ELECTED OFFICIALS' RETIREMENT SYSTEM

City of Baltimore, Maryland
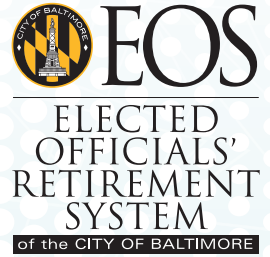
EOS
CITY OF BALTIMORE
ELECTED
OFFICIALS'
RETIREMENT
SYSTEM
of the CITY OF BALTIMORE

Popular Annual Financial Report

Year Ended June 30, 2024
Pension Trust of the City of Baltimore

PREPARED BY
DAVID A. RANDALL, *Executive Director*
NICHELLE LASHLEY, *Deputy Executive Director*
ADETUTU TALABI, *Senior Investment Manager*
MICHELLE TAYLOR, *Accounting Supervisor*

Introduction

We are pleased to present The Popular Annual Financial Report (PAFR) of the EOS (Elected Officials Retirement System of the City of Baltimore). This report is a summary of the fiscal year 2024 ACFR (Annual Comprehensive Financial Report). The ACFR was prepared in conformity with GAAP, but the PAFR includes only selected information from the ACFR. The PAFR has been mailed to all retirees, email blasted to all active members and is available on our website at **www.bcers.org/elected-officials-retirement-system**. For a detailed copy of our financials, please visit our website at **www.bcers.org/elected-officials-retirement-system**.

Board of Trustees Chair's Letter

The EOS continued to rebound in fiscal year 2024. The EOS return was 9.2%. The EOS slightly underperformed its policy benchmark of 9.5%. Over the past ten years, the Fund has returned 6.6%, slightly underperforming its peers and the benchmark. The market value funded ratio for EOS is now 146.1%.

We could not accomplish the agency's goals without the diligence and expertise of the Retirement Systems' staff. On behalf of the Board of Trustees, I sincerely thank you for a job well done.

In closing, I am pleased to announce some recent changes to the Board's composition. I, Quentin M. Herbert, and Veobia Akilo were elected to the board by active members, and Sharon Lockley was elected as the representative for retired members. I am honored to serve as the new board chair and am grateful for the opportunity to lead EOS in the years ahead.

Quinton M. Herbert

Executive Director's Letter

The EOS team remains deeply committed to prioritizing our members, retirees, and beneficiaries. Looking toward the future, we are advancing and actively working on significant system initiatives.
In fiscal year 2024, we implemented Constant Contact as our new mass email software, enhancing communication capabilities with streamlined email campaigns and improved analytics. Progress continued on fossil fuel divestment under Ordinance 21-043, achieving further reductions and aligning with sustainability goals. We also introduced a Private Credit strategy to diversify and strengthen our investment portfolio. Modernization of IT systems included upgrading to Windows 11 and initiating server replacements to enhance security and efficiency. ERP system integrations were further refined for Baltimore City and actively supported for BCPSS's new system. Lastly, we reached a major milestone in digitizing Legal Affairs documents, with efforts ongoing across other departments to improve accessibility, security, and operational efficiency.

I would like to express my gratitude to our staff for their dedication. I also want to thank the Board of Trustees for their commitment to overseeing the EOS.

David A. Randall

The Plan

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). EOS plan was established effective December 5, 1983, by City Ordinance 1105. Any elected official who is not a member of the Employees' Retirement System of the City of Baltimore (ERS), upon taking the oath of office, automatically becomes a member. Any elected official who is a member of ERS has the option of electing, within 120 days of taking the oath of office, to become a member of EOS.

Based on criteria established by the Governmental Accounting Standards Board, the EOS is a Pension Trust of the City of Baltimore and is included in the City's financial report as a Public Employee's Retirement System (PERS).

On June 30, 2024, the membership consisted of 29 retirees and beneficiaries, 17 active members and no deferred vested member.

EOS members contribute 5% of their earnable compensation. However, no contribution is required after the member has attained age 60 and acquired 35 years of service. Earnable compensation is the annual salary authorized for the member not including overtime or other types of pay. In 2016, member benefits were revised per Article 22 as follows:

S/N	Criteria	Elected on/or before December 5, 2016	Elected after December 5, 2016
1	Retirement eligibility	Age 50	Age 55
2	Salary Increases	Indexed to compensation of the position held prior to retirement.	COLA – Higher of 1.5% and rates in effect for F&P retirement system; and waiting period of 1 year.
3	Cap	N/A	60% of compensation at retirement.

Financials

The statement of fiduciary net position presents the plan's assets and liabilities, and the net position restricted for pensions on June 30, 2024. The assets comprise cash and cash equivalents, receivables (mainly from investments sold) and fair value of investments while liabilities comprise payables (mainly management fees and administrative expenses).

On June 30, 2024, the fiduciary net position restricted for pensions was $28.2 million. The Plan's net position restricted for pensions increased by $0.87 million (3.2%) compared to last year's net position of $27.3 million.

