

Elected Officials' Retirement System

CITY OF BALTIMORE, MARYLAND



Comprehensive Annual Financial Report

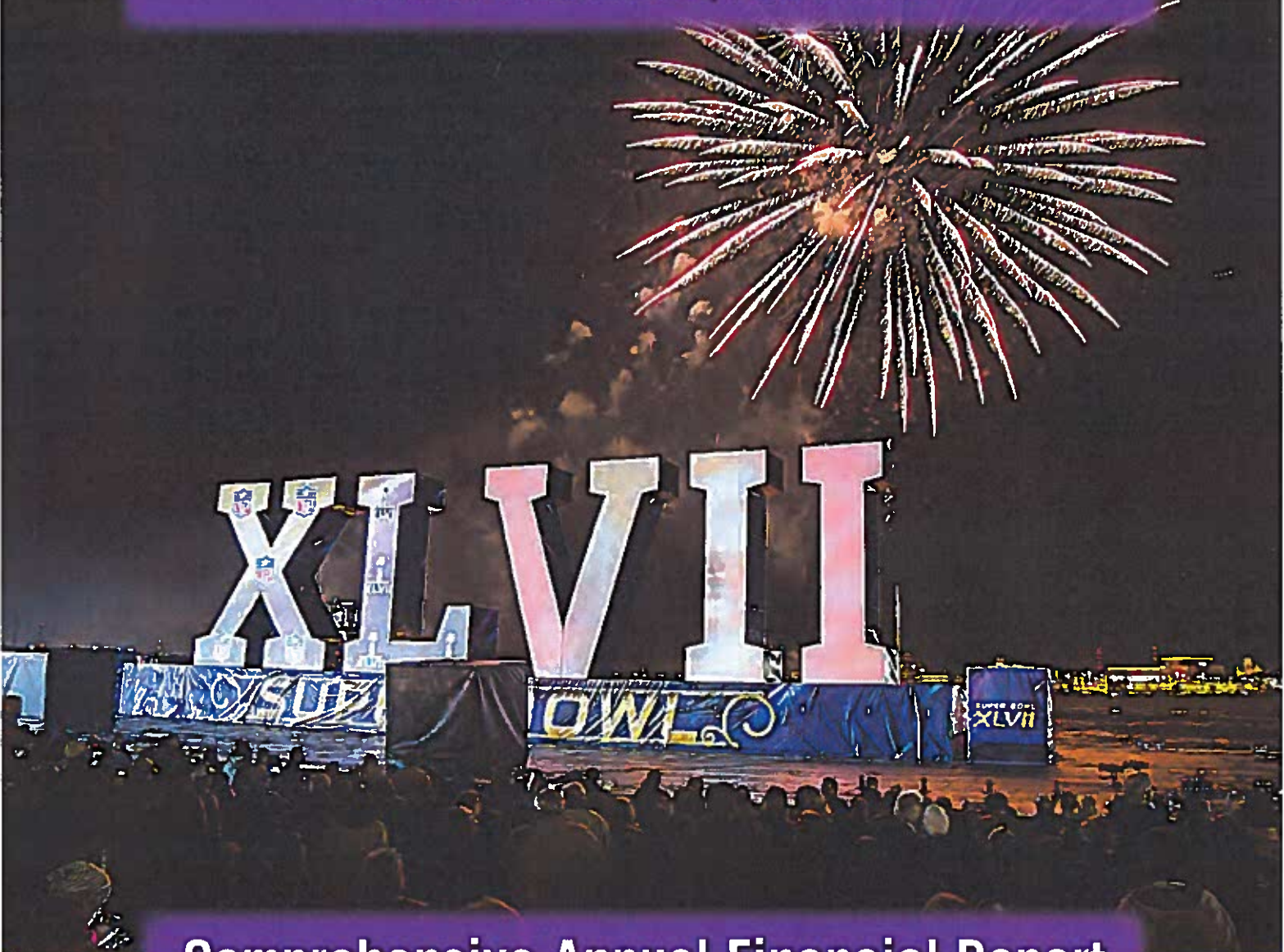
YEAR ENDED JUNE 30, 2013

A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND



Elected Officials' 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 UNIT OF THE CITY OF BALTIMORE, MARYLAND



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Elected Officials' 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

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Introductory Section

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





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Elected Officials' 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 Elected Officials' Retirement System
Baltimore, Maryland

It is my pleasure to present the Comprehensive Annual Financial Report of the Elected Officials' Retirement System of the City of Baltimore, Maryland (EOS, System, 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 EOS' operations.

According to accounting principles generally accepted in the United States, management is required to 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 EOS is a single employer defined benefit local government retirement plan. It was established on December 5, 1983 by legislation to cover the Baltimore City Mayor, the Comptroller, and the President and members of the City Council. 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. By law, the same Board of Trustees that administers the Employees' Retirement System also administers the EOS. A summary of plan provisions can be found in the Actuarial Section on pages 54-57. Membership size and type can be found in the Notes to Basic Financial Statements on page 24.

MAJOR INITIATIVES

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

Another accomplishment is the retirement process, which is now fully automated to allow for one-step processing; from calculating a member's eligible benefit to executing the benefit payment. Some clear advantages are processing errors reduction, accurate recordkeeping of members' data and providing a high level of efficiency.

The members' web portal will provide active members with access to view selected elements of their records, obtain retirement benefit estimates, and view their annual members' statement. Pension-Pro is



an important step in providing members with information that is up-to-date, unfiltered and available when needed. Ultimately, we will have a more robust and secure system to service the needs of the EOS. The final phase will include developing a comprehensive disaster recovery and business continuity plan, testing pension reform updates, and finalizing the members' annual statements.

FINANCIAL AND ECONOMIC SUMMARY

EOS had a return of 13.0% on its investments for the fiscal year ending June 30, 2013, exceeding the policy benchmark of 11.9%, and outperforming the 7.25% actuarial assumed rate of return. Equities were the major contributor, with fixed income remaining flat with its benchmark, Barclay's Aggregate, at (0.70%). 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 (QE₃) 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 EOS 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 System investment objective is to earn or exceed a 7.25% rate of return or to outperform the policy benchmark. Assets in the EOS are invested primarily in indexed and commingled funds, with some that are actively managed. During the fiscal year, the Board made no major shift in the asset allocation, but instead focused on closely monitoring performance, and rebalancing, as necessary, to remain close to the target allocation.

The 13.0% investment return ranked the EOS in the 29th percentile of the public pension funds universe. Total net assets grew by 11.1%, to \$20.3 million, an increase of \$2.0 million, for the fiscal year. Equities were the major contributors to investment gains, with fixed income lagging. Long-term, three and five year annualized returns of 12.1% and 4.7% respectively, are impressive, and a good indication that most of the losses from the 2008 market downturn has been absorbed.

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

ACTUARY AND FUNDING RESULTS

According to recent actuarial valuation report, EOS is financially strong and sustainable for the long term. It is 118.2% funded, up from 109.2% in the previous fiscal year. The funded ratio is a standard measure of how well the System is funded. Other results of the actuarial valuation for fiscal year 2013 also reflect the System's strength. The total recommended employer contribution decreased for the second consecutive year from \$306,606 for fiscal year 2014 to \$84,986 for fiscal year 2015, due to gains in the actuarial liability and strong investment performance. Normal cost as a percent of pay also declined by 3.94% to 32.24%. Having no demographic change during the fiscal year was a major factor in the positive actuarial valuation results. Due to the small size of the Plan, any change in demographics, as often occur in election years, can have a material impact on the actuarial results. The Board is cognizant of its duties and makes every effort to maintain the System on an actuarially sound basis. This is verified in the "Schedule of Funding Progress", illustration on page 30 of this report.

ACCOUNTING SYSTEMS AND INTERNAL CONTROL

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

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

INDEPENDENT AUDIT

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

PROFESSIONAL SERVICES

The Board appoints 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. Trustees are also required to monitor and terminate investment managers as necessary for underperformance, or for other material reasons as determined by the Board. All of the professionals that provide services to the Board are listed in the Introductory and Investment Sections of this Report.

AWARDS

For the 27th consecutive year (fiscal years 1986-2012) EOS 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. A Certificate of Achievement is a prestigious acknowledgement that is valid for one year and is awarded to only those governmental units who meet or exceed the strict standards and criteria of the

association. We believe that this Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This CAFR is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and determining responsible stewardship for the assets contributed by the members and the City of Baltimore. Its preparation was a combined effort of the System's accounting and administrative staff. They and all others who contributed to preparing of this report are to be commended for their excellent work.

Finally, I would like to thank the Board of Trustees, for their steadfast support and confidence in supporting our efforts, the staff, our investment consultant Marquette Associates, Inc. and our actuary, Cheiron, Inc.; who partner with us in the administration of the EOS.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Roselyn H. Spencer".

Roselyn H. Spencer

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 Elected Officials' Retirement System (EOS)

I am pleased to report that EOS's investments had a very good fiscal year, with an impressive absolute return of 13.0%, ranking high among our Public Funds peers. The success of this year's rate of return over last year's 1.3% 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 remains strong at 118.2%.

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 EOS'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 EOS members during the 2014 calendar year.

As you know, EOS retirees and beneficiaries are entitled to a post retirement benefit increase whenever the active EOS members receive a raise. As a result, eligible retirees and beneficiaries will receive a 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 she will be greatly missed.

For their contributions, and commitment I would like to thank my fellow trustees for their judicious service on the Board. Also, on behalf of the Board of Trustees, I would like to acknowledge and express my gratitude to the EOS Executive Director, Roselyn Spencer, for her ardent leadership and her staff for their exemplary service.

Sincerely,

Joan M. Pratt, CPA
Chair, Board of Trustees

Elected Officials' 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 I 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 Chief of the
City of Baltimore's Minority and Women's Business Opportunity Office.
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.

Elected Officials' Retirement System
City of Baltimore, Maryland
LEGAL COUNSEL, GENERAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

City of Baltimore
Law Department
George Nilson, Esq.

