Employees' Retirement System of Baltimore County, Maryland

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Pension Trust Fund of Baltimore County

For the Fiscal Years Ended June 30, 2015 and 2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE EMPLOYEES' RETIREMENT SYSTEM OF BALTIMORE COUNTY

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A PENSION
TRUST FUND OF
BALTIMORE COUNTY
MARYLAND

Prepared By:
Office of Budget and Finance

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INTRODUCTORY SECTION

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System of Baltimore County, Maryland

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

EMPLOYEES' RETIREMENT SYSTEM OF BALTIMORE COUNTY

Letter of Transmittal

The Board of Trustees
Employees' Retirement System of Baltimore County
Towson, Maryland 21204

December 17, 2015

The Comprehensive Annual Financial Report of the Employees' Retirement System of Baltimore County, Maryland (the "System") for the year ended June 30, 2015 (FY 2015), is submitted herewith. The System is a Pension Trust Fund included in the financial statements of Baltimore County, Maryland. The System administration is responsible for the accuracy and fairness of the information contained in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the fiduciary net position and changes in the fiduciary net position of the System in conformity with accounting principles generally accepted in the United States of America.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's 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 may be found immediately following the report of the independent auditors.

Plan History. The System, a defined benefit plan, was established January 1, 1945 by County ordinance. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code. Membership in the System is open to employees in both the classified and unclassified service of Baltimore County, and employees of the Baltimore County Revenue Authority, the Baltimore County Board of Education, the Baltimore County Board of Library Trustees and the Community College of Baltimore County who are not eligible to participate in the Maryland State Retirement and Pension Systems. Direct appointees of the Governor of Maryland, temporary employees and employees for whom there are existing pension provisions are excluded. System membership is compulsory for general County classified employees after two years of service if hired prior to January 1, 2014, and after sixty days of service if hired on or after January 1, 2014. Immediate membership is mandatory for police officers and firefighters as a condition of employment. Membership is optional for part-time employees. Selection of the option must be made within two years of employment if hired prior to January 1, 2014, or sixty days if hired on or after January 1, 2014.

Benefits and Services Provided. The System provides normal service retirement and discontinued service retirement benefits for members who attain the age and service requirements. Coverage for occupational disability benefits is immediate upon entry into the System. Disability benefits for non-occupational related injury or illness are provided to vested members. Members hired prior to July 1, 2007 are vested after five years of creditable service. Members hired on or after July 1, 2007 are vested after ten years of creditable service. Ordinary Disability benefits are provided to Police Officers and Firefighters after five years of creditable service if hired prior to July 1, 2007, and after ten years of creditable service for all other members. Occupational death benefits are provided upon membership for any member whose death results from an injury occurring in the actual performance of their job.

Letter of Transmittal, continued

Post-Retirement Cost-of-Living Adjustments (COLAs) are granted annually to members who have been retired for more than 60 months, provided sufficient excess investment earnings exist in the Post Retirement Increase Fund. For active members who select the Deferred Retirement Option Program (DROP) program, the eligibility period to receive COLAs in the DROP remains a minimum of 12 months. Once the member actually retires, the eligibility period for a post-retirement COLA is a minimum of 48 months. Beginning July 1, 2010, a member hired prior to July 1, 2007 must have 20 years of creditable service to qualify for COLAs. A member hired on or after July 1, 2007 must have 25 years of creditable service to qualify for COLAs.

The staff makes benefit presentations at new employee orientations and retirement seminars.

INVESTMENT PERFORMANCE

The System's investment portfolio rate of return, gross of fees, was 1.3% in FY 2015 and 14.8% in FY 2014. The Comparative Balanced Index was 0.8% and 14.7% respectively, for the same periods.

FUNDING STATUS

For actuarial valuation purposes, returns were smoothed over a ten-year period. The actuarially determined target investment return is a long-term target and significant deviations from this target can be expected. The actuarial cost method applied is projected unit credit. Based on the latest available actuarial reports, the funded status for FY 2014 and FY 2013 were 69.1%, and 71.8%, respectively. The funded ratio decrease was primarily due to the increase in the accrued liability.

INVESTMENT STRATEGIES

Under the experienced direction of its Board of Trustees, the System plans to continue maximizing investment returns while maintaining an acceptable level of risk. The System will continue to invest assets domestically as well as internationally in an effort to maintain an appropriate balance.

During FY 2015, the Trustees conducted an annual asset allocation review. As a result of the review, effective July 1, 2015, the Board increased international equities from 10% to 13%, increased emerging market equities from 7% to 9%, decreased core bonds from 11% to 9%, and decreased real assets from 5% to 2%. One manager was hired. One new private equity commitment was made and two managers were terminated. The Board implemented these changes to better meet the System's long-term risk and return objectives.

MAJOR ISSUES AND INITIATIVES

LEGISLATIVE AND ADMINISTRATIVE CHANGES

On September 2, 2014, the County Council passed Bill No. 46-14 that allowed former employees of the Baltimore County Public Library who were members of the state retirement system to transfer all service credit to the county retirement system and be deemed to have joined on the date the employee joined the state retirement system.

On October 6, 2014, the County Council passed Bill No. 51-14 that allowed members who began service before July 1, 2010 to purchase eligible creditable service prior to joining the retirement system. The member had to indicate an intent to purchase credit for service not later than March 31, 2015 and pay the contributions due plus interest in a single lump sum payment not later than June 30, 2015.

On February 17, 2015, the County Council passed Bill No. 3-15 that repealed the prohibition on the continued payment of a line of duty death benefit to a deceased member's surviving spouse if the surviving spouse remarries.

Letter of Transmittal, continued

LEGISLATIVE AND ADMINISTRATIVE CHANGES, continued

On March 2, 2015, the County Council passed Bill No. 11-15 that expanded the membership of the Board of Trustees by allowing the County Council to appoint two trustees and the County Executive to appoint one trustee for a term of four years beginning on July 1, 2015. The appointees cannot hold an elective or appointed office or other employment with the County or State, cannot be a member, retired member or beneficiary of the system and cannot be an employee or member of a public or private sector employee union.

FINANCIAL INFORMATION

Accounting System. The System's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, contributions and investment income are recorded when earned regardless of the date of collection and benefits and other expenses are recorded when liabilities are incurred regardless of when payment is made.

Internal Control. In developing and evaluating the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. Management believes the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investments. As provided in Article 5, Title 1 of the Baltimore County Code, the Board of Trustees is empowered to invest the System's assets utilizing the “prudent person” standard and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to ensure adherence to guidelines and the achievement of objectives.

OTHER INFORMATION

Independent Audit. The County has contracted with a firm of independent certified public accountants to audit the System’s financial statements. The independent auditors’ report is contained herein.