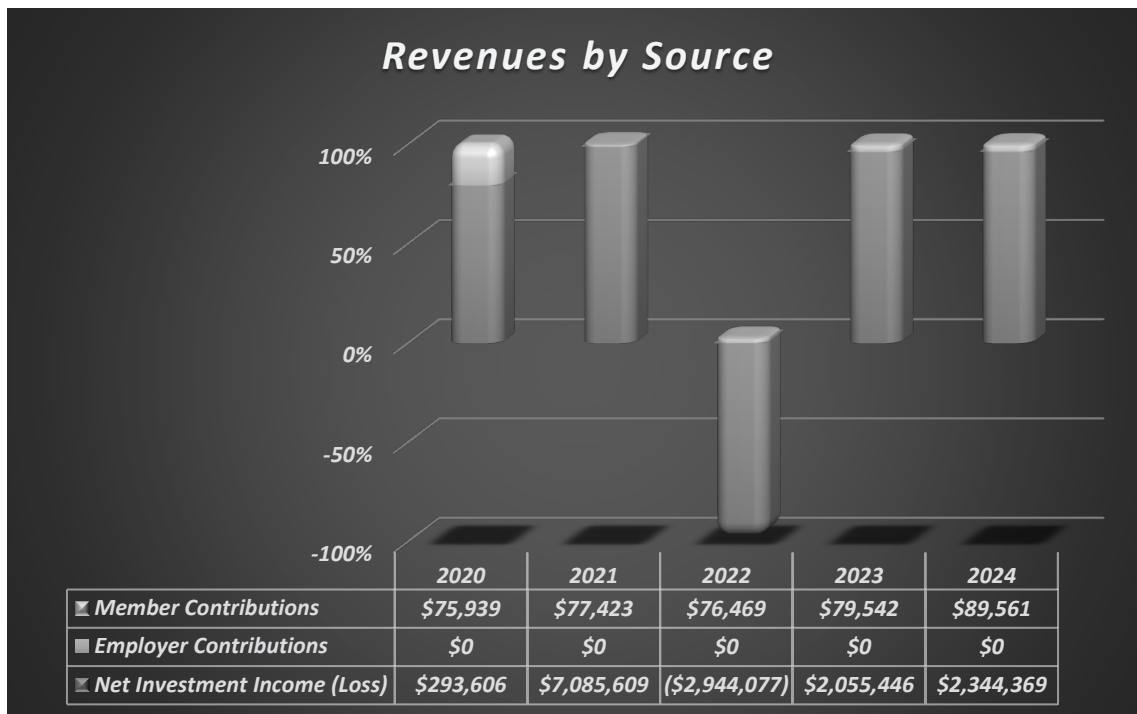| Fiduciary Net Position	Fiscal Year 2024	Fiscal Year 2023	Increase / (Decrease)	Percentage Increase
Investments	$ 27,803,161	$ 27,048,033	$ 755,128	2.8%
Other Assets	364,505	251,402	113,103	45.0%
Total assets	28,167,666	27,299,435	868,231	3.2%
Total liabilities	14,651	20,460	(5,809)	-28.4%
Total net position	$ 28,153,015	$ 27,278,975	$ 874,040	3.2%
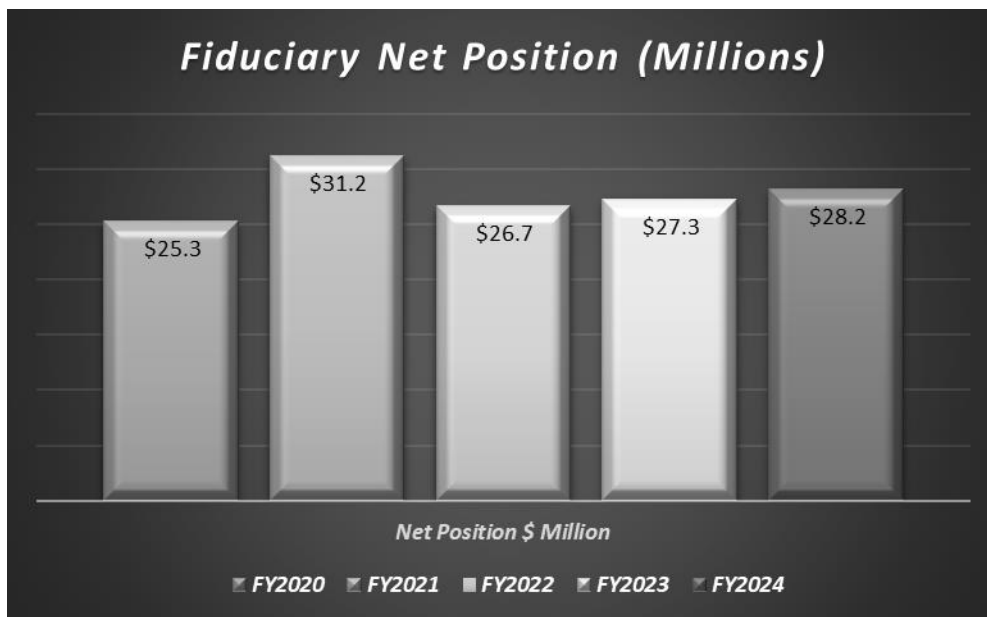
The statement of changes in fiduciary net position presents information on how the plan's net position changed during the year. In fiscal year 2024, the fiduciary net position increased by $0.87 million. When compared with the fiscal year 2023's increase of $0.54 million, there was a change of approximately $0.33 million.

