compensation will be offset from pension benefits.

7. **NON-LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** Five years of service and determined by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that the incapacity is likely to be permanent.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension which, together with the annuity will equal 1.90% for Class A members and 1.75% for Class B members for each year of service, times the member's average final compensation.

The member will receive, as a minimum, the benefit as stated above or 25% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) workers' compensation; and

(b) earnings in excess of base amount (current earnable compensation in same job grade and step adjusted for longevity) with a $1 reduction for each $2 of the first $5,000 of excess and a $2 reduction for each $5 of additional excess earnings.

(B) **Class C**

(1) **Eligibility Requirements:** Five years of service and determination by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that the incapacity is likely to be permanent.

(2) **Benefit Amount:** The non-line-of-duty disability pension will be the greater of:

(a) a pension equal to the member's accrued service retirement benefit; or

(b) 15% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

8. **LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determined by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of duty without willful negligence.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of the member's accumulated contributions; plus

(b) a pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

(B) **Class C**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determination by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of duty without willful negligence.

(2) **Benefit Amount:** A pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by wokers' compensation.

9. **DISMEMBERMENT DISABILITY RETIREMENT (Class C only):**

(A) **Eligibility Requirement:** Immediate eligibility upon membership in the System and determination by a hearing examiner that the loss of any two or more of hands, feet, sight of eye(s), or combination thereof, was a direct result of bodily injury from an accident that occurred while in the actual performance of duty.

(B) **Benefit Amount:** A pension equal to 100% of the member's average final compensation.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

10. **TERMINATION OF EMPLOYMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 60, the completion of:

(i) 15 years of service; or

(ii) Five years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

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

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as if the member had retired with a non-line-of-duty disability retirement allowance.

(B) **Class C**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 65, completion of:

(i) 10 years of service; or

(ii) Five years of service, if removed from a position without fault or if an appointed official not re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an appointed official not re-appointed.

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as for age 65 service retirement.

11. **MAXIMUM ALLOWANCE AND OPTIONAL METHODS OF RECEIVING BENEFIT PAYMENTS:**

(A) **Lump Sum:** Under $12,500 or as adjusted by the Board of Trustees.

(B) **Maximum Allowance:** Upon retiree's death, 40% of retiree's maximum allowance to unremarried spouse or dependent children until the last dies or attains age 18 (age 22 if a full time student). All other options result in a lesser amount paid.

(C) **Reserve Guarantee Option:** Upon retiree's death, a cash refund to retiree's designated beneficiary based on present value of allowance at retirement less payments made.

(D) **100% Joint and Survivor Option:** Upon retiree's death, 100% of retiree's allowance to continue to designated beneficiary.

(E) **50% Joint and Survivor Option:** Upon retiree's death, 50% of retiree's allowance to continue to designated beneficiary.

(F) **50% Pop-Up:** Upon retiree's death 50% of retiree's allowance to continue to designated beneficiary. If designated beneficiary predeceases member, member receives Maximum and no survivorship benefit is paid.

(G) **100% Pop-Up:** Upon retiree's death 100% of retiree's allowance to continue to designated beneficiary. If designated beneficiary predeceases member, member receives Maximum and no survivorship benefit is paid.

(H) **Specific Benefit Option:** Upon the retiree's death and subject to the approval of the Board of Trustees, the member's designated beneficiary will receive:

(1) a specific lump sum amount; or

(2) a specific periodic allowance.

These options are available for service, termination, non-line-of-duty disability, and line of duty disability retirement. Any option and/or beneficiary may be changed by the retired member within 30 days after retirement.

12. **NON-LINE-OF-DUTY DEATH BENEFITS:**

(A) **Classes A and B**

(1) **Lump Sum Benefit:**

(a) **Eligibility Requirements:** Member who

(i) dies while actively employed; and

(ii) whose death does not qualify as a line-of-duty death.

(b) **Benefit Amount:** The designated beneficiary is paid:

(i) the member's accumulated contributions; plus

(ii) if member has one or more years of membership service, 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) **100% Survivorship Benefit:**

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he/she has been married for at least five years or his/her parent(s), provided the Member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(iii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 60 and dies anytime between the effective retirement date at age 60 and no later than 30 days following the attainment of age 60.

(b) **Benefit Amount:** The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service Retirement 100% Joint and Survivor Option.