Professional Services. The Board of Trustees has appointed an actuary, a pension investment consultant, an asset custodian, a medical board and numerous investment managers to provide services to the System. The list of professionals which provide services to the System is found on Pages 7 through 9. The Schedule of Fees and Schedule of Commissions paid to investment professionals is located on page 53 of the Investment Section.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees’ Retirement System of Baltimore County for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the twenty-first consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Letter of Transmittal, continued

ACKNOWLEDGMENTS

The preparation of this report on a timely basis reflects the combined effort and dedication of the System's staff. On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff who have worked so diligently to assure the successful operation of the System. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and for determining responsible stewardship for the assets of the System.

Respectfully submitted,

Keith Dorsey

Keith Dorsey
Director of Budget and Finance and
Secretary to the Board of Trustees
Employees' Retirement System of Baltimore County

Board of Trustees

The Ex-officio trustees serve by virtue of their position with Baltimore County.

Consultants and Professional Services

Actuary
Bolton Partners, Inc.
Baltimore, Maryland

Auditors
CliftonLarsonAllen, LLP
Baltimore, Maryland

Pension Investment Consultant
NEPC, LLC
Cambridge, Massachusetts

EDP Consultant
CPAS Systems, Inc.
Toronto, Ontario, Canada

Asset Custodian
BNY Mellon
Pittsburgh, Pennsylvania

Medical Board
Rubin Reider, M.D.
Jose Morelos, M.D.

Operational Banking
M & T Bank
Buffalo, New York

Investment Managers

Domestic Equity

Brown Advisory
Baltimore, Maryland

BlackRock
San Francisco, California

Apex Capital Management
Dayton, Ohio

Brown Capital Management
Baltimore, Maryland

Earnest Partners
Atlanta, Georgia

Channing Capital Management
Atlanta, Georgia

Benchmark Plus Management
Tacoma, Washington

Nicholas Asset Management
Boston, Massachusetts

Decatur Capital Management
Decatur, Georgia

Herndon Capital Management
Atlanta, Georgia

International Equity

Gryphon International Investment
Toronto, Ontario, Canada

LSV Asset Management
Chicago, Illinois

BlackRock
San Francisco, California

Mondrian Investment Partners
Wilmington, Delaware

Ativo Capital Management
Chicago, Illinois

Investment Managers, continued

Fixed Income

Pacific Investment Management Co.
Newport Beach, California

Earnest Partners
Atlanta, Georgia

Garcia Hamilton & Associates
Houston, Texas

Reams Asset Management
Columbus, Indiana

Western Asset Management
Pasadena, California

Loomis, Sayles & Company, L.P.
Boston, Massachusetts

Stone Harbor Investment Partners
New York, New York

Private Equity

HarbourVest Partners, Inc.
Boston, Massachusetts

Edison Venture Fund
Lawrenceville, New Jersey

Mesirow Financial
Chicago, Illinois

Crescent Mezzanine Partners
Los Angeles, California

Energy Spectrum Partners
Dallas, Texas

Landmark Equity Partners
Simsbury, Connecticut

Vista Equity
San Francisco, California

Private Advisors
Richmond, Virginia

Siguler Guff
New York, New York

Grotech Capital Group
Timonium, Maryland

Newstone Capital Partners
Los Angeles, California

Paul Capital Partners
San Francisco, California

EIG Global Energy Partners
Washington, District of Columbia

Lexington Capital Partners
New York, New York

Sterling Capital
Baltimore, Maryland

CCMP Capital Advisors, LLC
New York, New York

Investment Managers, continued

Real Estate

ING Clarion
New York, New York

Aslan Realty Partners
Chicago, Illinois

UBS Global Asset Management
Hartford, Connecticut

JP Morgan
New York, New York

Hedge Fund of Funds

EIM Management
New York, New York

Federal Street Partners
Stamford, Connecticut

Permal Group
London, United Kingdom

Cube Capital
New York, New York

Global Asset Allocation

Bridgewater
Westport, Connecticut

Mellon Capital Management
San Francisco, California

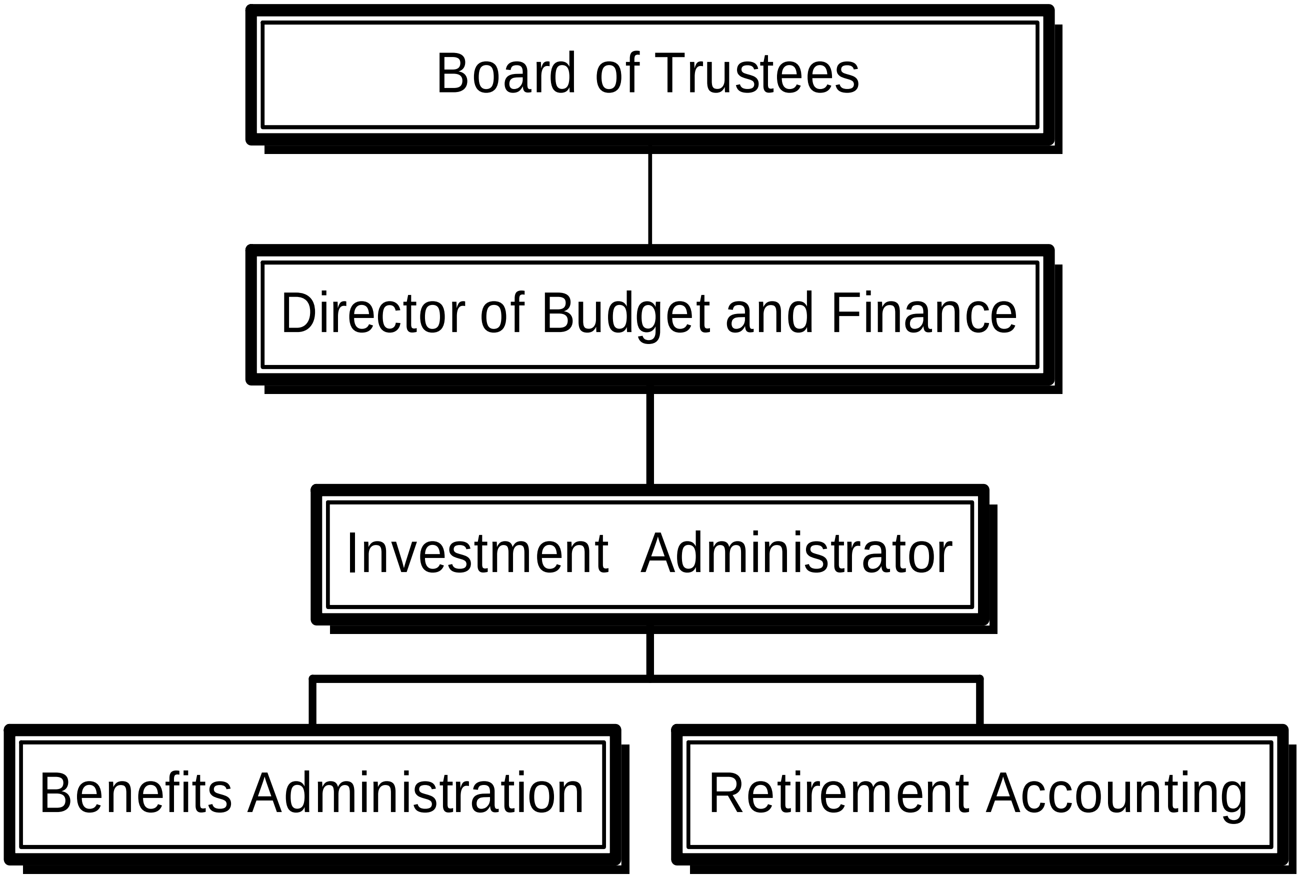
Wellington Trust Company, NA
Boston, Massachusetts