GENERAL COUNSEL

City of Baltimore
Elected Officials' Retirement System
Ian Berger

ACTUARY

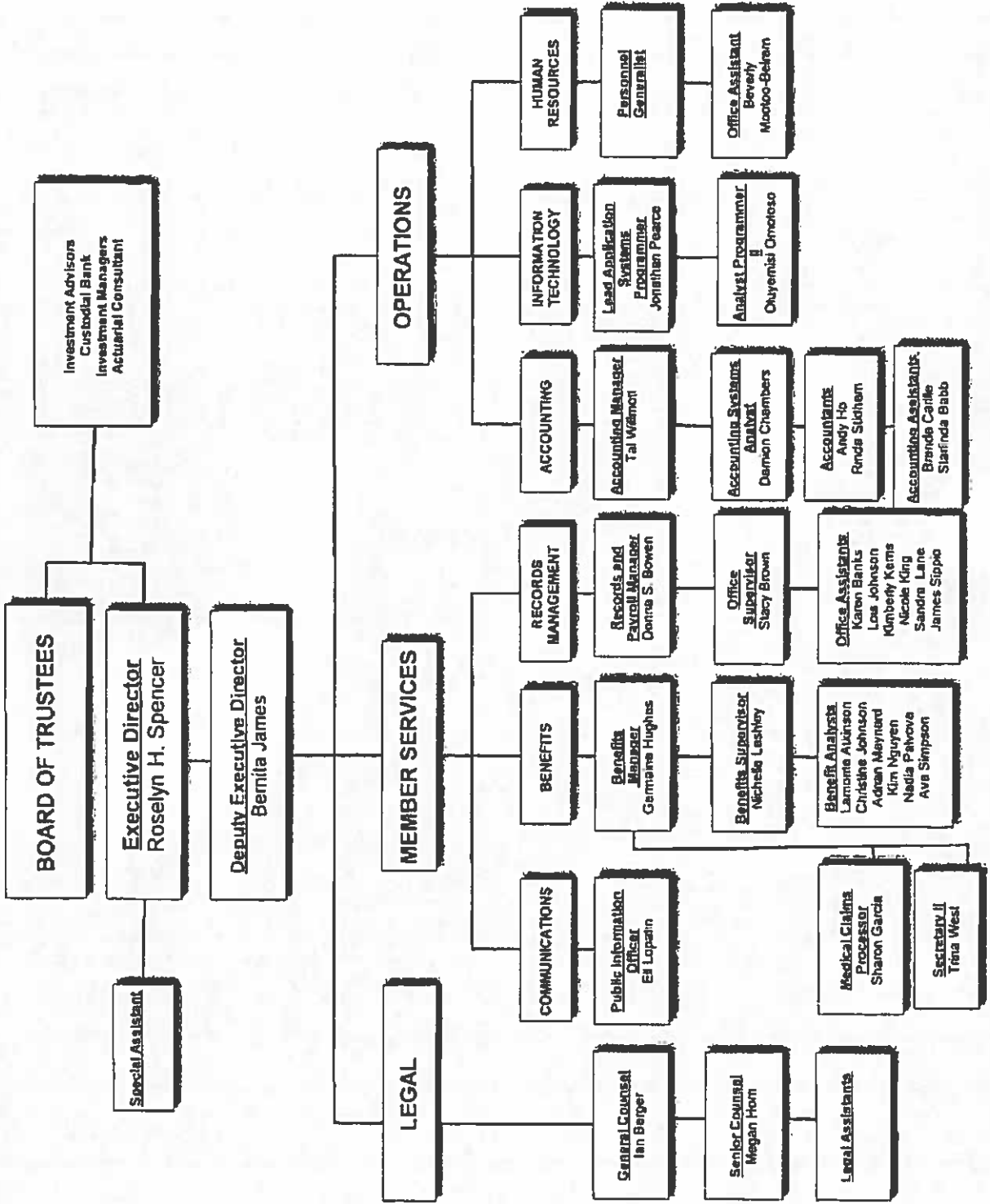
Cheiron, Inc.
Kenneth Kent, F.S.A.
McLean, Virginia

INDEPENDENT AUDITOR

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

See page 44 in the Investment Section for a list of investment professionals.

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



Financial Section

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





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
Elected Officials' Retirement System

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Elected Officials' 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 Elected Officials' 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 Elected Officials' 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 Elected Officials' 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 Elected Officials' 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.

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 29 to 33, 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 Elected Officials' 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 Elected Officials' 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 Elected Officials' Retirement System's internal control over financial reporting and compliance.



Robert L. McCarty, Jr., CPA
City Auditor

Elected Officials' Retirement System
City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The net assets of the Plan at the close of the fiscal year 2013 are \$20,348,583. All of the net assets are available to meet the Plan's ongoing obligations to plan participants and their beneficiaries.
- The rate of return for the fiscal year ended June 30, 2013 was 13.0%, compared to the fiscal year ended June 30, 2012 return of 1.3%, this was due to the investment performance of the Plan's domestic and international equity assets.
- The Plan's total net assets held in trust for pension benefits increased by \$2,038,472 or 11.1%, as a result of positive investment performance and employer contributions.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2013, the date of our last actuarial valuation, the funded ratio for the Plan was 118.2%. In general, this indicates that the EOS has sufficient funds to cover every dollar of benefits due.
- Revenues (Additions to Plan Net Assets) for the year were \$2,841,946, an increase of \$1,575,921 from the prior year. Revenues include member contributions of \$61,033 and a net investment gain of \$2,361,454.
- Expenses (Deductions from Plan Net Assets) decreased to \$803,474 from the prior year expenses of \$826,940. Expenses include retirement benefit expenses, investment management fees and operating expenses of the system.

Overview of Financial Statements

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

The **Statement of Plan Net Position** provides a snapshot of the financial position of the EOS 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 EOS' 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 full accrual basis of accounting to record assets and liabilities, and revenues and expenses.

Elected Officials' Retirement System
 City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 member contributions, and investments at fair value. Investments are valued at the last reported purchase or sale price. Purchases and sales of investments are recorded on a trade date basis. The payables comprise retirement benefits, investment management fees, and administrative expenses.

The Statement of Change 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 of Baltimore 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 the investments.

The Statement of Plan Net Position and the Statement of Change in Net Position can be found on pages 22 and 23 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 Plan and contributions made to the Plan by the employer. See the Required Supplementary Information beginning on page 29 of this report.

The remaining supplemental schedules provide additional detailed information concerning 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 \$20,348,583. 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 11.1% compared to the prior year, due to investment performance.

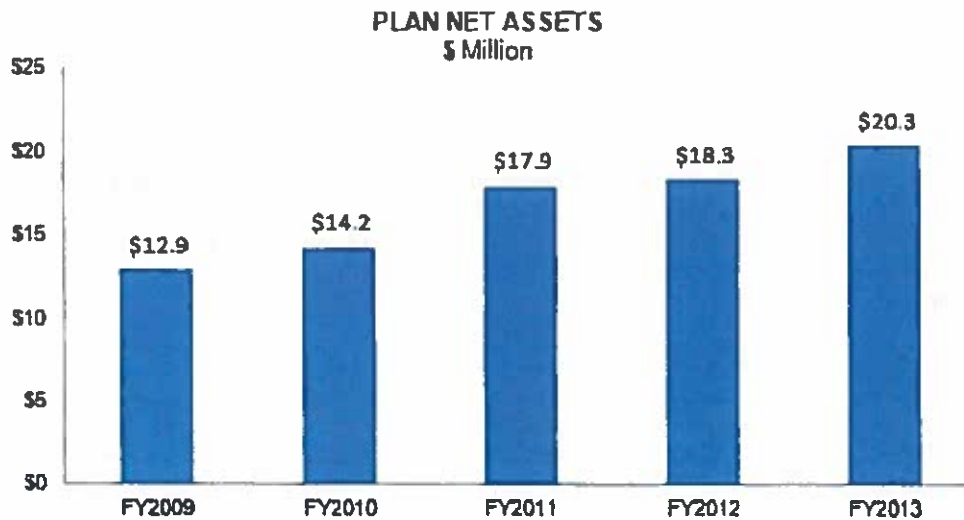
Plan Net Position	Fiscal Year 2013	Fiscal Year 2012	Increase / (Decrease)	Percentage Change
Investments at Fair Value	\$20,265,105	\$18,230,922	\$2,034,183	11.2%
Other Assets	96,283	84,877	11,406	13.4%
Total Assets	20,361,388	18,315,799	2,045,589	11.2%
Total Liabilities	12,805	5,688	7,116	125.1%
Total Net Assets	\$20,348,583	\$18,310,111	\$2,038,473	11.1%

Investment Assets

EOS 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. The assets of the Plan are currently managed by an investment manager, who employs active and passive management strategies to take advantage of imbalances in the markets. The target asset allocation consists of 44% invested in the domestic equity index, 21% in the international equity index, and 35% in the fixed income index.

The Plan's investment performance for fiscal year 2013 was 13.0%, outperformed its policy benchmark by 1.1%. The domestic equity index return 22.7% outperformed its benchmark 21.5% by 1.2% for the fiscal year ending June 30, 2013. The international equity index return was 15.8% and it outperformed its benchmark MSCI All Country ex US index by 1.7%. The rate of return of (0.7)% for domestic fixed income index of the Plan was in-line with its benchmark, the Barclay's Capital Aggregate Index.

Investments in this report are stated at fair value rather than at cost and include the recognition of unrealized gains and losses in the current period. The System's exposure to small-cap equity within the U.S. equity portfolio added to returns. Exposure to small-cap stocks within the international equity portfolio also contributed positively to results. The annualized rate of return for the three and five year periods ending June 30, 2013 were 12.1% and 4.7%, respectively. The Plan's long-term actuarial investment return assumption is 7.25%.



The Investment Section beginning on page 35 gives detailed information on the Plan's investment policies. See page 42 of this report for charts showing the asset allocation targets established by the Board of Trustees and the actual asset allocation of Plan assets at June 30, 2013.

Elected Officials' Retirement System
 City of Baltimore, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS

Liabilities

The current liabilities are payables due to retirement benefit expenses, investment management fees and operating expenses of the EOS office. The Plan is administered by the same staff that administers the Employees' Retirement System.