Financials

Plan members' 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. All investment gains and losses are shown at the trade date. Both realized and unrealized gains and losses are shown in the investments. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Changes in Fiduciary Net Position	Fiscal Year 2024	Fiscal Year 2023	Increase / (Decrease)
Net Investment Income (loss)	$ 2,344,369	$ 2,055,446	$ 288,923
Employee contribution	89,561	79,542	10,019
Total additions	2,433,930	2,134,988	298,942
Retirement allowances	1,522,990	1,533,010	(10,020)
Administrative expenses	36,901	59,941	(23,040)
Total deductions	1,559,891	1,592,951	(33,060)
Net increases (decreases)	$ 874,040	$ 542,037	$ 332,003

Revenues (Additions to Fiduciary Net Position) for the year were $2.4 million, an increase of $0.30 million from the prior year, mainly from investment returns. Revenues include plan members' contributions of $0.09 million and a net investment gain of $2.34 million.

Revenues by Source

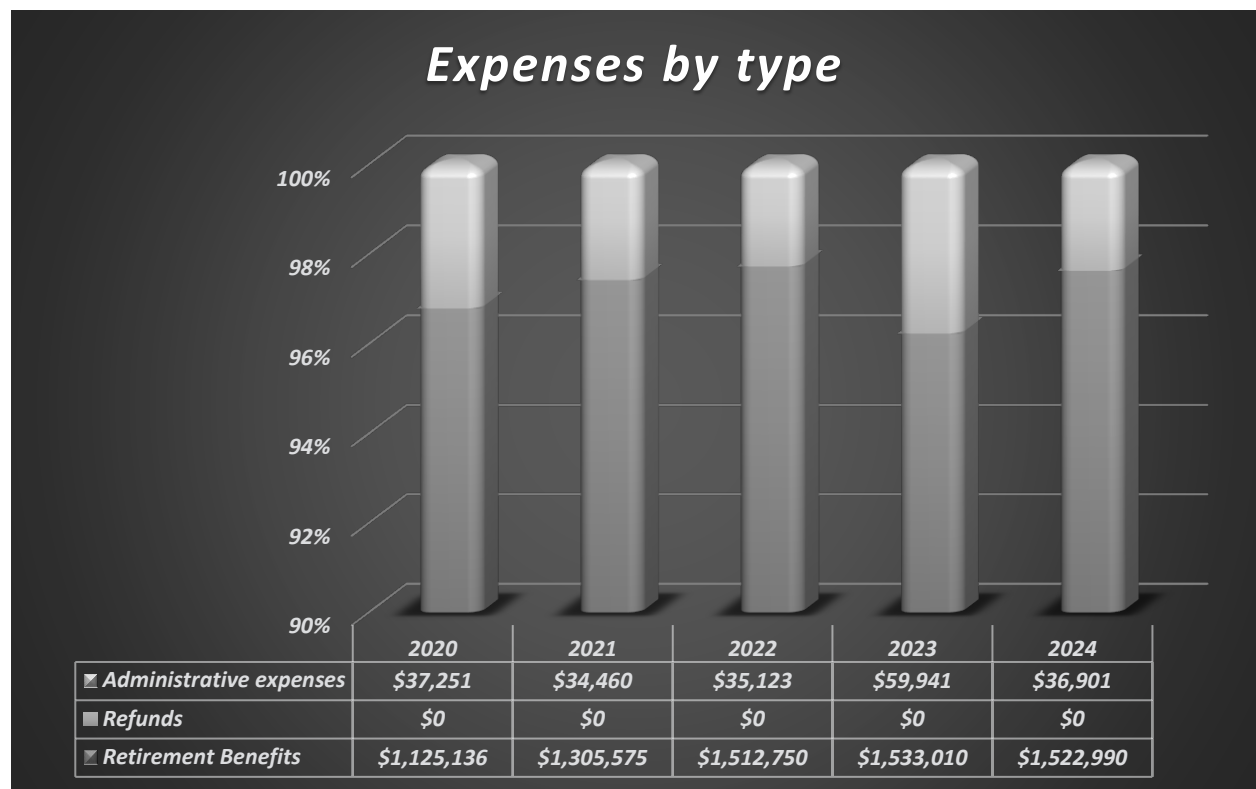|	2020	2021	2022	2023	2024
Member Contributions	$75,939	$77,423	$76,469	$79,542	$89,561
Employer Contributions	$0	$0	$0	$0	$0
Net Investment Income (Loss)	$293,606	$7,085,609	($2,944,077)	$2,055,446	$2,344,369