Real Assets

Gresham Investment Management
New York, New York

Wellington Trust Company, NA
Boston, Massachusetts

Administrative Organizational Chart



FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable County Executive and
Members of County Council
Baltimore County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary net position of the Employees' Retirement System of Baltimore County, Maryland (the System), as of June 30, 2015 and 2014, and the related changes in fiduciary net position for the years then ended and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the System's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of changes in net pension liability and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 opinions on the financial statements that collectively comprise the System's basic financial statements. The introductory section, supplementary information and supporting schedules, investment section, actuarial section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of investment fees and expenses and administrative expenses 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 of America. In our opinion, the schedules of investment fees and expenses and administrative expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information in the introductory, investment, actuarial, and statistical sections has 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 17, 2015 on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 17, 2015

Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Employees' Retirement System of Baltimore County (the "System") provides an overview of financial activities for the fiscal years ended June 30, 2015 (FY 2015) and June 30, 2014 (FY 2014). Please read it in conjunction with the transmittal letter in the Introductory Section beginning on Page 2 and the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The System's net position restricted for pensions at the close of FY 2015 and FY 2014 was $2.46 billion and $2.54 billion, respectively. This decrease was primarily due to lower investment returns in FY 2015 as compared with FY 2014 and an increase in benefit payments.

- Contributions for FY 2015 and FY 2014 were $147.9 million and $118.3 million, respectively, an increase of 25%. This increase was a result of higher employer contributions primarily due to asset experience, decrease in interest rate assumption, the change in demographic and salary scale assumptions, and scheduled increase in unfunded accrued liability contributions and experience losses.

- Net investment income of $23.0 million resulted in a gross of fee return of 1.3% for FY 2015 vs. $327.3 million for FY 2014 with gross of fee returns of 14.8%. The Comparative Balanced Index was 0.8% and 14.7% respectively, for the same periods.

- Total deductions increased to $249.5 million in FY 2015 from $230.2 million in FY 2014, an increase of 8.4%. The increase was primarily due to an increase in DROP benefit payments.

- The System's Total Pension Liability was $3.9 billion for FY 2015 and $3.7 billion for FY 2014. The Fiduciary Net Position, as a percentage of Total Pension Liability was 62.84% as of June 30, 2015, and 68.20% as of June 30, 2014.

- Covered-employee payroll was $519 million as of June 30, 2015 and $510 million as of June 30, 2014. The System had a Net Pension Liability of $1.5 billion for FY 2015, and $1.2 billion for FY 2014. The Net Pension Liability as a percentage of Covered-employee payroll was 280.1% as of June 30, 2015 and 232.2% as of June 30, 2014.

- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. Based on the latest actuarial valuations, as of June 30, 2014 and 2013, the funded ratio was 69.1% and 71.8%, respectively.

THE STATEMENT OF FIDUCIARY NET POSITION AND THE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

This Comprehensive Annual Financial Report (CAFR) consists of two financial statements: Statements of Fiduciary Net Position (Page 21) and Statements of Changes in Fiduciary Net Position (Page 22). These financial statements report information about the System as a whole, and about its financial condition that should help answer the question: Is the System, as a whole, better or worse off as a result of this year's activities? These statements include all assets and liabilities that are due and payable using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statements of Fiduciary Net Position present all of the System's assets and liabilities, with the difference between the two reported as the net position. Over time, increases and decreases in the net position measure whether the System's assets available for benefits is improving or deteriorating. The Statements of Changes in Fiduciary Net Position present how the System's net position changed during the most recent fiscal year. These two sets of financial statements should be reviewed along with the Notes to the Financial Statements, and the Required Supplementary Information (RSI), including, the Schedule of Changes in Net Pension Liability, the Schedule of Employers' Contributions, the Schedule of

Management's Discussion and Analysis, continued

Investment Returns, and the Notes to the RSI, to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

FINANCIAL ANALYSIS

The System's overall funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. In FY 2015, the net position restricted for pension benefits decreased 3.1% over FY 2014 due to lower investment returns and an increase in benefit payments.

The System's assets exceeded its due and payable liabilities at the close of FY 2015 and FY 2014 by $2.46 billion and $2.54 billion, respectively. In FY 2015, the net position restricted for pension benefits decreased 3.1% or $78.6 million from the previous year. The System's assets exceeded its due and payable liabilities at the close of FY 2014 and FY 2013 by 2.5 billion and 2.3 billion respectively. In FY 2014, the net position restricted for pension benefits increased 9.3% or $215 million from the previous year. The increase was a direct result of higher investment returns during FY 2014.

The following table illustrates a condensed version of the statements of Fiduciary Net Position and Changes in Fiduciary Net Position for the System, Plan A and Plan B for fiscal years ending 2015, 2014 and 2013.

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY NET POSITION
AS OF JUNE 30, 2015, 2014 AND 2013
(IN THOUSANDS)

THE SYSTEM

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Assets					
Cash and short term investments	$ 38,097	$ 32,423	$ 75,121	17.5%	-56.8%
Collateral for loaned securities	22,155	27,365	28,482	-19.0%	-3.9%
Receivables	28,279	41,605	48,015	-32.0%	-13.3%
Investments	2,449,727	2,521,017	2,277,153	-2.8%	10.7%
Total assets	2,538,258	2,622,410	2,428,771	-3.2%	8.0%
Liabilities					
Accounts payable and other accrued liabilities	55,930	56,279	75,387	-0.6%	-25.3%
Obligations under securities lending	22,155	27,365	30,004	-19.0%	-8.8%
Total liabilities	78,085	83,644	105,391	-6.6%	-20.6%
Net position restricted for pensions	$ 2,460,173	$ 2,538,766	$ 2,323,380	-3.1%	9.3%

Management's Discussion and Analysis, continued

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY NET POSITION
AS OF JUNE 30, 2015, 2014 AND 2013
(IN THOUSANDS)