(3) **40% Survivorship Benefit:**

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse with whom he has been married for at least one year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the Member:

(i) died in active service; and

(ii) had more than 20 years of service as of the date of death.

(b) **Benefit Amount:** The eligible beneficiary spouse or children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) **Offset to Death Benefits:** These benefits are offset by any pension benefits paid before the members' death.

(B) **Class C**

(1) Lump Sum Benefit:

(a) **Eligibility Requirements:** Member who:

(i) dies while actively employed; and

(ii) has one or more years of membership service, but whose death does not qualify as a line-of-duty death.

(b) **Benefit Amount:** The designated beneficiary is paid:

(i) the member's accumulated contributions, if any; plus

(ii) one-time payment of 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) 100% Survivorship Benefit:

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he/she was married for at least 5 years or his parent(s), provided the member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(iii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 65 and dies anytime between the effective retirement date at age 65 and no later than 30 days following the attainment of age 65.

(b) **Benefit Amount:** The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service Retirement 100% Joint and Survivor Option.

(3) 40% Survivorship Benefit:

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse to whom he has been married for at least one year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the member:

(i) died in active service; and

(ii) had more than 20 years of service as of the date of death.

(b) **Benefit Amount:** The eligible beneficiary spouse or eligible children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) Offset to Death Benefits: These benefits are offset by workers' compensation.

13. **LINE-OF-DUTY DEATH BENEFITS:**

(A) **Eligibility Requirements:** A determination by a hearing examiner that the death of a member was:

(1) the direct result of bodily injury though accidental means independent of any pre-existing physical or medical conditions;

(2) occurring while in the actual performance of duty; and

(3) not caused by willful negligence on the part of the member.

(B) **Benefit Amount:** The sum of:

(1) the member's accumulated contributions (if any); plus

(2) an annual pension of 100% of current earnable compensation, payable to:

(a) the spouse during widow(er)hood, provided: (1) there is no voluntary separation agreement renouncing rights of inheritance; and (2) the member has not designated his children as beneficiaries;

(b) if no eligible spouse, or if the spouse dies or remarries, the child or children, equally, until age 18 (age 22 if a full-time student);

(c) if no eligible spouse or child surviving, then to the deceased's father and/or mother equally, or to the survivor;

(d) for Classes A and B, any member who retires and dies within 30 days after the effective date of accidental disability retirement will receive the above benefits if death is the result of injuries in the line-of-duty.

If no beneficiary and if intestate without heirs, then contributions will remain part of the System, and no death benefit is paid.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation, net of legal and medical fees.

14. **POST-RETIREMENT BENEFIT INCREASES:**

The minimum guaranteed benefit increase is 1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over. As of June 30, 2013, additional increases have been discontinued. Only retirees and their beneficiaries, who have been receiving periodic benefit payments as of the June 30th determination date, and members who have been retired for a minimum of 18 months, are eligible for the increase. The actuarially determined increase is payable as an equal percentage increase to all eligible retirees and beneficiaries commencing January 1st after the June 30th investment performance determination date.

Statistical Section

Employees' Retirement System CITY OF BALTIMORE, MARYLAND
Comprehensive Annual Financial Report YEAR ENDED JUNE 30, 2013

STATISTICAL SECTION SUMMARY

The statistical section of the Employees' Retirement System's (System) comprehensive annual financial report presents detailed information as a context for helping the readers understand the information in the financial statements, notes disclosures, required supplementary information, and the System's overall financial health for the last ten fiscal years. The different reports contained in this section are listed below.

Financial Trends

Changes of Plan Net Position schedules detail the System's financial performance from year to year.

Revenue Capacity

The Revenue by Source schedule list the different income streams of the System.

Expenses Capacity

The Expense by Type schedules contains information about the major costs of the System.

Demographic Information

The demographic schedules consist of various membership information used by the Actuary to determine or monitor the demographic assumptions. The tables which are used to compare current assumptions with actual experience to determine recommended assumption changes include:

- The Schedule of Active Members by Years of Service, which provides active membership information including the average service credit and member's age for each fiscal year;
- The Schedule of Retirees by Attained Age and Type of Retirement, provides the number of retirees by age and the type of retirement, and
- The Schedule of Beneficiaries By attained Age and Type of Retirement that provides membership information on beneficiaries by age and type of the member's retirement.

Benefit Expenses by Type: is a report of benefit related expenses by the type of retirement and payment for each year of service.