Financials

The employer contribution is determined by an actuarial valuation; it can be zero when the actuarial value of assets is greater than the accrued liabilities and the amortization of the surplus is greater than the annual cost of the Plan. In fiscal year 2024, the employer contribution remained at zero because the actuarially determined employer contribution for the fiscal year was set at $0. Employee contributions increased by 13%; and investments produced a positive return of $2.34 million compared to fiscal year 2023's positive return of $2.05 million.

The Plan was created to provide lifetime service retirement benefits, survivor benefits and permanent disability benefits to eligible Plan members and their beneficiaries. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the administrative expenses of the Plan.

The primary source of expense during fiscal year 2024 was for the payment of continuing retirement benefits totaling $1.52 million, which decreased by $0.01 million compared to fiscal year 2023. The decrease was due to the termination of deceased members.

Expenses by type

	2020	2021	2022	2023	2024
◩ *Administrative expenses*	*$37,251*	*$34,460*	*$35,123*	*$59,941*	*$36,901*
▪ *Refunds*	*$0*	*$0*	*$0*	*$0*	*$0*
◩ *Retirement Benefits*	*$1,125,136*	*$1,305,575*	*$1,512,750*	*$1,533,010*	*$1,522,990*

Investments

The primary investment objectives of EOS are to preserve the capital value of the plan assets adjusted for inflation, ensure adequate plan liquidity, and to meet and/or exceed both actuarial interest rate assumptions and investment return benchmark as determined by the Board of Trustees. It is recognized that maximizing any one objective may compromise the achievement of other objectives, for example, maximizing liquidity may reduce investment return. The objectives are thus considered and adhered to in descending order of priority.

The economy remained steadfast though signs of weakness began to emerge towards the close of the fiscal year. Larger corporations and higher income households became more bifurcated from smaller firms and lower income households respectively, as the effects of inflation pricing continued to hurt the consumer. Similarly, the labor market while healthy, reflected a steady increase from 3.5% to 4.1% during the 12-month period. The markets were generally attentive to the Federal Reserve as expectations of a rate cut continued to be delayed throughout the year. On the global economic front, parallels to the United States emerged with developed countries generally reporting a fall in inflation. The European Central Bank cut its key rate in June 2024. China continued to reflect struggles in the country as domestic consumer demand remained weak after a challenging post-COVID recovery. Global equities continued to reflect strong returns in 2024. U.S equities once more led their international developed and emerging markets counterparts with double digit gains of 23.1% for the U.S. stock market and 11.5% for the international stocks. Fixed income markets were volatile, though generally closed the year in positive territory. Investment-grade bonds saw muted returns of 2.6% as the yield curve remained inverted. Sub-investment grade debt, once more posted gains, with bank loans outperforming high-yield debt given their floating-rate characteristics. Real Estate continued to weigh on investors returns as the lack of movement in interest rates kept transaction volume low throughout the year as the asset class reflected a second consecutive negative year with a -9% return.
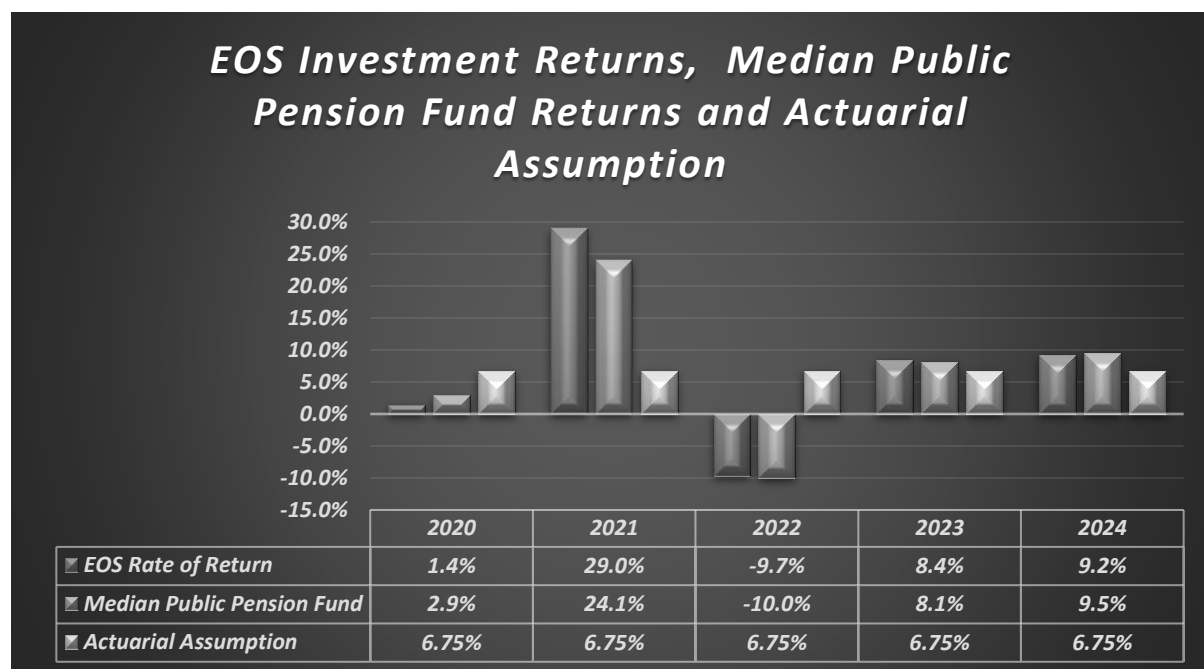
	FY 2024	3 Years	5 Years	10 Years
Total Portfolio	9.2%	2.3%	6.9%	6.6%
Median Public Pension Fund	9.5%	2.6%	6.7%	6.5%
Domestic Equities	19.0%	5.6%	12.3%	10.8%
Russell 3000	23.1%	8.1%	14.1%	12.1%
Defensive Equities	11.9%	6.1%	9.5%	-
CBOE Put Write Index	9.1%	7.3%	8.2%	6.8%
50% S&P 500/50% 91 Day T-Bill	14.9%	6.9%	8.8%	7.3%
International Equities	8.7%	-2.8%	3.8%	3.7%
MSCI ACWI ex-US	12.2%	1.0%	6.1%	4.3%
Fixed Income	5.8%	-0.1%	1.7%	2.5%
Barclays Aggregate	2.6%	-3.0%	-0.2%	1.3%
Real Estate	-10.3%	2.2%	3.4%	-
NPI	-9.3%	1.9%	3.1%	6.4%