PLAN A

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Assets					
Cash and short term investments	$ 38,545	$ 29,900	$ 73,499	28.9%	-59.3%
Collateral for loaned securities	21,740	27,010	28,195	-19.5%	-4.2%
Receivables	27,419	40,957	47,362	-33.1%	-13.5%
Investments	2,403,824	2,488,278	2,254,208	-3.4%	10.4%
Total assets	2,491,528	2,586,145	2,403,264	-3.7%	7.6%
Liabilities					
Accounts payable and other accrued liabilities	54,310	54,955	74,225	-1.2%	-26.0%
Obligations under securities lending	21,740	27,010	29,702	-19.5%	-9.1%
Total liabilities	76,050	81,965	103,927	-7.2%	-21.1%
Net position restricted for pensions	$ 2,415,478	$ 2,504,180	$ 2,299,337	-3.5%	8.9%

PLAN B

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Assets					
Cash and short term investments	$ (448)	$ 2,523	$ 1,622	-117.8%	55.5%
Collateral for loaned securities	415	355	287	16.9%	23.7%
Receivables	860	648	653	32.7%	-0.8%
Investments	45,903	32,739	22,945	40.2%	42.7%
Total assets	46,730	36,265	25,507	28.9%	42.2%
Liabilities					
Accounts payable and other accrued liabilities	1,620	1,324	1,162	22.4%	13.9%
Obligations under securities lending	415	355	302	16.9%	17.5%
Total liabilities	2,035	1,679	1,464	21.2%	14.7%
Net position restricted for pensions	$ 44,695	$ 34,586	$ 24,043	29.2%	43.9%

Management's Discussion and Analysis, continued

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015, 2014 AND 2013
(IN THOUSANDS)

THE SYSTEM

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Additions					
Contributions:					
Employer - pension bonds	-	-	$ 255,000		100.0%
Employers'	$ 108,191	$ 80,454	73,362	34.5%	9.7%
Members	39,725	37,844	37,682	5.0%	0.4%
Total contributions	147,916	118,298	366,044	25.0%	-67.7%
Investment income	22,737	327,033	198,535	-93.0%	64.7%
Income from securities lending	290	231	357	25.5%	-35.3%
Net investment income	23,027	327,264	198,892	-93.0%	64.5%
Total additions	170,943	445,562	564,936	-61.6%	-21.1%
Deductions					
Benefits	244,314	225,668	232,410	8.3%	-2.9%
Refunds of contributions	3,540	3,166	3,110	11.8%	1.8%
Administrative expenses	1,682	1,342	2,294	25.3%	-41.5%
Total deductions	249,536	230,176	237,814	8.4%	-3.2%
Net increase (decrease)	(78,593)	215,386	327,122	-136.5%	-34.2%
Net position restricted for pension benefits					
Beginning of year	2,538,766	2,323,380	1,996,258	9.3%	16.4%
End of year	$2,460,173	$2,538,766	$2,323,380	-3.1%	9.3%

Management’s Discussion and Analysis, continued

BALTIMORE COUNTY EMPLOYEES’ RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015, 2014 AND 2013
(IN THOUSANDS)

PLAN A

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Additions					
Contributions					
Employer - pension bonds	-	-	$ 255,000		100.0%
Employers'	$ 106,912	$ 80,127	72,894	33.4%	9.9%
Members	29,463	29,860	30,643	-1.3%	-2.6%
Total contributions	136,375	109,987	358,537	24.0%	-69.3%
Investment income	22,363	323,392	196,988	-93.1%	64.2%
Income from security lending	285	228	353	25.0%	-35.4%
Net investment income	22,648	323,620	197,341	-93.0%	64.0%
Total additions	159,023	433,607	555,878	-63.3%	-22.0%
Deductions					
Benefits	244,314	225,668	232,410	8.3%	-2.9%
Refunds of Contributions	1,760	1,770	2,085	-0.6%	-15.1%
Administrative Expenses	1,651	1,326	2,278	24.5%	-41.8%
Total deductions	247,725	228,764	236,773	8.3%	-3.4%
Net increase (decrease)	(88,702)	204,843	319,105	-143.3%	-35.8%
Net position restricted for pension benefits					
Beginning of year	2,504,180	2,299,337	1,980,232	8.9%	16.1%
End of year	$ 2,415,478	$ 2,504,180	$ 2,299,337	-3.5%	8.9%

Management's Discussion and Analysis, continued

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015, 2014 AND 2013
(IN THOUSANDS)

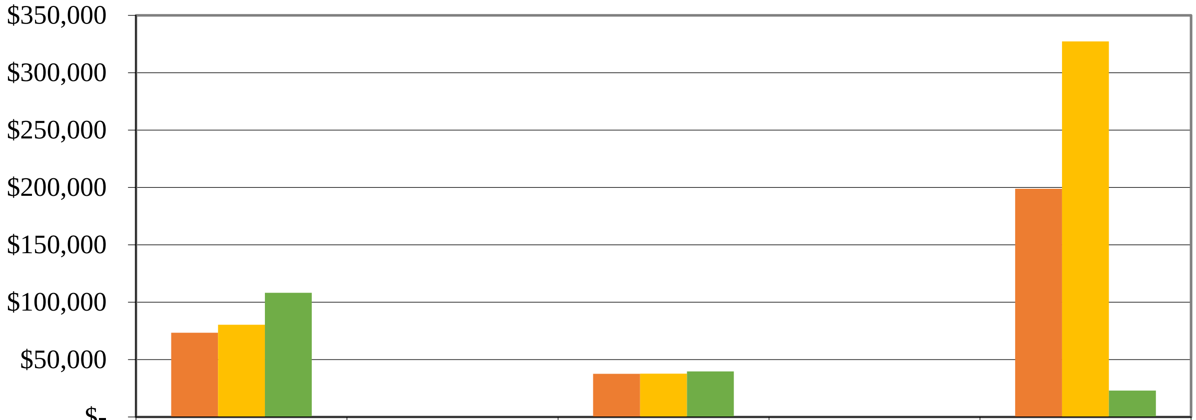
PLAN B

	FY 2015	FY 2014	FY 2013	2015-2014 % Change	2014-2013 % Change
Additions					
Contributions					
Employers'	$ 1,279	$ 327	$ 468	291.1%	-30.1%
Members	10,262	7,984	7,039	28.5%	13.4%
Total contributions	11,541	8,311	7,507	38.9%	10.7%
Investment income	374	3,641	1,547	-89.7%	135.4%
Income from security lending	5	3	4	66.7%	-25.0%
Net investment income	379	3,644	1,551	-89.6%	134.9%
Total additions	11,920	11,955	9,058	-0.3%	32.0%
Deductions					
Refunds of Contributions	1,780	1,396	1,025	27.5%	36.2%
Administrative Expenses	31	16	16	93.8%	0.0%
Total deductions	1,811	1,412	1,041	28.3%	35.6%
Net increase	10,109	10,543	8,017	-4.1%	31.5%
Net position restricted for pension benefits					
Beginning of year	34,586	24,043	16,026	43.9%	50.0%
End of year	$ 44,695	$ 34,586	$ 24,043	29.2%	43.9%

Management's Discussion and Analysis, continued

THE SYSTEM

Additions to Fiduciary Net Position
(in Thousands)



	Employers' Contributions	Member Contributions	Net Investment Income
2013	$73,362	$37,682	$198,892
2014	$80,454	$37,844	$327,264
2015	$108,191	$39,725	$23,027

REVENUES – ADDITIONS TO FIDUCIARY NET POSITION

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and earnings on investments. Contributions and net investment income for fiscal years 2015 and 2014 were $170.9 million and $445.6 million, respectively.