Average Monthly Benefit Payments: is a schedule of monthly benefit payments based on years of credited service. For each year, the schedule provides the average monthly benefit payment, Average – average Final Compensation and number of retirees grouped in years of credited service.

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

	2004	2005	2006	2007	2008
Additions					
Contributions					
Employer	$ 17,352,473	$ 23,624,914	$ 31,003,063	$36,841,351	$ 43,918,411
Plan members	443,001	476,490	422,548	308,703	345,637
Total contributions	$ 17,795,474	$ 24,101,404	$ 31,425,611	$37,150,054	$ 44,264,048
Investment Income					
Net appreciation in fair value of investments	$ 92,483,936	$ 80,660,869	$ 79,600,767	$177,595,751	$ (111,674,879)
Interest, dividends, and real estate income	35,587,011	31,462,451	36,965,510	47,136,147	46,115,481
Less: investment expenses	(3,821,829)	(3,097,848)	(5,464,823)	(5,684,475)	(6,275,603)
Net investment income	$ 124,249,118	$ 109,025,472	$ 111,101,454	$219,047,423	$ (71,835,001)
Securities lending income	$ 642,610	$ 442,098	$ 548,678	$468,902	$ 1,001,675
Securities lending fees	(192,744)	(132,598)	(164,580)	(140,643)	(300,467)
Net securities lending income	$ 449,866	$ 309,500	$ 384,098	$328,259	$ 701,208
Total additions	$ 142,494,458	$ 133,436,376	$ 142,911,163	$256,525,736	$ (26,869,745)
Deductions					
Retirement allowances	$ 85,923,130	$ 90,034,033	$ 93,706,033	$97,104,170	$ 101,461,516
Adminstrative expenses	1,637,315	1,882,368	2,496,211	2,615,247	2,913,458
Death benefits	1,896,655	1,124,669	983,714	1,294,666	1,061,050
Lump cash payments	170,322	137,471	72,775	155,325	177,877
Refund of Contributions	14,312	3,103		5,008	9,161
Total deductions	$ 89,641,734	$ 93,181,644	$ 97,258,733	$101,174,416	$ 105,623,062
Net increases / (decreases)	$ 52,852,724	$ 40,254,732	$ 45,652,430	$155,351,320	$ (132,492,807)
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,194,463,762	$ 1,247,316,486	$ 1,287,571,218	$1,333,223,648	$ 1,488,574,968
Ending Balance	$ 1,247,316,486	$ 1,287,571,218	$ 1,333,223,648	$1,488,574,968	$ 1,356,082,161

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

	2009	2010	2011	2012	2013
Additions					
Contributions					
Employer	$ 43,673,027	$ 48,748,397	$ 62,374,396	$ 77,995,003	$ 88,300,214
Plan members	172,567	215,669	358,202	359,028	223,720
Total contributions	$ 43,845,594	$ 48,964,066	$ 62,732,598	$ 78,354,031	$ 88,523,934
Investment Income					
Net appreciation in fair value of investments	$ (278,688,103)	$ 91,458,311	$ 195,926,226	$ 18,948,964	$ 135,498,253
Interest, dividends, and real estate income	28,522,723	26,028,223	20,583,936	6,758,532	19,359,439
Less: investment expenses	(5,406,811)	(5,641,242)	(6,115,531)	(6,155,302)	(6,931,175)
Net investment income	$ (255,572,191)	$ 111,845,292	$ 210,394,631	$ 19,552,194	$ 147,926,517
Securities lending income	$ 762,206	$ 290,022	$ 283,344	$ 205,199	$ 359,807
Securities lending fees	(228,479)	(86,970)	(83,849)	(60,244)	(107,623)
Net securities lending income	$ 533,727	$ 203,052	$ 199,495	$ 144,955	$ 252,184
Total additions	$ (211,192,870)	$ 161,012,410	$ 273,326,724	$ 98,051,180	$ 236,702,635
Deductions					
Retirement allowances	$ 104,166,249	$ 108,225,770	$ 112,642,028	$ 118,802,304	$ 124,059,639
Adminstrative expenses	3,138,612	3,061,461	3,189,932	3,297,684	3,554,942
Death benefits	881,569	791,170	546,942	1,289,869	689,223
Lump cash payments	289,626	155,564	123,425	73,596	157,082
Refund of Contributions		334	95,936	9,088	6,381
Total deductions	$ 108,476,056	$ 112,234,299	$ 116,598,263	$ 123,472,541	$ 128,467,267
Net increases / (decreases)	$ (319,668,926)	$ 48,778,111	$ 156,728,461	$ (25,421,361)	$ 108,235,368
Net assets held in trust for pension benefits					
Beginning Balance	$ 1,356,082,161	$ 1,036,413,235	$ 1,085,191,346	$ 1,241,919,807	$ 1,216,498,446
Ending Balance	$ 1,036,413,235	$ 1,085,191,346	$ 1,241,919,807	$ 1,216,498,446	$ 1,324,733,814