For the fiscal year ending June 30, 2024, the System posted a return of 9.2%, underperforming the policy benchmark of 9.5%. The fixed income portfolio's exposure to floating rate issues added value as the bond market was negatively impacted by rising rates. The international market managers were challenged during the year and detracted from returns.

Investments

On June 21, 2016, Ordinance 16-488 was signed into law. The Bill changed the assumed interest rate for Plan investments from 7.25% to 7.00% for fiscal years beginning July 1, 2016, and July 1, 2017. In the fiscal year beginning on and after July 1, 2018, the assumed interest was changed to 6.75%.

The EOS Plan is well positioned to achieve the investment objectives as outlined by the Board of Trustees. EOS returns and the median public pension fund returns both exceeded the 6.75% actuarial assumption in 2021, 2023, and 2024. However, both experienced significant underperformance in 2022, with EOS at -9.7% and the median fund at -10%. This volatility underscores the challenge of consistently meeting actuarial targets despite occasional strong performance years.

EOS Investment Returns, Median Public Pension Fund Returns and Actuarial Assumption

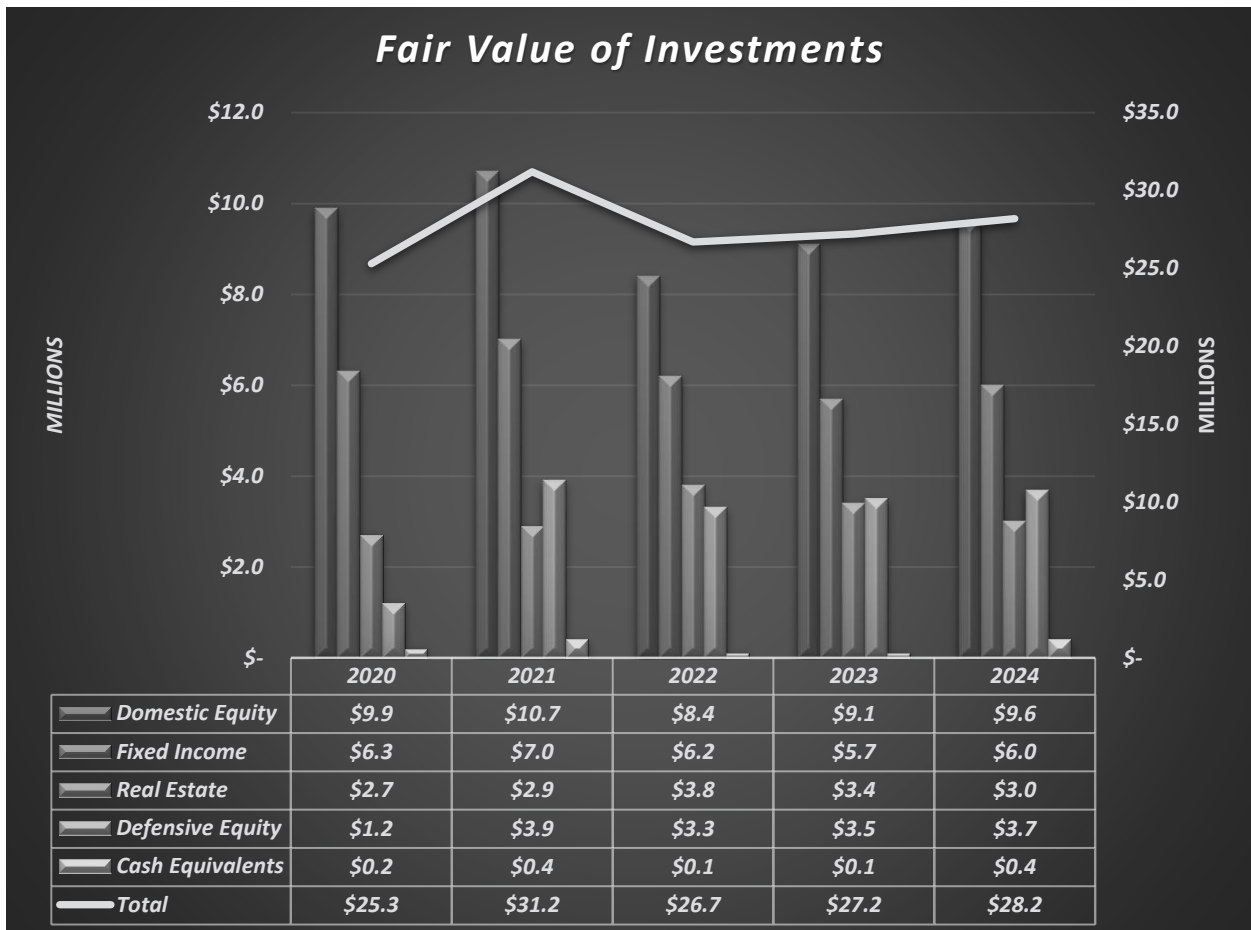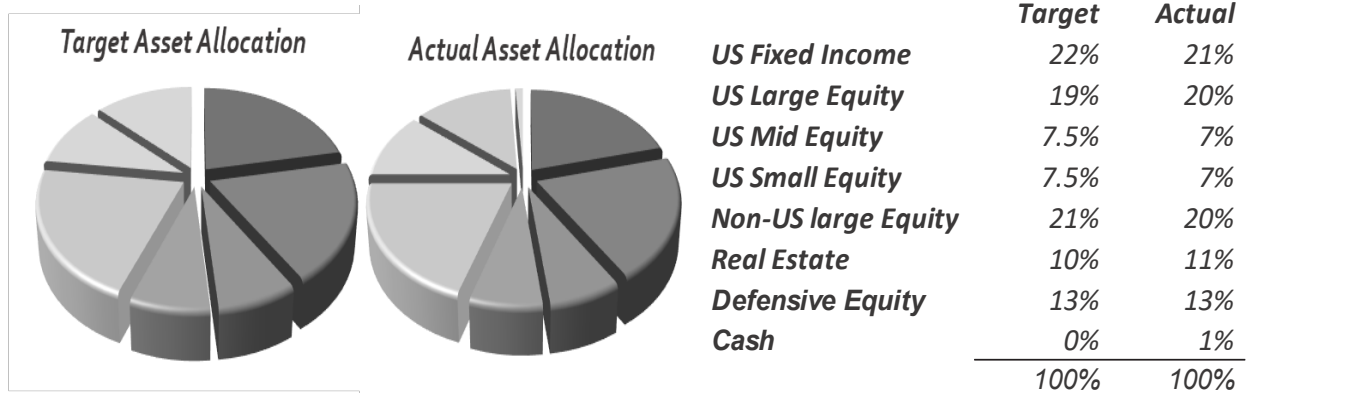|	2020	2021	2022	2023	2024
EOS Rate of Return	1.4%	29.0%	-9.7%	8.4%	9.2%
Median Public Pension Fund	2.9%	24.1%	-10.0%	8.1%	9.5%
Actuarial Assumption	6.75%	6.75%	6.75%	6.75%	6.75%

Diversification is the most important component of reaching long-range financial goals. To assist in meeting the overall objectives, the Board of Trustees approved an asset allocation guideline. The asset allocation guideline enables the plan to diversify its assets and maximize returns by investing in different areas that would each react differently to the same event.

The asset allocation structure is diversified along 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. In fixed income, the asset allocation has exposure to investment grade core bonds and bank loans. 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.

Investments

The current EOS asset allocation policy and actual allocation is stated below.