Changes in Plan Net Position	Fiscal Year 2013	Fiscal Year 2012	Increase / (Decrease)
Additions			
Employer Contribution	\$419,459	\$997,685	(\$578,226)
Members Contributions	61,033	63,234	(2,201)
Net Investment Income	2,361,454	205,106	2,156,348
Total Additions	\$2,841,945	\$1,266,025	\$1,575,921
Deductions			
Retirement Allowances	\$763,865	\$775,678	(\$11,813)
Administrative Expenses	39,609	28,242	11,367
Refund of Contributions		23,020	(23,020)
Total Deductions	\$803,474	\$826,940	(\$23,466)
Total Net Assets	\$2,038,472	\$439,085	\$1,599,387

Contributions and Investment Income

The employer's contribution to the plan in fiscal year 2013 is based on the actuarial valuation report for the year ended June 30, 2012. The negative returns from prior years required an employer's contribution this year in the amount of \$419,459. Net investment income increased due to investment performance in equities. Investment expenses were \$22,948 and \$20,217 for fiscal years 2013 and 2012, respectively. The net increase of the plan is contributed to the positive investment performance and employer contribution.

Retirement Benefits and Administrative Expenses

The Plan was created to provide lifetime service retirement benefits, survivor benefits and permanent 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 \$763,865, which decreased from \$775,678 for fiscal year 2012.

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 should be addressed to: The Executive Director, Employees' Retirement System, 7 E. Redwood Street, 12th Floor, Baltimore, Maryland 21202.

Elected Officials' Retirement System
 City of Baltimore, Maryland
STATEMENT OF PLAN NET POSITION
 June 30, 2013

Assets		
Cash and Cash Equivalents		\$ 90,270
Receivables		
Other	\$ 6,013	
Total Receivables		6,013
Investments, at Fair Value		
Domestic equity	9,559,327	
Fixed income	6,389,192	
International equity	4,316,586	
Total Investments		<u>20,265,105</u>
Total Assets		<u>20,361,388</u>
Liabilities		
Administrative Expenses Payable	6,538	
Investment Management Fees Payable	5,325	
Other	942	
Total Liabilities		<u>12,805</u>
Net Assets Held in Trust for Pension Benefits		<u>\$ 20,348,583</u>

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

Elected Officials' Retirement System
City of Baltimore, Maryland
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Year Ended June 30, 2013

Additions		
Contributions		
Employer	\$ 419,459	
Plan Members	<u>61,033</u>	\$ 480,492
Investment Income		
Net appreciation in fair value of investments	2,384,186	
Interest and dividends	216	
Less: investment expenses	<u>(22,948)</u>	
Net investment income		<u>2,361,454</u>
Total additions		<u>2,841,946</u>
Deductions		
Retirement allowances	763,865	
Administrative expenses	<u>39,609</u>	
Total deductions		<u>803,474</u>
Net Increase		2,038,472
Net assets held in trust for pension benefits		
July 1, 2012		18,310,111
June 30, 2013		<u><u>\$ 20,348,583</u></u>

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

Elected Officials' Retirement System
 City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

1. Plan Description:

The Elected Officials' Retirement System of the City of Baltimore (EOS) is the administrator of a single employer defined benefit local government retirement plan (the Plan). Established December 5, 1983, the plan covers the Mayor, the Comptroller, and the President and all members of the City Council. Based on criteria established by the Governmental Accounting Standards Board, the EOS is a component unit of the City of Baltimore and is included in the City's financial report as a Public Employee's Retirement System (PERS).

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

Retirees and beneficiaries currently receiving benefits	21
Active plan members	17
Terminated vested member	<u>2</u>
Total	<u>40</u>

The Plan provides retirement benefits as well as death and disability benefits in accordance with Article 22 of the Baltimore City Code and may be amended by the Mayor and City Council of Baltimore. However, the reduction of benefits is precluded by the City Code. Membership in the Plan is mandatory upon taking the oath of office, unless the elected official is already a member of the Employees' Retirement System of the City of Baltimore.

Post-retirement benefit increases are indexed to future increases in the compensation for the position held by the elected official prior to retirement.

2. Summary of Significant Accounting Policies:

Basis of Presentation:

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

Basis of Accounting:

These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments:

Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

3. Contributions:

Plan members are required to contribute 5% of their regular compensation through payroll deduction. The City's annual employer contribution is determined through an actuarial valuation. According to the Plan provisions, Article 22 of the Baltimore City Code, contribution requirements of the Plan members and the City are established and may be amended by the Mayor and City Council. Administrative costs of the Plan are paid from investment earnings.

Elected Officials' Retirement System
 City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

4. 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.

The investments of the Plan at June 30, 2013 are categorized, as indicated in the following schedule:

<u>Investments Type</u>	<u>Fair Value</u>
Domestic equity index funds	\$9,559,327
Fixed income index funds	6,389,192
International equity index funds	4,316,586
Cash and cash equivalents	90,270
Total Investments	<u>20,355,375</u>
Less: Cash and cash equivalents	90,270
Net total investments	<u>\$20,265,105</u>

Investments of the Plan are made by outside investment managers and are held under a custodial agreement with BNY Mellon Financial Corporation.

Foreign Currency Exposure Risk

At June 30, 2013, EOS did not hold any foreign currency or hedging foreign investment positions. EOS does not have a formal policy to limit foreign currency.

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 exposure to changes in interest rates. The Plan does not have a formal policy to limit interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration (in years)</u>
Debt Securities:		
Fixed income index funds	\$6,389,192	3.88
Cash and cash equivalents	<u>90,270</u>	0.00
Total Debt Securities	<u>\$6,479,462</u>	

Elected Officials' Retirement System
 City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

Credit Risk by Quality

The Plan's investments are not rated for credit risk. The Plan does not have a formal policy to limit credit risk.

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 EOS 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.

5. 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. At June 30, 2013 the Elected Officials' Retirement System did not hold derivatives with hedging investment positions.

6. Funding Policy

Funding of the System is accomplished through member and employer contributions, and the investment earnings. The System uses the entry age normal funding method. The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. A ten year schedule of the funding progress is on page 30 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	\$19,136,283	\$16,185,092	\$(2,951,191)	118.2%	\$1,236,273	(238.7%)

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	\$20,348,583	\$16,185,092	\$(4,163,491)	125.7%	\$1,236,273	(336.8%)

Elected Officials' Retirement System
 City of Baltimore, Maryland
NOTES TO BASIC FINANCIAL STATEMENTS

The amortization method and the actuarial assumptions presented below are determined as part of the actuarial valuation dated June 30, 2013. The System's Board of Trustees approved the assumptions but some of the changes regarding interest rates defined by the City of Baltimore Code will require changes to the law. The information presented below is in the required supplementary schedules of this report on page 32.

Actuarial cost method:	Entry age normal method, effective June 30, 2013.
Amortization period:	Level dollar over 16-year period that is decreased each year. As of June 30, 2013 the unfunded liability is amortized over 14 years.
Asset valuation method:	Market value adjusted for investment surpluses and deficits relative to investment assumptions, are recognized over 5 years, but limited to 10% of the market value of assets.
Actuarial assumptions:	
Investment rate of return:	7.25%
Projected salary increases	5.0% compounded annually.
Cost-of-living adjustments	5.0% compounded annually.

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Required Supplementary Information and Supporting Schedules

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



Elected Officials' Retirement System
 City of Baltimore, Maryland
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (JAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	JAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
6-30-04	\$ 14,854,343	\$ 14,709,287	\$ (145,056)	101.0 %	\$ 1,150,000	(12.6) %
6-30-05	15,182,550	14,447,285	(735,265)	105.1	963,000	(76.4)
6-30-06	15,940,948	13,546,610	(2,394,338)	117.7	958,000	(249.9)
6-30-07	17,524,104	14,189,037	(3,335,067)	123.5	863,000	(386.5)
6-30-08	18,272,591	16,953,276	(1,319,315)	107.8	1,142,000	(115.5)
6-30-09	14,160,551	16,956,537	2,795,986	83.5	1,182,300	236.5
6-30-10	15,615,546	18,635,853	3,020,307	83.8	1,206,122	250.4
6-30-11	18,143,097	17,243,299	(899,798)	105.2	1,206,122	(74.6)
6-30-12	18,502,805	16,951,055	(1,551,750)	109.2	1,236,273	(125.5)
6-30-13	19,136,283	16,185,092	(2,951,191)	118.2	1,236,273	(238.7)

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

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2004	\$407,883	100 %
2005	575,760	100
2006	516,665	100
2007	381,524	100
2008	143,521	100
2009		N/A
2010	339,830	100
2011	957,220	100
2012	997,685	100
2013	419,459	100

See notes to required supplementary information.

Elected Officials' 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 as of the latest actuarial valuation follows:

Actuarial cost method:	Entry age normal method, effective June 30, 2013.
Amortization period:	Level dollar over 16-year period that is decreased each year. As of June 30, 2013 the unfunded liability is amortized over 14 years.
Asset valuation method:	Market value adjusted for investment surpluses and deficits relative to investment assumptions, are recognized over 5 years, but limited to 10% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.0% compounded annually.
Cost-of-living adjustments	5.0% compounded annually.

2. As of June 30, 2008, the actuarial liability is less than the actuarial asset value as a result of deferred investment losses. The plan's funding position went from surplus of \$3,335,067 as of June 30, 2007 to a surplus of \$1,319,315 as of June 30, 2008. The actuarial liability increased significantly as payroll growth and retiree cost of living adjustments that track payroll growth were greater than the 6% assumption.

3. The June 30, 2009 actuarial value of assets is less than the actuarial accrued liability due to payroll increase and cost of living adjustments for retirees and beneficiaries. Amortization of the unfunded actuarial liability causes employer contributions to increase from \$0 to \$339,830 which represents 81% of the covered payroll. The employer contribution for the June 30, 2009 actuarial valuation is made payable on July 1, 2010.

4. The employer's contributions increased from \$339,830 to \$957,220 for the fiscal year ending June 30, 2010 primarily due to demographic experience. The contributions are payable July 1, 2011.