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)
2004	$ 124,698,984	$ 17,352,473	5.4%	$ 443,001	$ 142,494,458
2005	109,334,972	23,624,914	7.4	476,490	133,436,376
2006	111,485,552	31,003,063	9.3	422,548	142,911,163
2007	225,820,282	36,841,351	10.6	308,703	262,970,337
2008	(71,133,793)	43,918,411	11.5	345,637	(26,869,745)
2009	(255,038,464)	43,673,027	11.0	172,567	(211,192,870)
2010	112,048,344	48,748,397	12.4	215,669	161,012,410
2011	210,594,126	62,374,396	15.9	358,202	273,326,724
2012	19,697,149	77,995,003	20.0	359,028	98,051,180
2013	148,178,701	88,300,214	22.5	223,720	236,702,635

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
2004	$ 87,730,767	$ 14,312	$ 1,896,655	$ 89,641,734
2005	91,296,173	3,103	1,882,368	93,181,644
2006	94,762,522		2,496,211	97,258,733
2007	98,554,161	5,008	2,615,247	101,174,416
2008	102,700,443	9,161	2,913,458	105,623,062
2009	105,337,444		3,138,612	108,476,056
2010	109,172,504	334	3,061,461	112,234,299
2011	113,312,395	95,936	3,189,932	116,598,263
2012	120,165,769	9,088	3,297,684	123,472,541
2013	124,905,944	6,381	3,554,942	128,467,267

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

Years of Credited Service	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0-4	2,401	2,572	2,188	2,124	2,306	2,714	2,675	2,426	2,051	1,811
5-9	1,876	1,708	1,833	1,789	1,812	1,826	1,917	1,929	2,033	2,181
10-14	996	896	940	1,093	1,304	1,406	1,376	1,422	1,426	1,425
15-19	1,755	1,684	1,560	1,286	949	724	705	710	817	988
20-24	1,244	1,201	918	974	1,166	1,320	1,307	1,192	979	721
25-29	847	784	1042	1036	976	929	794	707	772	892
30+	603	567	712	733	767	800	906	1,007	1,029	986
Total Members	9,722	9,412	9,193	9,035	9,280	9,719	9,680	9,393	9,107	9,004
Average Service Credit	13.35	13.58	13.80	13.83	13.56	13.17	13.27	13.58	13.92	13.92
Average Age	47.51	47.89	48.32	48.64	48.66	48.61	48.96	49.35	49.74	49.89

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2013

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
0-29	1				1	
30-39	8				7	1
40-44	15				15	
45-49	49	1		9	37	2
50-54	191	33		51	103	4
55-59	673	174	169	141	181	8
60-64	1,200	458	354	187	194	7
65-69	1,407	714	400	180	105	8
70-74	1,241	667	346	137	81	10
75-79	1,048	529	333	119	57	10
80-84	757	384	259	75	30	9
85 and up	841	564	190	55	22	10
Totals	7,431	3,524	2,051	954	833	69
Average Annual Benefit	$15,451	$20,872	$6,730	$19,470	$8,975	$20,478

*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, 2013

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	19	3	1	2	11		2	
25-29	2	1			1			
30-34								
35-39	1			1				
40-44	2			1	1			
45-49	10	2	2	1	3	1	1	
50-54	35	8	7	1	13		6	
55-59	70	27	7	5	17	1	13	
60-64	135	56	18	9	43		9	
65-69	148	58	29	14	31	3	13	
70-74	200	83	41	18	37	2	17	2
75-79	222	112	50	12	30	1	14	3
80-84	226	123	48	12	20	8	14	1
85 and up	307	200	47	6	26	1	16	11
Totals	1,377	673	250	82	233	17	105	17
Average Annual Benefit	$8,102	$9,558	$4,066	$9,239	$5,077	$10,549	$11,437	$22,754