	Target	Actual
US Fixed Income	22%	21%
US Large Equity	19%	20%
US Mid Equity	7.5%	7%
US Small Equity	7.5%	7%
Non-US large Equity	21%	20%
Real Estate	10%	11%
Defensive Equity	13%	13%
Cash	0%	1%
	100%	100%

Fair Value of Investments

	2020	2021	2022	2023	2024
Domestic Equity	$9.9	$10.7	$8.4	$9.1	$9.6
Fixed Income	$6.3	$7.0	$6.2	$5.7	$6.0
Real Estate	$2.7	$2.9	$3.8	$3.4	$3.0
Defensive Equity	$1.2	$3.9	$3.3	$3.5	$3.7
Cash Equivalents	$0.2	$0.4	$0.1	$0.1	$0.4
Total	$25.3	$31.2	$26.7	$27.2	$28.2

Actuarial

The Plan's funding objective is to meet long-term benefit obligations through investment income and contributions, which spread the cost over the employees' service base. EOS' funding status is a key indicator of its financial health because it reflects the percentage of benefits due that the plan's assets can cover. Due to the relatively small membership subject to elected terms, the valuation results are expected to exhibit material volatility from year to year.

As of June 30, 2024, the funded ratio of actuarial asset value to actuarial increased from 146.5% to 148.1%. There were net asset losses based on the smoothed asset value and a small experience gain in liabilities due to a reduction in the retiree population. The funded ratio based on Market Value of Assets decreased from 141.4% to 146.1%.
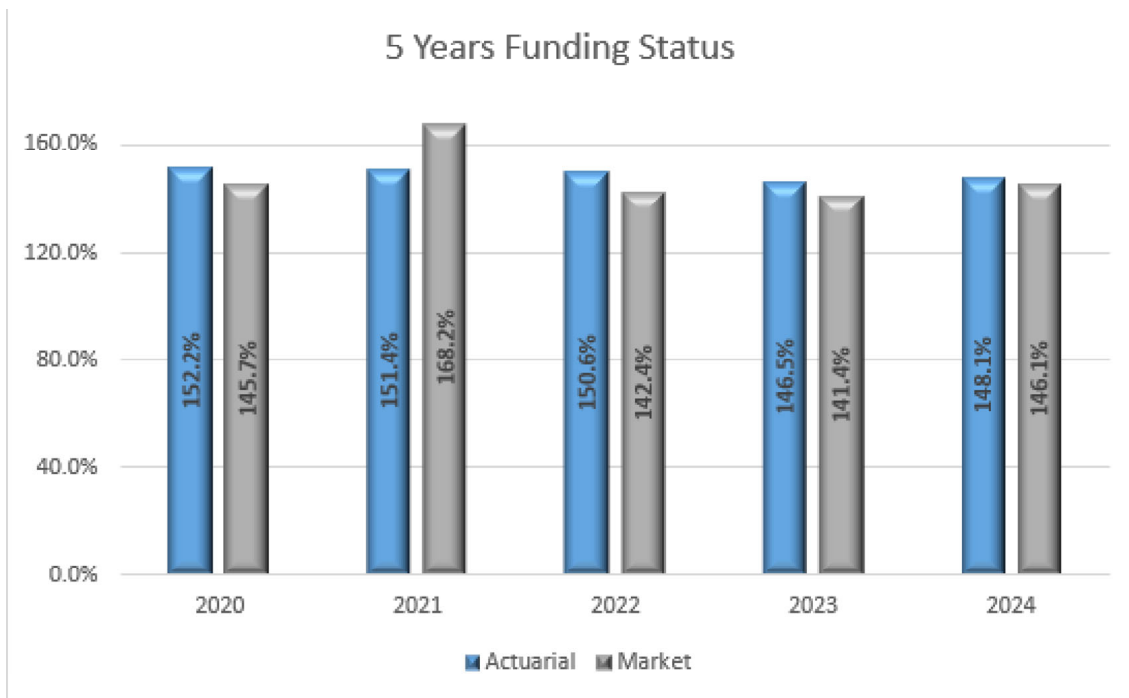
An experience study is conducted by the system every four years. The study compares actual experience to assumptions of both demographic and economic assumptions to determine whether adjustments are required. The system conducted an actuarial study in 2023 based on 2018 through 2022 experience analysis. The mortality rates were updated, and the disability rates were reduced but had a minimal impact on Liability. The mortality assumptions remained Pub-2010(B), but the percentages changed. The 2026 projection using scale MP-2021 did not change.