5. The June 30, 2011 actuarial assumptions changes are based on the results experience study covering the period July 1, 2006 through June 30, 2010. The System's Board of Trustees approved the assumptions but legislation is pending adoption by the Mayor and City Council of Baltimore City. The employer contributions decreased from \$957,220 to \$419,459, payable July 1, 2012.

6. The June 30, 2012 funding position improved from a surplus of \$899,798 as of June 30, 2011 to a surplus of \$1,551,750 as of June 30, 2012. The employer's contribution decreased from \$419,459 to \$306,606 primarily due to gains in actuarial liability resulting from demographic experience and lower than expected salary increases.

7. The recommended total employer's contribution decreased from \$306,606 for fiscal year 2014 to \$84,986 for fiscal year 2015 primarily due to gains in actuarial liability resulting from demographic experience, zero salary increases and better than expected investment performance. The funded ratio of actuarial assets value to actuarial liability increased from 109.2% to 118.2% as of June 30, 2013, the surplus assets are used to offset the normal cost of benefits earned during the year.

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

Schedule of Administrative Expenses

	<u>Fees</u>
Administrative expenses	
Actuarial fees	\$30,960
Audit fees	4,200
Dues and membership fees	740
Other professional services	3,598
Retirement payroll processing	111
Total administrative expenses	<u><u>\$39,609</u></u>

Schedule of Investment Expenses

	<u>Fees</u>
Investment expenses	
Investment management fees	\$20,761
Custodial fees	1,187
Investment advisor fees	1,000
Total Investment expenses	<u><u>\$22,948</u></u>

Schedule of Payments to Consultants

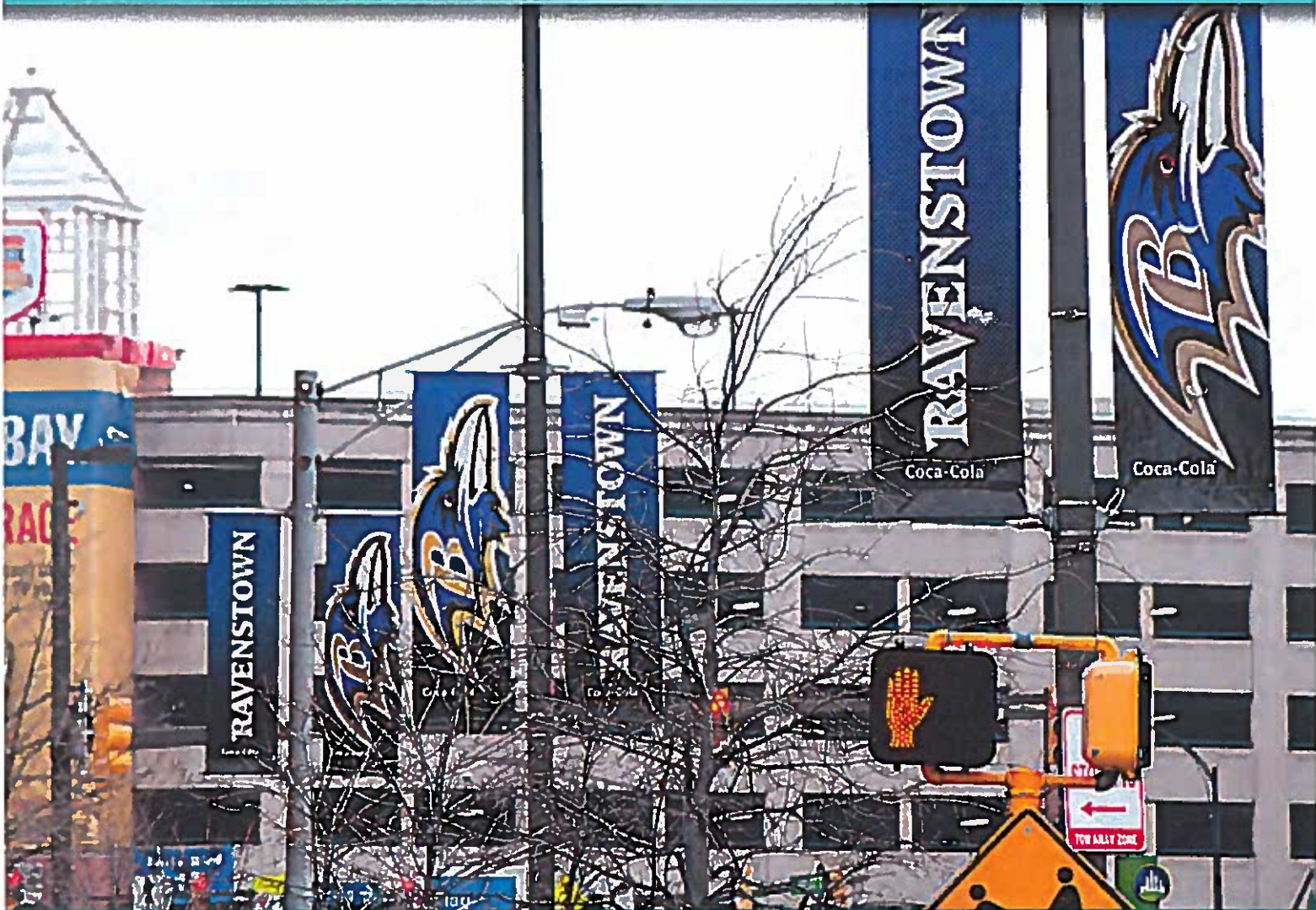
<u>Firm</u>	<u>Nature of Service</u>	<u>Fees</u>
Cheiron	Actuarial Services	\$30,960
Baltimore City Department of Audits	Financial Audit	4,200
Total payments to consultants		<u><u>\$35,160</u></u>

Note: A schedule of fees and commissions is also illustrated in the Investment Section on page 43.

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Investment Section

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



INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the City of Baltimore Elected Officials' Retirement System (EOS) 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 EOS 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

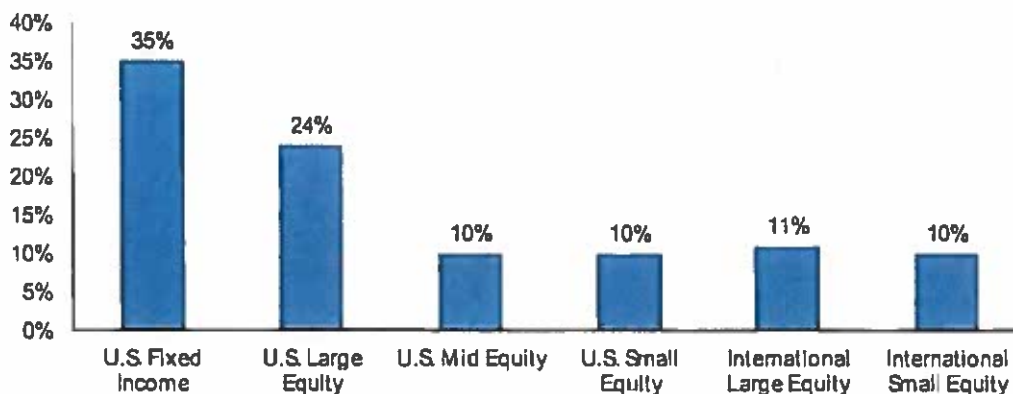
In recognition of the importance of prudent investment of System assets to both the City and the System's members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner 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 EOS 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 asset allocation structure is diversified along fixed income and equity. The goal of the asset allocation structure is to provide a favorable rate of return coupled with a prudent level of risk. The table below outlines the current asset allocation structure:



The asset allocation structure further diversified the domestic and international equity asset classes. In domestic equity, the asset allocation has exposure to large, mid and small-cap equity. In international equity, the asset allocation has exposure to large and small

equity and emerging markets. The Trustees have employed both active and passive investment strategies to obtain the desired asset allocation mix in the most cost effective and efficient manner.

Investment Objective

The EOS's investment objective is to outperform the return of a policy portfolio consisting of 44% Russell 3000, 21% MSCI ACWI ex US, and 35% Barclays Capital Aggregate. In addition, the EOS's performance is evaluated relative to the Investorforce Public Fund Universe, a universe representing the performance of 166 Public Funds and representing \$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 both a strong relative and absolute return of 13.0% compared to 11.9% for the policy benchmark. The System also made a strong showing in the public fund universe, ranking in the 29th percentile. The System's greater than benchmark exposure to small-cap equity within the U.S. equity portfolio added to returns. Small-cap issues outpaced large-cap stocks over the fiscal year. The use of passively managed funds in the U.S. large-cap and mid-cap asset classes helped overall results as these strategies ranked in the top half of the peer group. Exposure to small-cap stocks within the international equity portfolio also contributed positively to results.

The market value of the EOS assets ended the 2013 fiscal year with \$20.4 million in total assets, which was an increase of \$2.1 million from the prior fiscal year end. At the end of fiscal year 2013, the System's assets were allocated as follows:

	Market Value (in millions)	Percent of Total	Fiscal Year Rate of Return	
			EOS	Benchmark
U.S. Equity	\$9.5	47.0%	22.7%	21.5%
International Equity	4.3	21.2%	15.8%	14.1%
U.S. Fixed Income	6.4	31.4%	-0.7%	-0.7%
Cash Equivalents	0.1	0.4%	--	--
Total Fund	\$20.3	100.0%	13.0%	11.9%

Nichole Roman-Bhatly

Nichole Roman-Bhatly
Managing Partner

Prepared by Marquette Associates, Inc.

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

Investment Objectives

The primary investment objectives of the Elected Officials' 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 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 Elected Officials' 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 investment managers are expected to familiarize themselves with these laws.