*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
2004	$ 73,208,782	$ 4,905,876	$ 170,322	$ 680,257	$ 899,065	$ 300,153	$ 1,462,961	$ 5,159,191	$ 944,160	$ 87,730,767
2005	76,164,209	5,322,454	137,471	739,882	953,954	504,029	1,486,171	5,044,970	943,033	91,296,173
2006	79,170,397	5,615,443	72,775	726,565	835,966	632,410	1,463,097	5,249,509	996,360	94,762,522
2007	81,936,778	5,611,389	155,325	691,165	961,009	893,948	1,529,265	5,755,332	1,019,950	98,554,161
2008	85,680,282	6,378,604	324,170	516,418	981,229	177,877	1,503,083	5,994,761	1,144,019	102,700,443
2009	86,813,655	6,856,655	289,626	502,613	1,100,267	881,569	1,513,339	6,214,941	1,164,778	105,337,443
2010	90,004,238	7,367,063	155,564	461,609	1,246,067	791,170	1,443,226	6,499,946	1,203,621	109,172,504
2011	94,588,958	7,080,619	123,425	418,549	1,151,890	546,942	1,420,134	6,722,021	1,259,857	113,312,395
2012	99,171,620	8,156,362	73,596	410,158	1,143,187	1,289,869	1,435,552	7,093,318	1,392,106	120,165,768
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

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

Retirement Effective Dates	Years of Credited Service					
From July 1, 2003 to June 30, 2013	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	$ 435	$ 475	$ 839	$ 1,204	$ 1,601	$ 1,791
Average-Average Final Compensation	5,217	5,699	10,071	14,450	19,215	21,490
Number of Active Retirees	37	50	68	64	83	83
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	347	606	705	1,333	1,612	1,922
Average-Average Final Compensation	4,169	7,276	8,461	15,993	19,342	23,069
Number of Active Retirees	43	54	62	50	70	88
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	375	586	785	1,166	1,626	1,817
Average-Average Final Compensation	4,501	7,037	9,423	13,987	19,512	21,800
Number of Active Retirees	34	18	40	37	49	131
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	299	247	680	1,457	1,286	1,420
Average-Average Final Compensation	3,592	2,967	8,163	17,479	15,430	17,040
Number of Active Retirees	19	13	26	21	24	217
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	309	379	1,058	1,189	1,744	1,974
Average-Average Final Compensation	3,712	4,554	12,695	14,263	20,931	23,685
Number of Active Retirees	41	34	33	45	48	84

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

Retirement Effective Dates From July 1, 2003 to June 30, 2013	Years of Credited Service 5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	$ 290	$ 454	$ 724	$ 1,012	$ 1,948	$ 2,261
Average-Average Final Compensation	3,482	5,451	8,684	12,139	23,377	27,131
Number of Active Retirees	58	59	56	30	49	100
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	396	514	932	1,369	1,478	2,294
Average-Average Final Compensation	4,756	6,171	11,186	16,428	17,734	27,531
Number of Active Retirees	54	49	38	55	54	111
Period 7/1/10 to 6/30/11						
Average Monthly Benefit	394	540	803	1,447	1,958	2,565
Average-Average Final Compensation	4,726	6,480	9,638	17,359	23,496	30,777
Number of Active Retirees	44	48	52	53	71	99
Period 7/1/11 to 6/30/12						
Average Monthly Benefit	390	523	862	1,251	2,046	2,453
Average-Average Final Compensation	4,682	6,273	10,344	15,014	24,549	29,439
Number of Active Retirees	67	60	28	52	61	111
Period 7/1/12 to 6/30/13						
Average Monthly Benefit	347	585	945	1,118	1,839	3,899
Average-Average Final Compensation	4,161	7,014	11,342	13,417	22,068	46,793
Number of Active Retirees	65	58	39	63	57	3,617
Period 7/1/03 to 6/30/13						
Average Monthly Benefit	$ 358	$ 491	$ 833	$ 1,254	$ 1,530	$ 2,240
Average-Average Final Compensation	4,300	5,892	10,001	15,053	20,565	26,875
Number of Active Retirees	46	44	44	47	57	464

ERS
EMPLOYEES' RETIREMENT SYSTEM
of the CITY OF BALTIMORE

Employees' Retirement System
CITY OF BALTIMORE, MARYLAND
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