	2020	*2021*	*2022*	*2023*	*2024*
Total Pension Liability	$ 17,382,855	$ 18,522,088	$ 18,780,622	$ 19,288,125	$ 19,271,736
Plan Fiduciary Net Position	25,329,422	31,152,419	26,736,938	27,278,975	28,153,015
Net Pension Assets	$ 7,946,567	$ 12,630,331	$ 7,956,316	$ 7,990,850	$ 8,881,279

Actuarial

	2024	2023	2022	2021	2020
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Actual employer Contributions	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,622,112	$ 1,582,554	$ 1,543,949	$ 1,431,497	$ 1,469,551
Contributions as a percentage of payroll	0.00%	0.00%	0.00%	0.00%	0.00%

$0
Employer Contributions

Investment Earnings
$2,344,369

Employee Contributions
$89,561

Pension Fund

Expenses
$36,901

Benefits $1,522,990
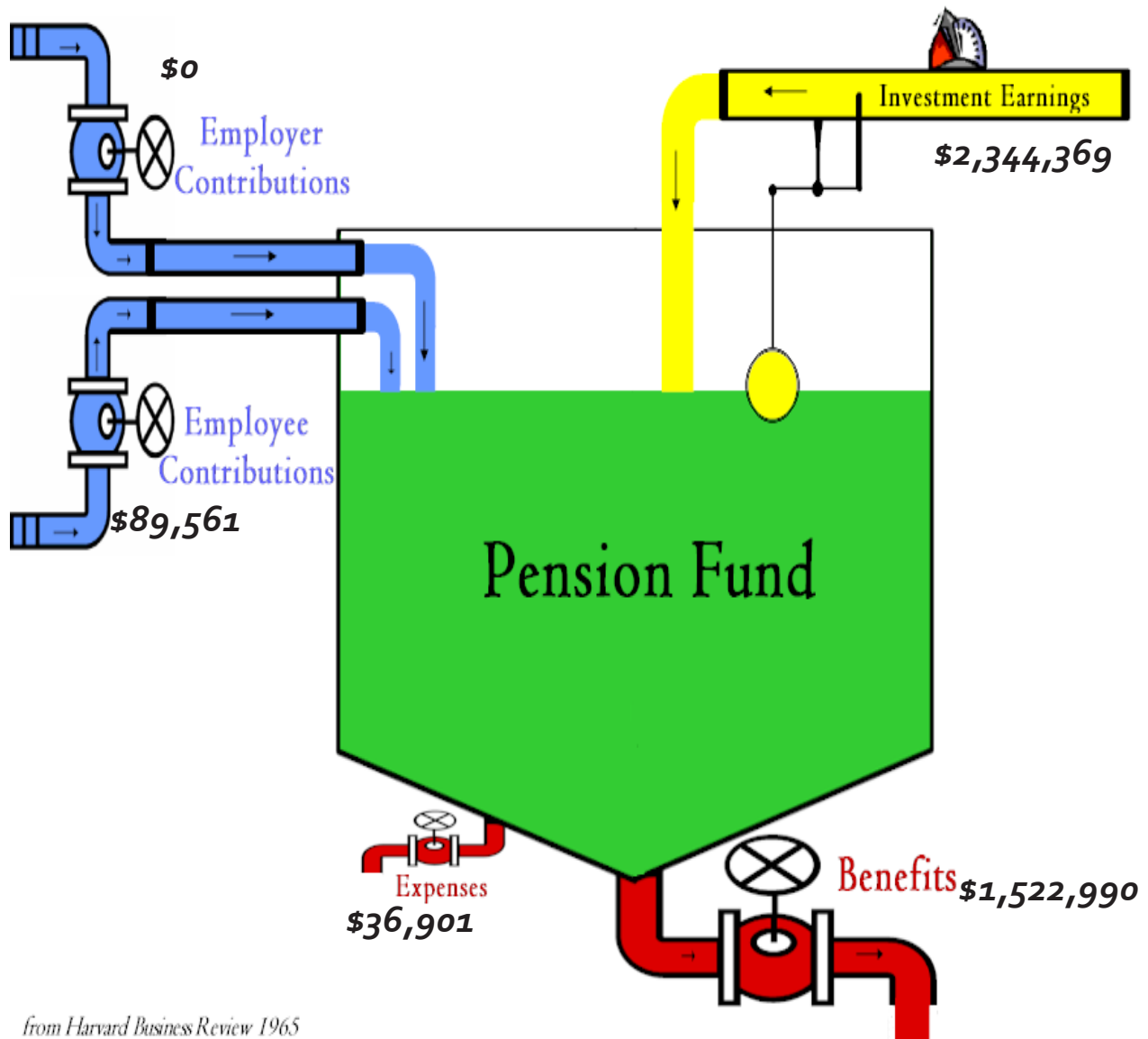
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CITY OF BALTIMORE
Employees' Retirement Systems
7 East Redwood Street,
11th, 12th &13th Floor
Baltimore, MD 21202

+1 443-984-3200
+1 877-273-7136

contacters@bcers.org

www.bcers.org
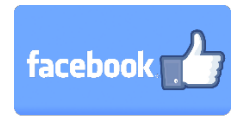
@bmoreretirement

This Popular Annual Report (PAFR) is a summary presentation of the Elected Officials' Retirement System of the City of Baltimore's audited financial statements and other information contained in the Annual Comprehensive Financial Report (ACFR). The PAFR provides an overview of the System's financial and operating results. The complete audited financial statements and pertinent notes to the financial statements can be found in the 2024 ACFR.