Investment policy for the Plan relates to the portfolio of all assets which 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 different asset classifications in order to reduce risk. The following asset allocation has been established as an overall objective for the total holdings of the Plan:

<u>Asset Category</u>	<u>% of Total Assets at Market Value</u>	<u>Target</u>
U.S. Fixed Income		35%
U.S. Large Equity		24%
U.S. Mid Equity		10%
U S. Small Equity		10%
International Large Equity		11%
International Small Equity		10%
Total		<u>100%</u>

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

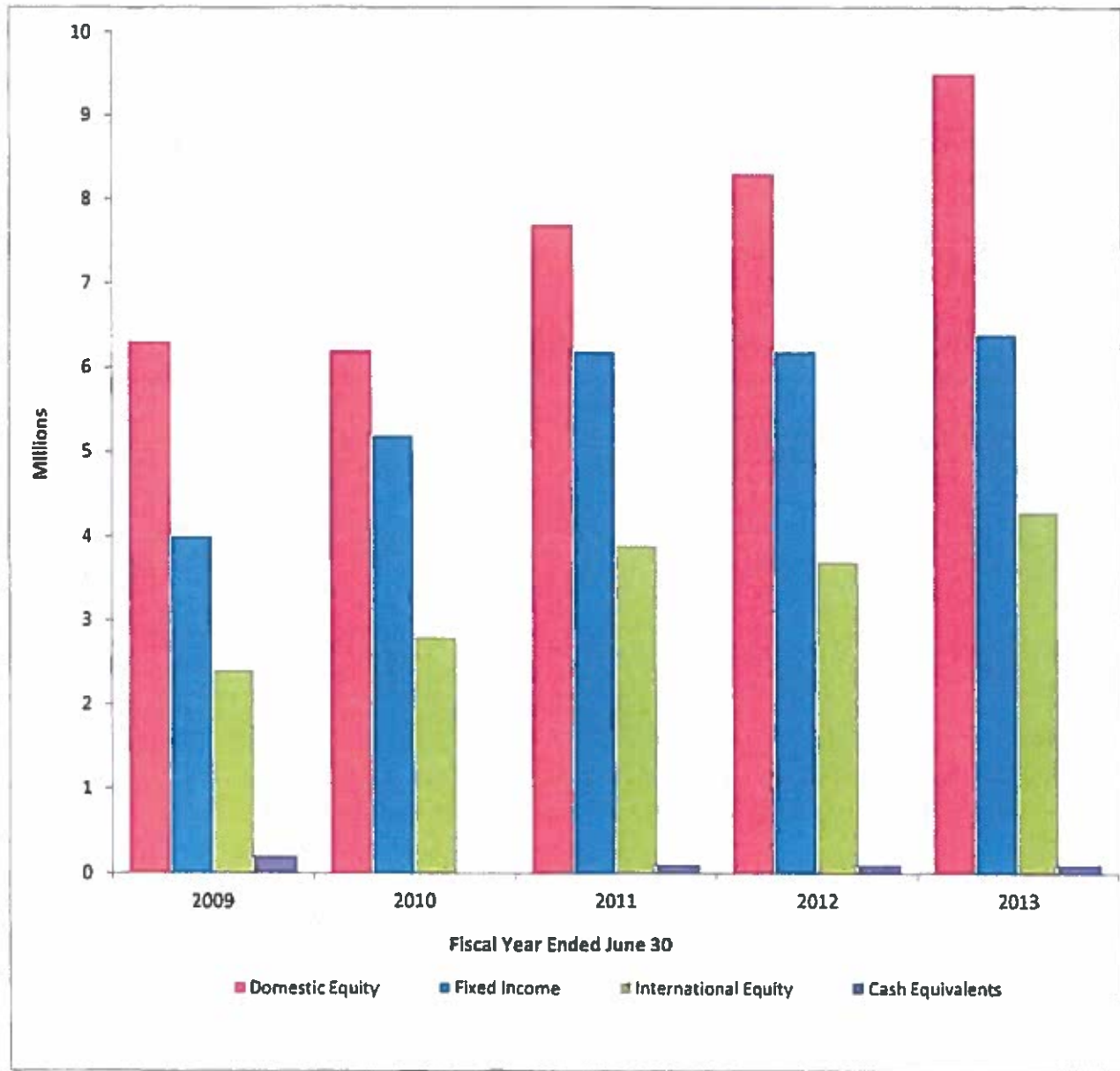
Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to the Plan's investment managers. Subject to these objectives and guidelines,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

Elected Officials' Retirement System
 City of Baltimore, Maryland
PORTFOLIO COMPOSITION
FAIR VALUE OF INVESTMENTS



(amounts expressed in millions)

	2009		2010		2011		2012		2013	
Domestic Equity	\$ 6.3	48.8%	\$ 6.2	43.7%	\$ 7.7	43.0%	\$ 8.3	45.4%	\$ 9.5	46.8%
Fixed Income	4.0	31.0	5.2	36.6	6.2	34.6	6.2	33.9	6.4	31.5
International Equity	2.4	18.6	2.8	19.7	3.9	21.8	3.7	20.2	4.3	21.2
Cash Equivalents	0.2	1.6			0.1	0.6	0.1	0.5	0.1	0.5
Total	\$ 12.9	100.0%	\$ 14.2	100.0%	\$ 17.9	100.0%	\$ 18.3	100.0%	\$ 20.3	100.0%

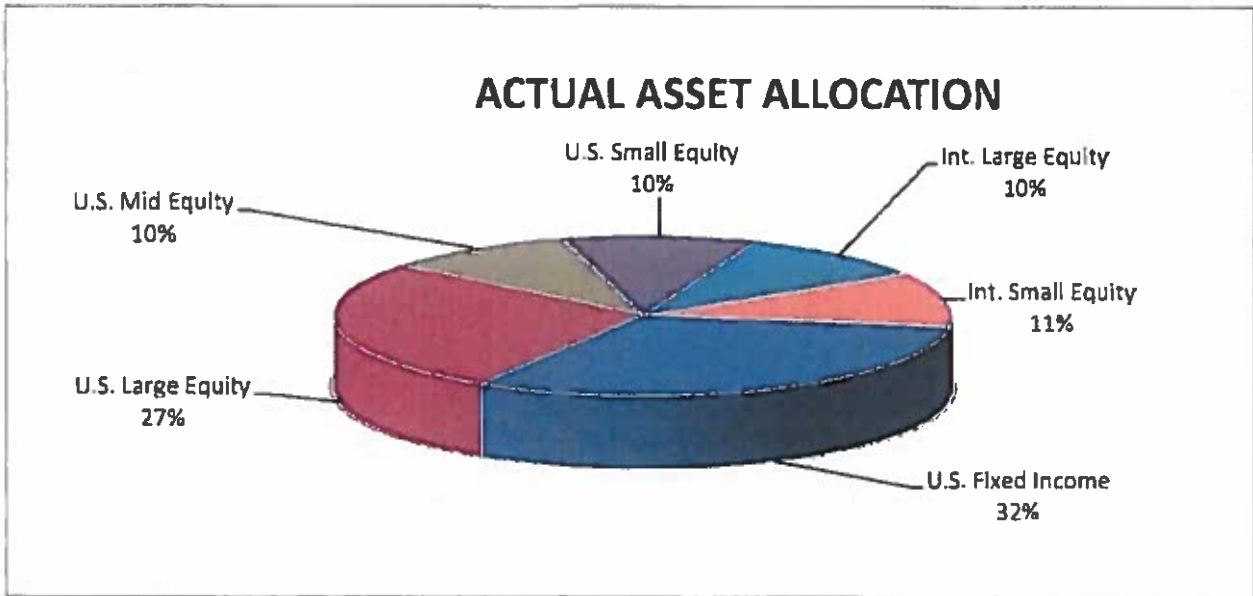
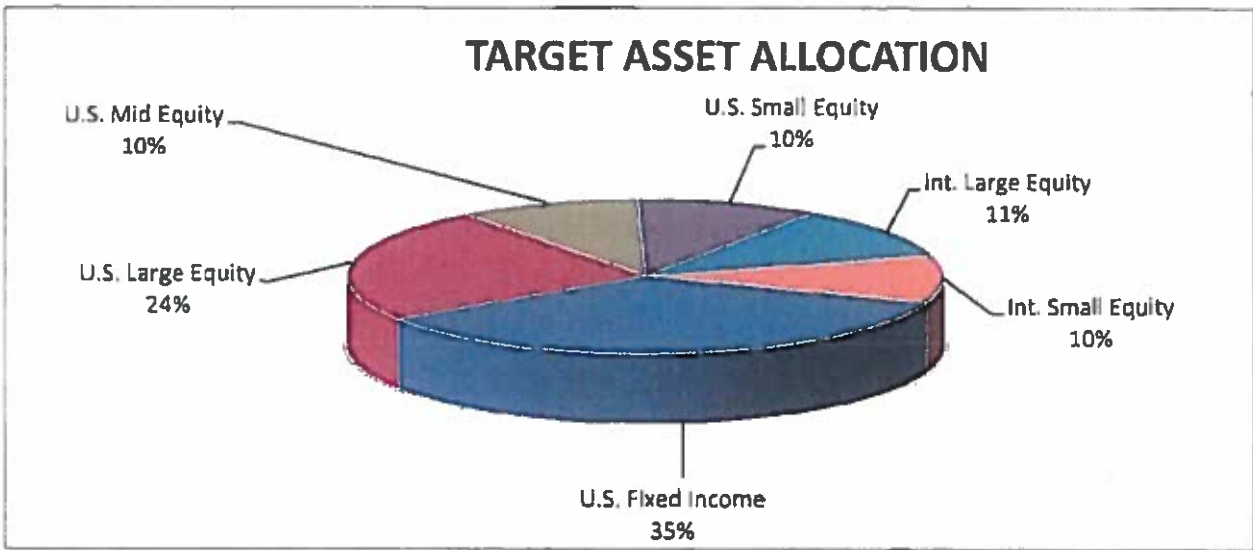
Elected Officials' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS
TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

	<u>FY 2013</u>	<u>Annualized</u> <u>3 Years</u>	<u>5 Years</u>
TOTAL PORTFOLIO	13.0 %	12.1 %	4.7 %
Policy Benchmark	11.9	11.4	5.1
DOMESTIC EQUITIES	22.7	19.0	7.9
Russell 3000	21.5	18.6	7.2
FIXED INCOME	-0.7	3.5	5.3
BarCap Aggregate	-0.7	3.5	5.2
INTERNATIONAL EQUITIES	15.8	11.6	1.4
MSCI ACWI ex-US	14.1	8.5	-0.3

Note:

The calculations above were prepared by the Elected Officials' Retirement System's investment advisor, Marquette Associates, Inc., using a time weighted rate of return, based on fair value.