Additions for FY 2015 decreased by $274.6 million over FY 2014. Employer contributions for FY 2015 increased by $27.7 million or 34.5% over FY 2014.

Additions for FY 2014 decreased by $119.4 million over FY 2013, primarily due to the FY 2013 contribution from Pension Obligation Bonds of $255 million, which was partially offset by the FY 2014 increase in total net investment income of $128.4 million over FY 2013. Employer contributions (excluding the contribution from Pension Obligation Bonds) for FY 2014 increased over FY 2013 by $7.1 million or 9.7%.

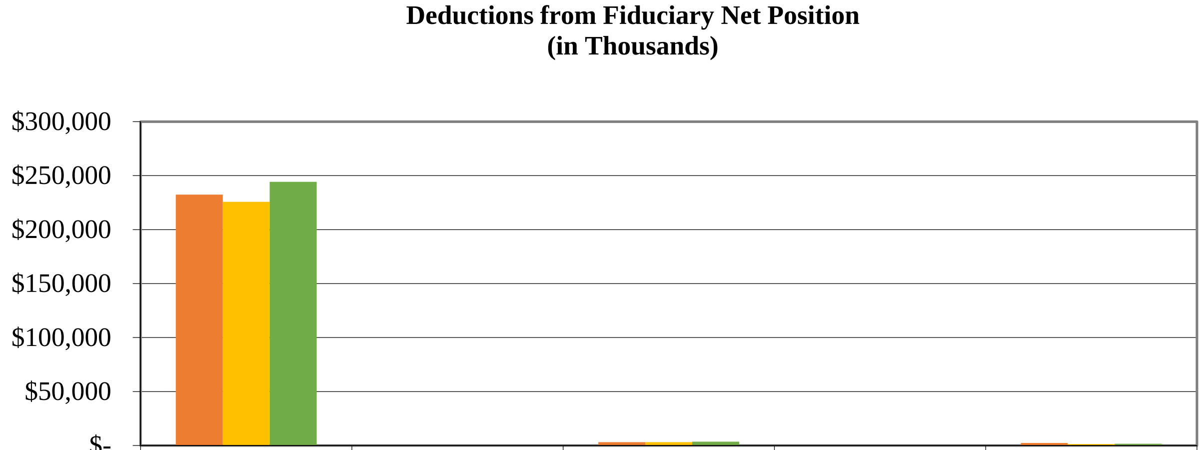
The overall System portfolio returned 1.3% for FY 2015. Contributing to these returns were gains from the US equity portfolio of 7.9%, the global asset allocation portfolio of 4.5% and the real estate portfolio of 15.8%, however, the real asset portfolio lost 22.1% and the international equity portfolio lost 5.5%.

Management's Discussion and Analysis, continued

EXPENSES – DEDUCTIONS FROM FIDUCIARY NET POSITION

The expenses of the System include pension payments to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total deductions for FY 2015 increased by 8.4% or $19.4 million over FY 2014 due to an increase in benefit payments. Total deductions for FY 2014 decreased by 3.2% or $7.6 million over FY 2013 due to a decrease in benefit payments.

THE SYSTEM



	Pension Benefits		Refunds		Administrative Expenses
2013	$232,410		$3,110		$2,294
2014	$225,668		$3,166		$1,342
2015	$244,314		$3,540		$1,682

RETIREMENT SYSTEM AS A WHOLE

The net position held in trust for pension benefits decreased by $78.6 million or 3.1% in FY 2015. Based on the latest actuarial valuation available, the System's funding ratio, as determined by the County's actuary, was 69.1% at June 30, 2014 and 71.8% at June 30, 2013. The Board continues to utilize the concepts of prudent investment management, cost controls and strategic planning.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Office of Budget and Finance, Mezzanine, Historic Court House, 400 Washington Avenue, Towson, Maryland 21204. The ERS CAFR may be found online at www.baltimorecountymd.gov/Agencies/budfin/retirement/index.html.

Statements of Fiduciary Net Position
As of June 30, 2015 and 2014
(IN THOUSANDS)

	FY 2015			FY 2014		
	Plan A	**Plan B**	**The System**	**Plan A**	**Plan B**	**The System**
Assets:						
Cash and short term investments	$ 38,545	$ (448)	**$ 38,097**	$ 29,900	$ 2,523	**$ 32,423**
Collateral for loaned securities	21,740	415	**22,155**	27,010	355	**27,365**
Receivables:						
Accrued interest and dividend income	2,423	46	**2,469**	2,313	31	**2,344**
Receivable for investments sold	23,737	453	**24,190**	38,384	505	**38,889**
Receivables - other	1,259	361	**1,620**	260	112	**372**
Total receivables	27,419	860	**28,279**	40,957	648	**41,605**
Investments, at fair value						
U.S. Government and agency securities	141,135	2,695	**143,830**	147,832	1,945	**149,777**
Municipal bonds	4,700	90	**4,790**	5,152	68	**5,220**
Foreign bonds	25,118	480	**25,598**	18,103	238	**18,341**
Corporate bonds	95,340	1,821	**97,161**	113,862	1,498	**115,360**
Stocks	499,760	9,543	**509,303**	565,070	7,435	**572,505**
Bond mutual funds	348,626	6,657	**355,283**	368,502	4,849	**373,351**
Stock mutual funds	452,923	8,649	**461,572**	440,659	5,798	**446,457**
Real estate equity funds	116,136	2,218	**118,354**	103,306	1,359	**104,665**
Hedge funds	151,604	2,895	**154,499**	115,784	1,523	**117,307**
Private equity funds	109,496	2,091	**111,587**	112,662	1,482	**114,144**
Real assets	92,815	1,772	**94,587**	122,066	1,606	**123,672**
Global asset allocation	366,171	6,992	**373,163**	375,280	4,938	**380,218**
Total investments	2,403,824	45,903	**2,449,727**	2,488,278	32,739	**2,521,017**
Total assets	2,491,528	46,730	**2,538,258**	2,586,145	36,265	**2,622,410**
Liabilities:						
Investment expenses payable	2,547	49	**2,596**	2,871	38	**2,909**
Refunds payable	54	976	**1,030**	22	673	**695**
Payable for investments purchased	31,181	595	**31,776**	46,579	613	**47,192**
Payable for collateral for loaned securities	21,740	415	**22,155**	27,010	355	**27,365**
Payables - other	20,528	-	**20,528**	5,483	-	**5,483**
Total liabilities	76,050	2,035	**78,085**	81,965	1,679	**83,644**
Net position restricted for pension benefits	$ 2,415,478	$ 44,695	**$ 2,460,173**	$ 2,504,180	$ 34,586	**$ 2,538,766**

The accompanying notes are an integral part of the financial statements.