The Policy Benchmark is 35% BarCap Aggregate, 44% Russell 3000, 21% MSCI ACWI ex-US.



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.

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

Summary Schedule of Fees and Commissions

	<u>Assets Under Management</u>	<u>Fees</u>
Investment manager fees:	<u>\$20,265,105</u>	\$20,761
Other investment service fees:		
Custodial fees		1,187
Investment advisor fees		<u>1,000</u>
Total other investment service fees		<u>2,187</u>
Total investment service fees		<u><u>\$22,948</u></u>

Note: No broker fees are reported due to the nature of the investments of the EOS.

Brokerage Commissions

Because of the highly visible nature of the Elected Officials' Retirement System, it is important that the investment managers have as a primary objective to obtain the best execution in all investment transactions. While the managers are permitted to direct a portion of brokerage 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 City Metropolitan Area. However, the managers are expected to negotiate commission rates, and local brokerage firms should be given preference only when commission rates and transaction services are competitive with those available from other firms.

Investment Summary

Investments:	<u>Fair Value</u>	<u>Percent of Fair Value</u>
Domestic Equity	\$ 9,559,327	47 %
Fixed Income	6,389,192	32
International Equity	<u>4,316,586</u>	<u>21</u>
Total Investments	<u><u>\$ 20,265,105</u></u>	<u><u>100 %</u></u>

Elected Officials' Retirement System
City of Baltimore, Maryland
INVESTMENT PROFESSIONALS

INVESTMENT ADVISOR

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

TACTICAL ASSET ALLOCATION

Mellon Capital Management Corp.
Brian Hock
Pittsburgh, Pennsylvania

INTERNATIONAL EQUITY

Mondrian Investment Group, Inc.
Laura Conlon
Philadelphia, Pennsylvania

CUSTODIAN BANK

BNY Mellon Asset Servicing
Sarah Baulch
Pittsburgh, Pennsylvania

Actuarial Section

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





November 12, 2013

Board of Trustees
Elected Officials' Retirement System
of the City of Baltimore
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 was as of June 30, 2013, and it determined the employer's contribution for the plan year beginning July 1, 2013. The contribution is determined for the following year and therefore it is our understanding the contribution plus interest will be made during the 2013 fiscal year.

The funding method used in the annual valuation is the Entry Age Normal Cost method. This method tends to produce a level normal cost (portion of the contribution) as a percentage of covered payroll as long as the average age of active members does not change significantly. 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 a fixed period targeting 100% funding by the fiscal year ending 2028.

Contributions have not consistently reflected level percent of pay because of:

- Volatility in the investment returns of the System
- Differences between actual and assumed pay increases
- Purchases of prior service credit; and
- Sensitivity to elected officials terms of office.

The annual recommended contributions have varied from 0% to 83% of covered payroll.

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 for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 25. The spread between the interest rate and the salary scale recommended by the actuary has been incorporated into Article 22 of the Baltimore City Code. A review of the actuarial assumptions was completed in 2010 by Cheiron with changes incorporated in the June 30, 2011 valuation. The June 30, 2013 valuation continues to use the assumptions adopted based on this review.

The valuation is based on a closed group of members; no new hires are assumed. The actuarial value of assets equals the market value, adjusted for investment performance above or below the assumed rate of return. Such gains or losses are recognized over a five-year period. The



unrecognized gain or loss is limited to 10% of the market value of assets. In preparing our report, we relied on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

The assumptions and methods used in determining the assets, liabilities, and the annual required contributions of the employer as defined by the Governmental Accounting Standards Board meet the parameters set by GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. All supporting schedules in the Actuarial Section and the Schedule of Employer Contributions and the Schedule of Funding Progress in the Financial Section have been prepared by the System and reviewed by Cheiron.

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

These results were prepared exclusively for the Elected Officials' Retirement System of the City of Baltimore for the purpose described 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. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron



Kenneth Kent, FSA, FCA
Principal Consulting Actuary



Anu Patel, FSA, EA
Consulting Actuary

Attachments

Elected Officials' Retirement System
 City of Baltimore, Maryland
ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Actuarial Funding Method

Method of Funding: Liabilities and contributions shown in this report are computed using the Entry age normal cost method of funding. The Plan's normal cost is the present value of the benefit deemed to accrue in the plan year less the amount of anticipated employee contributions, if applicable. The current Unfunded Actuarial Liability is amortized over 10 years. This 10-year period is restarted each year. The Trustees can elect to change this period. Effective June 30, 2013

Asset Valuation: The actuarial value of assets is equal to market value plus accrued contributions minus/plus the unrecognized gain/loss as of the valuation date. Each year's gain/loss are recognized over 5 years. Investment gains/losses are defined as earnings in excess of 7.25% of the value of the Pension Accumulation Fund at the beginning of the year. The absolute value of the total unrecognized gain/loss is limited to not more or less than 10% of the market value of assets. Effective June 30, 2011.

Actuarial Assumptions

Interest: 7.25% compounded annually, effective June 30, 2011.

Expenses: Expenses are paid from the funds except investment management expenses that are paid from investment earnings. It is assumed that the fund will have sufficient earnings to pay these expenses and meet the interest assumption.

Salary Scale: Salary increases are assumed to be 5% compounded annually, effective June 30, 2011.

Additional Assumptions:

Post Retirement Increase:	5% compounded annually, effective June 30, 2011.
Pre-retirement Mortality:	None
Withdrawal:	None
Retirement Age:	The later of (i) completion of current term or, (ii) end of term when first eligible for retirement (16 years of service or age 50 with 12 years of service).
Percentage Married:	Males: 80%; Females: 80%
Spouse Age:	A husband is assumed to be four years older than his wife.
New Entrants:	No future entrants are assumed.
Election Year:	The next election year is assumed to occur in 2016. Elections are then assumed to be held every four years thereafter.

Elected Officials' Retirement System
 City of Baltimore, Maryland
ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Sample rates for all mortality, morbidity and retirement decrements for active members are as follows:

<u>Age</u>	<u>Withdrawal</u>	<u>Non-Line-of-Duty Disability</u>	<u>Line-of-Duty Disability</u>	<u>Service Retirement</u>
25	0	0.0008	0.0002	*
30	0	0.0008	0.0002	*
35	0	0.0012	0.0002	*
40	0	0.0023	0.0003	*
45	0	0.0035	0.0005	*
50	0	0.0057	0.0005	*
55	0	0.0080	0.0008	*
60	1	0.0013	0.0012	*
65	0	0.0014	0.0014	*
69	0	0.0015	0.0015	*

* Retirement eligibility is based on age and service. Assumed to retire on the later of (i) completion of current term; or (ii) end of term when first eligible for retirement (16 years of service credit or age 50 with 12 years of service credit).

Mortality rates for retired and disabled members and beneficiaries are as follows:

<u>Age</u>	<u>Retirees and Beneficiaries</u>		<u>Disabled Members</u>	
	<u>Male**</u>	<u>Female**</u>	<u>Male</u>	<u>Female</u>
55	0.006929	0.002647	0.006131	0.002541
60	0.012840	0.005341	0.009158	0.004241
65	0.021779	0.010165	0.015592	0.007064
70	0.033959	0.015682	0.027530	0.012385
75	0.055991	0.026161	0.044597	0.023992
80	0.091647	0.045632	0.074070	0.042945

** Rates for individuals who are the age shown as of June 30, 2013.

1994 Uninsured Pensioners Generational Mortality table (Male + 4, Female + 1) with generational projections using 50% of the AA scale projected to 2016 (Effective 6/30/2007).

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

<u>Valuation Date</u>	<u>Number of Members</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6/30/2004	21	\$1,150,000	\$54,762	
6/30/2005	17	958,000	56,353	2.9 %
6/30/2006	17	958,000	56,353	
6/30/2007	15	863,000	57,533	2.1
6/30/2008	17	1,142,000	67,176	16.8
6/30/2009	17	1,182,300	69,547	3.5
6/30/2010	17	1,206,122	70,948	2.0
6/30/2011	17	1,206,122	70,948	
6/30/2012	17	1,263,273	74,310	2.5
6/30/2013	17	1,263,273	74,310	

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

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase (Decrease) Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
6/30/2004					16	\$ 453,958		\$ 28,372
6/30/2005	3	\$ 63,623	1	\$ 27,923	18	489,658	7.9 %	27,203
6/30/2006					18	489,658		27,203
6/30/2007	1	14,357			19	504,015	2.9	26,527
6/30/2008 *	1	173,121			20	677,136	34.3	33,857
6/30/2009 *	1	17,094			21	694,230	2.5	33,059
6/30/2010 *	1	120,069			22	814,299	17.3	37,014
6/30/2011	1	40,419	1	106,833	22	747,865	(8.2)	33,995
6/30/2012 *	1	36,816			23	805,051	7.6	35,002
6/30/2013			2	52,748	21	752,303	(6.6)	35,824

* Includes post-retirement increases.

Elected Officials' Retirement System
 City of Baltimore, Maryland
SOLVENCY TEST

The Elected Officials' 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 liabilities 1 through 4.

Valuation Date	Aggregate Accrued Liabilities For:				Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets						
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)		(1)	(2)	(3)	(4)			
6/30/2004	\$ 697,485	\$ 8,461,667		\$ 5,550,135	\$ 14,854,343	100	%	100	%	102.6	%	
6/30/2005	619,494	8,550,774		5,277,017	15,182,550	100		100		113.9		
6/30/2006	701,887	7,135,209		5,709,514	15,940,948	100		100		141.9		
6/30/2007	633,314	7,156,086	\$1,126,466	5,273,171	17,524,104	100		100	100	%	163.2	%
6/30/2008	660,277	10,406,449	337,457	5,549,093	18,272,591	100		100	100	100	123.8	
6/30/2009	750,094	9,488,629	312,704	6,405,110	14,160,551	100		100	100	100	56.3	
6/30/2010	733,536	11,658,750	317,461	5,926,106	15,615,546	100		100	100	100	49.0	
6/30/2011	789,516	10,336,701	277,246	5,839,836	18,143,097	100		100	100	100	115.4	
6/30/2012	760,599	11,010,110	283,545	4,896,801	18,502,805	100		100	100	100	131.7	
6/30/2013	861,865	9,624,888	1,007,160	4,691,179	19,136,283	100		100	100	100	162.9	

Elected Officials' 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**

<u>Type of Activity</u>	<u>Gain or (Loss) for Year 2012</u>	<u>Gain or (Loss) for Year 2013</u>
Age and Service Retirements	\$ 17,995	
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.		
Disability Retirements	2,217	\$ 3,771
If disability claims are less than assumed, there is a gain. If more claims, a loss.		
Death-in-Service Benefits		
If survivor claims are less than assumed, there is a gain. If more claims, a loss.		
Withdrawal From Employment	221,632	
If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.		
Pay Increases	137,285	756,702
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.		
Investment Income	(1,078,075)	1,004,633
If there is greater investment income than assumed, there is a gain. If less, a loss.		
Death After Retirement	(186,615)	38,043
If retirees live longer than assumed, there is a loss. If not as long, a gain.		
New Entrants	(28,025)	
New entrants create a loss because they were not assumed in the previous evaluation.		
Assumption and Method Changes		99,022
Changes due to assumption changes and/or changes in accounting and liability.		
Other	1,066,536	686,480
Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.		
Gains During Year From Financial Experience	<u>\$ 152,950</u>	<u>\$ 2,588,651</u>

Elected Officials' Retirement System
City of Baltimore, Maryland
SUMMARY OF PLAN PROVISIONS
June 30, 2013

1. EFFECTIVE DATE:

The Elected Officials' Retirement System (EOS) was established by City Ordinance effective December 5, 1983, and has been amended periodically.

2. MEMBERSHIP AND SERVICE CREDIT:

- (A) An elected official, who is not a member of the Employees' Retirement System of the City of Baltimore, automatically becomes a member of the EOS upon taking the oath of office.
- (B) An elected official, who is a member of the Employees' Retirement System of the City of Baltimore, has the option within 120 days of taking the oath of office, to become a member of the EOS.
- (C) Provided a claim is filed with the Board of Trustees within six months after becoming a member, the member is eligible to receive credit for all previous service as an elected official of Baltimore City, as a member of a Maryland State retirement system, or as a member of a Baltimore City retirement system.

3. CONTINUED MEMBERSHIP:

A member of the EOS has the option to continue membership in the System following his leaving office or the end of the term of office for which he was last elected, provided he continues to contribute both the employer and member contributions.

4. MEMBER CONTRIBUTIONS:

Members are required to contribute 5% of their salary. However, no contributions shall be made after the member has attained age 60 and has acquired 35 years of service credit in the EOS.

If a member transfers prior City service or State service, he must pay the equivalent of such past member contributions.

5. MILITARY SERVICE CREDIT:

- (A) **Military Service Prior to Employment:** A maximum of three years service credit is granted provided:
 - (1) the member retires; and
 - (2) benefits due to military service credit have not been or will not be received from any other retirement system, except social security benefits and certain military benefits.
- (B) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, shall receive service 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) **Eligibility Requirements:**
 - (1) Acquired 12 or more years of service and attained age 50; or
 - (2) Acquired 16 years of service, regardless of age.
- (B) **Benefit Amount:** An annual maximum service allowance equaling 2.5% of the current annual earnable compensation of the position held by the member multiplied by the number of years of the member's service credit. The allowance will consist of:

Elected Officials' Retirement System
City of Baltimore, Maryland
SUMMARY OF PLAN PROVISIONS
June 30, 2013

- (1) an annuity equal to the actuarial equivalent of the member's accumulated contributions at the time of retirement; and
- (2) a pension, equal to the maximum allowance less the annuity described in (1) above.

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

- (A) **Eligibility Requirements:** Five years of service, and determination by a hearing examiner to be mentally or physically incapacitated for the performance of duties as an elected official, and that such incapacity is likely to be permanent.
- (B) **Benefit Amount:** An annual maximum retirement allowance equal to the greater of:
 - (1) the member's annual maximum service retirement allowance; or
 - (2) a retirement allowance totaling 25% of the member's current annual earnable compensation.
- (C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation received on account of the same disability.

8. LINE-OF-DUTY DISABILITY BENEFIT:

- (A) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determination by a hearing examiner to be totally and permanently incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of such duty at definite time and place without wilful negligence.
- (B) **Benefit Amount:** An annual maximum retirement allowance consisting of:
 - (1) an annuity equal to the actuarial equivalent of the member's accumulated contributions; plus
 - (2) a pension equaling 66.667% of the member's current annual earnable compensation.
- (C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation received on account of the same disability.

9. DEFERRED VESTED RETIREMENT BENEFIT:

- (A) **Eligibility Requirements:** A member who has:
 - (1) Acquired 12 or more years of service, but less than 16 years of service, and
 - (2) Left office and has not attained age 50; and
 - (3) Elected to leave his or her accumulated contributions with the System.
- (B) **Benefit Amount:** Upon attaining age 50, the member is entitled to receive an annual maximum service allowance equaling 2.5% of the member's current annual earnable compensation multiplied by the number of years of the member's service credit. The allowance will consist of:
 - (1) an annuity equal to the actuarial equivalent of the member's accumulated contributions at the time of retirement; and
 - (2) a pension, equal to the maximum service allowance less the annuity described in (1) above.

10. MAXIMUM ALLOWANCE AND OPTIONAL METHODS OF RECEIVING BENEFIT PAYMENTS:

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

Elected Officials' Retirement System
City of Baltimore, Maryland
SUMMARY OF PLAN PROVISIONS
June 30, 2013

- (B) **Reserve Guarantee Option:** Upon retiree's death, cash refund to retiree's designated beneficiary based on present value of allowance at retirement less payments made.
- (C) **100% Joint and Survivor Option:** Upon retiree's death, 100% of member's allowance to continue to designated beneficiary.
- (D) **50% Joint and Survivor Option:** Upon retiree's death, 50% of member's allowance to continue to designated beneficiary.
- (E) **100% Joint and Survivor "Pop-Up" Option:** Upon retiree's death, 100% of member's allowance continues to the designated beneficiary. However, should the designated beneficiary predecease the retired member, the retiree immediately begins to receive the maximum retirement allowance; the retiree may not designate another beneficiary and no survivorship benefits are paid on the death of the retiree.
- (F) **50% Joint and Survivor "Pop-Up" Option:** Upon retiree's death, 50% of member's allowance continues to the designated beneficiary. However, should the designated beneficiary predecease the retired member, the retiree immediately begins to receive the maximum retirement allowance; the retiree may not designate another beneficiary and no survivorship benefits are paid on the death of the retiree.
- (G) **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, non-line of duty disability, and line-of-duty disability retirement. Within 30 days after retirement, the retired member may change any option and/or the designated beneficiary.

11. NON-LINE-OF-DUTY DEATH BENEFIT:

- (A) **Eligibility Requirements:**
 - (1) Member dies while serving as an elected official for Baltimore City; or
 - (2) Retiree dies within 30 days after retiring on account of service, non-line-of-duty disability, or line-of-duty disability; or
 - (3) Retiree who postpones receipt of a retirement allowance until reaching age 50 and dies within 30 days after reaching age 50.
- (B) **Benefit Amount:**
 - (1) **100% Joint and Survivor benefit:**

Provided the member was eligible for a service retirement at the time of death, the 100% Joint and Survivor Option shall be paid to:

 - (a) The member's designated beneficiary spouse to whom the member was married for at least one year immediately prior to the date of death; or
 - (b) The member's parent(s).
 - (2) **Lump Sum Benefit:**

If not eligible under (1) above, a lump sum benefit consisting of the member's accumulated contributions, and if the member has acquired more than one year of service, 50% of the member's current annual earnable compensation, payable to:

 - (a) the member's designated beneficiary; or
 - (b) a beneficiary as specified by the plan provisions.
- (C) **Offset to Retirement Allowance:** This benefit is offset by:
 - (1) workers' compensation received on account of the same disability or death; and
 - (2) any allowance paid by this System and received by the retired member or former member before the date of death.

12. LINE-OF-DUTY DEATH BENEFIT:

(A) Eligibility Requirements:

- (1) A determination by a hearing examiner, that the member's death occurred from the natural and proximate result of the actual performance of duty and without willful negligence on the part of the member; or
- (2) A member has been granted a line-of-duty disability and dies from injuries that caused or contributed to the member being awarded the line-of-duty disability.

(B) Benefit Amount: The benefit consists of:

- (1) a refund of the member's accumulated contributions and interest payable to the member's designated beneficiary or the beneficiary specified by the plan provisions; and
- (2) an annual pension of 100% of the member's current annual earnable compensation payable to:
 - (a) the member's surviving spouse, to continue for life or remarriage;
 - (b) if there is no surviving spouse, or if the spouse dies or remarries, then to the member's child or children, equally, until age 18 (age 22 if a full-time student); or
 - (c) if there is no surviving spouse or minor child surviving, then to the member's dependent father and mother, who are designated beneficiaries, to continue for life, in the percentages designated by the member.

(C) Offset to Retirement Allowance: This benefit is offset by workers' compensation received on account of the same disability or death.

13. CURRENT ANNUAL EARNABLE COMPENSATION AND POST-RETIREMENT BENEFIT INCREASES:

Retirement allowances are based upon the current annual earnable compensation authorized for that elected position and shall include any future increases occurring after the retirement of the official, which shall, after retirement, index benefits paid under the EOS subject to applicable reduction for any optional retirement allowance selection.

14. REFUND OF MEMBER CONTRIBUTIONS:

The member upon leaving office for any reason is entitled to a refund of the member's accumulated contributions and interest, if not eligible for any other benefits.

15. FORFEITURE OF BENEFITS:

If a member should be convicted of a job-related offense committed in the performance of his duties as an elected official of the City of Baltimore and committed against the City of Baltimore, no benefits provided by the EOS shall be paid to the member or his beneficiary. If the member or his beneficiary is receiving any benefits at the time of conviction, all benefit payments will cease. The member or his beneficiary shall only be entitled to the return of the member's accumulated contributions and interest less any benefit payments made.