Employees' Retirement System of Baltimore County
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2015 and 2014
(IN THOUSANDS)

	FY 2015			FY 2014		
	Plan A	**Plan B**	**The System**	**Plan A**	**Plan B**	**The System**
Additions						
Contributions:						
Employers'	$ 106,912	$ 1,279	**$ 108,191**	$ 80,127	$ 327	**$ 80,454**
Members	29,463	10,262	**39,725**	29,860	7,984	**37,844**
Total contributions	136,375	11,541	**147,916**	109,987	8,311	**118,298**
Investment income:						
Net increase in the fair value of investments	(3,677)	(2)	**(3,679)**	299,349	3,370	**302,719**
Interest and dividends	42,595	633	**43,228**	42,512	502	**43,014**
	38,918	631	**39,549**	341,861	3,872	**345,733**
Less: Investment expenses	(16,555)	(257)	**(16,812)**	(18,469)	(231)	**(18,700)**
Investment income	22,363	374	**22,737**	323,392	3,641	**327,033**
Securities lending:						
Securities lending income	92	1	**93**	74	1	**75**
Borrower rebates	308	6	**314**	243	3	**246**
Agent fees	(115)	(2)	**(117)**	(89)	(1)	**(90)**
Net income from securities lending	285	5	**290**	228	3	**231**
Total net investment income	22,648	379	**23,027**	323,620	3,644	**327,264**
Total additions	159,023	11,920	**170,943**	433,607	11,955	**445,562**
Deductions						
Benefits	244,314	-	**244,314**	225,668	-	**225,668**
Refunds of contributions	1,760	1,780	**3,540**	1,770	1,396	**3,166**
Administrative expenses	1,651	31	**1,682**	1,326	16	**1,342**
Total deductions	247,725	1,811	**249,536**	228,764	1,412	**230,176**
Net increase (decrease)	(88,702)	10,109	**(78,593)**	204,843	10,543	**215,386**
Net position restricted for pension benefits						
Beginning of year	2,504,180	34,586	**2,538,766**	2,299,337	24,043	**2,323,380**
End of year	$2,415,478	$ 44,695	**$ 2,460,173**	$2,504,180	$ 34,586	**$ 2,538,766**

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Plan Description

The Employees' Retirement System of Baltimore County (the "System") is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent serving five entities including Baltimore County (the "County") and certain employees of the Baltimore County Board of Education, Baltimore County Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. The System is not an employer. The System provides retirement, disability and death benefits to plan members and beneficiaries. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code (the "Code").

Separate Plans:
On October 15, 2012, the County Council passed Bill No. 65-12 that formally closed the System for members hired prior to July 1, 2007, now known as members of "Plan A". Members hired on or after July 1, 2007 are members of "Plan B".

The System is considered part of the Baltimore County, Maryland reporting entity and its financial statements are included in the County's basic financial statements as a pension trust fund. The System is fiscally dependent on the County by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. In accordance with Section 5-1-238 of the Code, responsibility for the proper operation of the System is vested in a ten-member Board of Trustees (the "Board"), comprised of a combination of ex-officio, appointed and elected representatives. The general administration of the System is vested in the Director of Budget and Finance.

Plan Membership: As of June 30, 2015 and 2014, System membership consisted of:

Membership Status (as of June 30, 2015)	**Plan - A* Count**	**Plan - B Count**	**Total Count**
Inactive plan members and beneficiaries currently receiving	7,591	-	7,591
Inactive plan members entitled, but not yet receiving benefits	443	2	445
Active plan members	6,035	3,457	9,492
Total	14,069	3,459	17,528

*Plan A is closed to new members hired on or after July 1, 2007.

Membership Status (as of June 30, 2014)	**Plan - A* Count**	**Plan - B Count**	**Total Count**
Inactive plan members and beneficiaries currently receiving	7,496	-	7,496
Inactive plan members entitled, but not yet receiving benefits	459	2	461
Active plan members	6,353	2,800	9,153
Total	14,308	2,802	17,110

*Plan A is closed to new members hired on or after July 1, 2007.

Notes to Financial Statements, continued

The following is a brief description of the System's plan provisions. For a more complete description, see the Summary of Plan Provisions included in the Actuarial Section of this report.

Members are designated as classified or merit system employees, part-time employees, non-merit employees, elected officials, department heads, or agency employees. Merit system employees included full-time general employees, police officers, firefighters, deputy sheriffs and correctional officers. Agency employees include the Board of Education, the Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. Agency employees that are not eligible to participate in the Maryland State Retirement and Pension Systems are entitled to membership in the System. The term "general employees" is hereafter used to refer to both county general employees and agency employees.

System membership is compulsory for merit system employees as a condition of employment, except for those members who were hired at age 55 or over. Merit employees, exclusive of police officers and firefighters, are required to join the System within the first two years of employment if hired prior to January 1, 2014, or sixty days if hired on or after January 1, 2014. Police officers and firefighters are required to join the System as a condition of employment.

Part-time employees, non-merit employees, elected officials, department heads, and merit system employees hired at age 55 or over, and agency employees have the option to join the system within two years of employment if hired prior to January 1, 2014, or sixty days if hired on or after January 1, 2014 or forfeit the right to join the System.

Waived time is not eligible for buy back. However, in FY 2015, members hired prior to July 1, 2010 were provided a one-time opportunity to purchase their eligible waived service if they declared their intent by March 31, 2015 and purchased their waived service on or before June 30, 2015.

Members hired prior to July 1, 2007 are vested after five years of membership. System members hired on or after July 1, 2007 are vested after ten years of creditable service.

Employees who terminate employment or die in service prior to meeting vesting eligibility are entitled to a refund of their contributions. Interest is credited on member contributions at the rate of 5% per annum. Employers are required to contribute an actuarially determined amount annually to finance the System as specified by Sections 5-1-203 and 5-1-257 of the Code.

Members are eligible for a normal retirement for service based on age and/or years of creditable service. There is no mandatory retirement age for general employees, deputy sheriffs and correctional officers. Firefighters and police officers must retire at age 65 unless approved for continuation of service by the Board on an annual basis.

The County has adopted a Back DROP (the election is made at date of retirement) for Police Officers and Firefighters under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit for life. The DROP period is between three and five years, effective with retirements that occurred on or after July 1, 2004. Police Officers and Firefighters hired on or after July 1, 2007 are not eligible to participate in the Back DROP.

The County has adopted a Back DROP (the election is made at date of retirement) for Correctional Officers and Deputy Sheriffs hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The Back DROP period is between three and five years, effective with retirements that occur on or after July 1, 2010. Correctional Officers and Deputy Sheriffs hired on or after July 1, 2007 are not eligible to participate in the Back DROP.

The County has adopted a Forward DROP (the election is made at least 5 years prior to the date of retirement) for General Employees hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The Forward DROP period is between five and ten years, effective with retirements that occur on or after July 1, 2012. General Employees hired on or after July 1, 2007 are not eligible to participate in the Forward DROP.

Notes to Financial Statements, continued

An ordinary disability retirement may be granted to a member who can no longer perform their job due to a non-occupational related injury. Police officers and firefighters ("Group 4") hired prior to July 1, 2007 must have 5 years of creditable service while all other members must have ten years of creditable service. All members must be medically certified as incapacitated for continued performance of their duties. The ordinary disability retirement allowance is determined in accordance with Section 5-1-222 of the Code.

An accidental disability retirement may be granted to a member who has been incapacitated for duty as a result of an occupational related injury. Accidental disability payments are tiered (75%, 66.67%, or 50%), based upon the degree of disability. The accidental disability retirement allowance is determined in accordance with Section 5-1-226 of the Code.

An ordinary death benefit is granted as a result of a member's death from non-occupational causes. A member's designated beneficiary or estate receives a lump sum payment of the member's contributions plus interest. Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a minimum one-time payment equal to 100% of the member's annual earnable compensation. If a member was eligible for a service retirement or had 15 years of creditable service at the time of death, the spouse, if designated as the beneficiary, may receive a retirement allowance based on service years equivalent to a 100% survivorship option (*Option 2*).

An accidental death benefit is granted as the result of death from an occupational related injury. The dependent beneficiary of a general employee may receive an allowance equal to $66^2/_3$% of average final compensation (AFC) plus their annuity (i.e. employee contributions plus interest). The dependent beneficiary of a firefighter or police officer may receive an allowance equal to 100% of the annual earnable compensation at the time of death plus their annuity.

Retirement allowances are comprised of an annuity equal to the actuarial equivalent of the accumulated contributions plus a pension which together with the annuity shall provide a total allowance as provided for in the System's plan. The retirement allowance is determined based on the AFC and number of years of creditable service. AFC is defined as the rate of annual earnable compensation during the twelve or thirty-six consecutive calendar months of service, depending upon group and hire date, affording the highest average. The normal retirement for service allowance is determined as follows:

Notes to Financial Statements, continued

Employee designation	Allowance formula for Vested Employees
General employees - Plan A (Hired prior to July 1, 2007)	1.82% of AFC times the number of years of creditable service for: (i) 30 years of creditable service or (ii) Age 65 with 5 years of creditable service or, General employees hired prior to July 1, 2007, retiring at age 60 with less than 30 years of creditable service, will receive a blended benefit, (i.e. 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned on or after July 1, 2007.
General employees – Plan B (Hired on or after July 1, 2007)	1.43% of AFC times the number of years of creditable service.
Appointed officials	2.5% of AFC times the number of years of creditable service.
Elected officials	5.0% of AFC times the number of years of creditable service. Any Council member who becomes a member of the retirement system on or after February 1, 2010 may not receive a retirement allowance in excess of 60% of the member's AFC.
Firefighters	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year in excess of 20 years, and 3.0% of AFC for each year in excess of 30 years for service years on or after July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service.
Correctional officers and Deputy Sheriffs	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC times the number of years of creditable service in excess of 20 years. <u>If hired prior to July 1, 2007, and age 65 with at least 5, but less than 20 years of creditable service:</u> 1.82% of AFC times the number of years of creditable service. <u>If hired prior to July 1, 2007, and age 60 with less than 20 years of creditable service:</u> 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned after June 30, 2007. <u>If hired on or after July 1, 2007, with 25 years of creditable service at retirement:</u> 1.43% of AFC times the number of years of creditable service.
Police officers	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year of creditable service in excess of 20 years, and 3.0% of AFC for each year of creditable service over of 25 years. The 3% accrual rate does not apply for years of creditable service earned prior to July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service.

Notes to Financial Statements, continued

In addition to the maximum retirement allowance, members may select one of six retirement allowance options to provide payments to a beneficiary upon the death of a retired member. A selection of an option reduces the maximum allowance. Police officers and firefighters with at least 25 years of actual service as a sworn Baltimore County Police Officer or sworn Baltimore County Firefighter may select a 7th option that allows 50% of member's retirement to continue to the original beneficiary at no cost to the employee.

In accordance with Section 5-1-235 of the Code, each July 1, post-retirement allowance adjustments may be granted to retirees who have been retired for more than 60 months. Active members hired prior to July 1, 2007 and retire on or after July 1, 2010 must have at least 20 years of creditable service to be eligible for post-retirement COLAs. Active members hired on or after July 1, 2007 must have at least twenty five (25) years of creditable service to be eligible for post-retirement COLAs. For active members who select the DROP program, the eligibility period to receive COLAs in the DROP remains a minimum of 12 months. Once the member actually retires, the eligibility period for a post-retirement COLA is a minimum of 48 months. The post-retirement allowance adjustment is equal to the increase in the Consumer Price Index - All Urban Consumers (CPI-U) for the previous calendar year, in an amount not to exceed 3%, provided sufficient investment income in excess of valuation requirements has accumulated in the Post-Retirement Increase Fund Balance Account described in Note 2. The maximum Post-Retirement Increase Fund Account Balance is equal to twice the cost of a 3% COLA. Additional details regarding cost-of-living increases may be found in the Summary of Plan Provisions under the heading Post-Retirement Allowance Increases.

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The financial statements of the System are presented using the economic resource measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The System records investment purchases and sales on a trade-date basis. These transactions are not finalized until settlement date. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Method used to Value Investments - Plan investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate equity funds is based on independent appraisals. The fair value of real assets is based on their closing sales price on the market on which the securities primarily trade or, in the absence of a sale, at their last or most recently reported bid price. The fair value of mutual funds is based on the fair value of the underlying securities. Hedge funds of funds are valued based on information provided by the respective fund managers. The fair value for alternative investments which include private equity funds is based upon the partnership's most recent available financial information.

Administrative Costs - The System pays for the following administrative expenses: professional actuarial costs, pension consultant fees, data processing, medical board examinations, salaries, benefits, audit/legal fees, equipment and supplies, postage, printing and miscellaneous expenses. These administrative expenses are funded from employer contributions.