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Statistical Section

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



Elected Officials' Retirement System
City of Baltimore, Maryland
STATISTICAL SECTION SUMMARY

The statistical section of the Elected Officials' 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 information presented in this section is 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 final compensation and number of retirees grouped in years of credited service.

Elected Officials' 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	\$ 407,883	\$ 575,760	\$ 516,665	\$ 381,524	\$ 143,521
Plan members	59,198	50,494	47,951	46,197	103,757
Total contributions	<u>467,081</u>	<u>626,254</u>	<u>564,616</u>	<u>427,721</u>	<u>247,278</u>
Investment income					
Net appreciation in fair value of investments	1,381,519	1,206,618	1,718,330	3,075,073	(1,588,540)
Interest, dividends, and real estate income	346,112	65,903	15,204	29,617	25,680
Less: investment expenses	(27,464)	(11,949)	(12,149)	(24,959)	(25,160)
Net investment income	<u>1,700,167</u>	<u>1,260,572</u>	<u>1,721,385</u>	<u>3,079,731</u>	<u>(1,588,020)</u>
Total additions	<u>2,167,248</u>	<u>1,886,826</u>	<u>2,286,001</u>	<u>3,507,452</u>	<u>(1,340,742)</u>
Deductions					
Retirement allowances	456,453	475,651	491,003	501,041	689,232
Administrative expenses	15,412	29,239	30,837	25,800	25,618
Death Benefits		35,606			24,193
Refund of Contributions		540,496	521,840	526,841	739,043
Total outflows	<u>471,865</u>	<u>1,075,986</u>	<u>1,043,680</u>	<u>1,053,682</u>	<u>1,478,086</u>
Net increase (decrease)	1,695,383	1,346,330	1,764,161	2,980,611	(2,079,785)
Net assets held in trust for pension benefits					
Beginning Balance	<u>11,525,274</u>	<u>13,220,657</u>	<u>14,566,987</u>	<u>16,331,148</u>	<u>19,311,759</u>
Ending Balance	<u>\$ 13,220,657</u>	<u>\$ 14,566,987</u>	<u>\$ 16,331,148</u>	<u>\$ 19,311,759</u>	<u>\$ 17,231,974</u>

Elected Officials' 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	\$ 58,617	\$ 339,830	\$ 957,220	\$ 997,685	\$ 419,459
Plan members	58,617	59,358	100,523	63,234	61,033
Total contributions	<u>58,617</u>	<u>399,188</u>	<u>1,057,743</u>	<u>1,060,919</u>	<u>480,492</u>
Investment income					
Net appreciation in fair value of investments	(3,656,082)	1,691,314	3,510,101	225,022	2,384,186
Interest, dividends, and real estate income	2,030	352	826	301	216
Less: investment expenses	(19,314)	(4,806)	(20,999)	(20,217)	(22,948)
Net investment income	<u>(3,673,366)</u>	<u>1,686,860</u>	<u>3,489,928</u>	<u>205,106</u>	<u>2,361,454</u>
Total additions	<u>(3,614,749)</u>	<u>2,086,048</u>	<u>4,547,671</u>	<u>1,266,025</u>	<u>2,841,946</u>
Deductions					
Retirement allowances	685,848	736,426	816,690	775,678	763,865
Administrative expenses	30,849	27,719	55,088	28,242	39,609
Death Benefits					
Refund of Contributions	27,298			23,020	
Total outflows	<u>743,995</u>	<u>764,145</u>	<u>871,778</u>	<u>826,940</u>	<u>803,474</u>
Net increase (decrease)	(4,358,744)	1,321,903	3,675,893	439,085	2,038,472
Net assets held in trust for pension benefits					
Beginning Balance	17,231,974	12,873,230	14,195,133	17,871,026	18,310,111
Ending Balance	<u>\$ 12,873,230</u>	<u>\$ 14,195,133</u>	<u>\$ 17,871,026</u>	<u>\$ 18,310,111</u>	<u>\$ 20,348,583</u>

Elected Officials' Retirement System
City of Baltimore, Maryland
REVENUES BY SOURCE

Fiscal Year	Net Investment Income	Employer Contributions:		Member Contributions	Total
		Amount	% of Covered Payroll		
2004	\$ 1,700,167	\$ 407,883	35.4%	\$ 59,198	\$ 2,167,248
2005	1,260,572	575,760	60.0	50,494	1,886,826
2006	1,721,385	516,665	53.9	47,951	2,286,001
2007	3,079,731	381,524	44.2	46,197	3,507,452
2008	(1,588,020)	143,521	12.6	103,757	(1,340,742)
2009	(3,673,366)		n/a	58,617	(3,614,749)
2010	1,686,860	339,830	28.2	59,358	2,086,048
2011	3,489,928	957,220	377.0	100,523	4,547,671
2012	205,106	997,685	80.7	63,234	1,266,025
2013	2,361,454	419,459	33.9	61,033	2,841,946

Note: Employer contributions were made in accordance with actuarially determined contribution requirements.

Elected Officials' Retirement System
 City of Baltimore, Maryland
EXPENSES BY TYPE

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
2004	\$ 456,453		\$ 15,412	\$ 471,865
2005	475,651	\$ 35,606	29,240	540,497
2006	491,003		30,837	521,840
2007	501,041		25,800	526,841
2008	689,232	24,193	25,618	739,043
2009	685,848	27,298	30,849	743,995
2010	736,426		27,719	764,145
2011	816,690		55,088	871,778
2012	775,678	23,020	28,242	826,940
2013	763,865		39,609	803,474

Elected Officials' Retirement System
 City of Baltimore, Maryland

**SCHEDULE OF BENEFIT RECIPIENTS BY ATTAINED AGE AND TYPE OF RETIREMENT
 SCHEDULE OF ACTIVE MEMBERS BY YEARS OF SERVICE**

Schedule of Benefit Recipients by Attained Age and Type of Retirement

Age	Number of Recipients	Type of Retirement*		
		Retirees	Beneficiaries	
		0	0	5
45-49				
50-54	1	1		
55-59	1	1		
60-64	7	6	1	
65-69	5	4	1	
70-74	2	2		
75 and up	5	3	1	1
Totals	21	17	3	1
Retired Members	17	17		
Average Annual Benefit	\$35,605	\$35,605		
Beneficiaries	4		3	1
Average Annual Benefit	\$27,552		\$26,391	\$31,034

Type of Retirement:

- 0 - Normal retirement for age and service
- 5 - Non-line of duty death, member eligible for service retirement at death

Schedule of Active Members by Years of Service

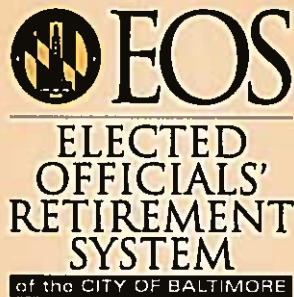
Years of Credited Service	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0-1		3	3		4	4	1		2	2
2-4	4			3	3	2	4	5	5	1
5-9	9	7	2	1			2	2	1	5
10-14	4	2	7	7	6	5	5	2	1	1
15-19	2	1	1	1		1	1	5	6	6
20-24	1	3	3	2	3	2	2	2		
25+	1	1	1	1	1	3	2	1	2	2
Total Members	21	17	17	15	17	17	17	17	17	17
Average Service Credit	11.60	11.76	12.76	14.92	11.12	13.20	12.66	12.77	11.95	12.86
Average Age	52.00	51.71	52.71	54.03	53.94	54.94	56.15	55.48	54.27	55.27

Elected Officials' Retirement System
 City of Baltimore, Maryland
BENEFIT EXPENSES BY TYPE

Fiscal Year Ending	Age and Service Benefits:		Death Benefits:	Termination	Total
	Retirees	Beneficiaries	Non Line-of-Duty		
2004	\$ 340,443	\$ 116,010			\$ 456,453
2005	359,982	115,689			475,651
2006	375,314	115,689			491,003
2007	385,352	115,689			501,041
2008	543,705	145,527			689,232
2009	533,779	152,069		\$ 27,298	713,146
2010	578,534	157,892			736,426
2011	658,798	157,892			816,690
2012	589,657	186,021			775,678
2013	653,657	79,174		31,034	763,865

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

Retirement Effective Dates From July 1, 2004 to June 30, 2013	Years of Credited Service				
	5-10	11-15	16-20	21-25	26-30
Period 7/1/04 to 6/30/05:					
Average Monthly Benefit		\$ 816			
Average Current Compensation		21,266			
Number of Active Retirees		3			
Period 7/1/05 to 6/30/06 No retirements for this period.					
Period 7/1/06 to 6/30/07					
Average Monthly Benefit				\$ 2,395	
Average-Average Final Compensation				28,735	
Number of Active Retirees				1	
Period 7/1/07 to 6/30/08:					
Average Monthly Benefit		\$ 4,933			
Average Current Compensation		59,196			
Number of Active Retirees		1			
Period 7/1/08 to 6/30/09:					
Average Monthly Benefit		\$ 956			
Average Current Compensation		11,468			
Number of Active Retirees		1			
*QDRO					
Period 7/1/09 to 6/30/10:					
Average Monthly Benefit					\$ 8,324
Average Current Compensation					151,700
Number of Active Retirees					1
Period 7/1/10 to 6/30/11:					
Average Monthly Benefit					3,368
Average Current Compensation					40,419
Number of Active Retirees					1
Period 7/1/11 to 6/30/12:					
Average Monthly Benefit					3,068
Average Current Compensation					38,816
Number of Active Retirees					1
Period 7/1/12 to 6/30/13: No retirements for this period.					
Period 7/1/04 to 6/30/13:					
Average Monthly Benefit		\$ 2,235		\$ 2,395	\$ 4,920
Average Current Compensation		30,643		28,735	76,312
Number of Active Retirees		5		1	3



Elected Officials' Retirement System

CITY OF BALTIMORE, MARYLAND

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12th and 13th Floors

Baltimore, Maryland 21202

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