Net Position Accounts - As provided by the Code, all assets of the System must be credited according to the purpose for which they are held to the annuity savings fund, the pension accumulation fund or the post-retirement increase fund.

These funds are classified together as the net position held in trust for pension benefits for financial reporting purposes and are explained below:

> *Annuity Savings Fund Balance Account* - This Account records the accumulated contributions credited to individual members' accounts together with the interest thereon. Upon termination of employment, accumulated contributions plus interest are refunded from this fund. When a member retires, the member's accumulated contributions plus interest are transferred to the Pension Accumulation Fund Balance Account.

Notes to Financial Statements, continued

Pension Accumulation Fund Balance Account - This Account records all accumulated reserves used to pay member pensions, other benefits and administrative expenses. The reserves are accumulated from employer contributions, investment income, gains on sales of investments and amounts transferred from the Annuity Savings Fund Balance Account.

Post-Retirement Increase Fund Balance Account - This Account records all investment earnings in excess of valuation requirements transferred from the Pension Accumulation Fund Balance Account in order to finance post-retirement allowance increases to retired members.

At June 30, 2015 and 2014, the balances in the legally required accounts are as follows:

	FY 2015 (in Thousands)	**FY 2014** (in Thousands)
Annuity Savings Fund	$537,796	$510,950
Pension Accumulation Fund	1,911,851	2,017,290
Post-Retirement Increase Fund	10,526	10,526
Net Position Held in Trust for Pension Benefits	$2,460,173	$2,538,766

3. Contributions

Employee contributions: System members contribute a percentage of their salary to the System determined by County Code. The contribution rates for members hired prior to July 1, 2007 are actuarially determined based on the member's age at enrollment and employee classification. Contribution rates for members hired on or after July 1, 2007 are fixed based on employee classification. A chart of member contribution rates is provided in the Summary of Plan Provisions in the Actuarial Section of this report. The County and the participating employers intend to fund the System according to the actuarially determined employer contributions (ADEC). The ADEC is equal to the normal cost plus amortization of the unfunded actuarial accrued liability. The employer contributions to the System consist of the System's share of the normal cost plus an amount needed to accomplish 30-year amortization of the unfunded accrued liability, with each year's net change in the unfunded liability amortized over a separate, closed 30-year period. The employer contributions to the System are equal to 100% of the ADEC. Per Section 5-1-203 of the Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board.

4. Cash Deposits, Investments and Securities Lending

Custodial Credit Risk – For Cash Deposits, Investments and Securities Lending, custodial credit risk is the risk that, in the event of the failure of the bank or counterparty, the System will not be able to recover the deposits, value of its investments or collateral securities that are in possession of an outside party. The System cash deposits are fully covered by FDIC insurance and/or collateral pledged to the System's account held by the System's agent in the System's name at year-end. The collateral pledged and held consists of obligations issued by the U.S. government and agencies. Investment securities are registered in the name of the System. As of June 30, 2015, and 2014 the carrying amount of cash was $2.5 million and $0.3 million, respectively.

Notes to Financial Statements, continued

Investment Policy – Pursuant to Section 5-1-247 of the Baltimore County Code, the Board of Trustees utilizes the "prudent person" standard for managing the assets of the System. The Board has established the following policies:

1) Assure that the System's investment policy has been designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System.

2) Employ a diversity of investment managers with different investment styles on how to obtain their investment objective.

3) Closely monitor the performance of all investment managers not only in relation to specific objectives, but also in relation to other fund managers following the same investment objectives.

The System is currently invested in stocks (domestic and foreign), fixed income securities, private equity funds, real estate funds, hedge fund of funds, global asset allocation funds, and real assets. The Code provides for full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in any of the System's funds.

For the year ended June 30, 2015, the System has operated in all material respects in accordance with the System's investment policy.

The System's investment policy as of June 30, 2015, is shown below for the broad investment categories:

Asset Class	*Allocation Target*	*Allocation Range*
U. S. Equities	*22%*	*16 - 28%*
International Equities	*17%*	*12 - 22%*
Private Equities	*5%*	*0 - 7%*
Fixed Income	*26%*	*18 - 34%*
Hedge FOF	*6%*	*0 - 7%*
Real Estate	*4%*	*0 - 7%*
Global Asset Allocation	*15%*	*10 - 20%*
Real Asset	*5%*	*0 - 7%*
Total	***100%***	

Rate of Return – For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk – The investment policy guidelines of the Employees' Retirement System of Baltimore County do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The manager of each fixed income portfolio is responsible for determining the average maturity of their portfolio. The following is a maturity schedule of the System's fixed income investments of bonds and short term investments as of June 30, 2015 and 2014.

Notes to Financial Statements, continued

As of June 30, 2015 and 2014 the System's fixed income investments had the following credit risk characteristics:

	FY 2015			FY 2014	
Moody's Ratings or Comparable	Fair Value (in Thousands)	Percent of Fixed Income Investments		Fair Value (in Thousands)	Percent of Fixed Income Investments
AAA	$ 152,267	24.3%		$ 162,760	24.6%
AA	12,596	2.0		12,023	1.8
A	35,636	5.7		28,024	4.2
BBB	35,866	5.7		47,052	7.1
BB	6,877	1.1		2,880	0.4
B	1,578	.3		2,897	0.5
CCC	4,094	.7		5,120	0.8
CC	1,530	.2		1,898	0.3
NR*	376,218	60.0		399,395	60.3
Total	$ 626,662	100.0%		$ 662,049	100.0%

*NR represents securities not rated, primarily made up of swaps and commingled funds, which by their nature do not have credit quality ratings.

Investments in Excess of 5% of the Net Position Held in Trust for Pension Benefits
The System had no individual investments at fair value in excess of 5% of the System's net position held in trust for pension benefits as of June 30, 2015 and 2014.

Investment Commitments
As of June 30, 2015 and 2014, the System had outstanding private equity commitments of $79.2 and $94.6 million, respectively.

Notes to Financial Statements, continued

Foreign Currency Risk
The System's exposure to foreign currency risk is derived from its positions in foreign currency-denominated common stock and fixed income investments. Managers are allowed to use derivatives to hedge out currency risk. The Systems exposure to foreign currency risk as of June 30, 2015 and 2014 is as follows:

Currency	FY 2015 Fair Value (in Thousands)		FY 2014 Fair Value (in Thousands)
Australian Dollar	$ 5,363		$ 6,401
Brazil Real	541		-
Canadian Dollar	1,237		-
Chinese Yuan Renminbi	11		698
Danish Krone	2,860		-
Euro Currency Unit	58,670		63,857
Hong Kong Dollar	10,288		6,974
Israeli Shekel	1,379		1,197
Japanese Yen	47,799		43,152
Malaysian Ringgit	465		1,882
Mexican New Peso	875		-
New Taiwan Dollar	1,083		-
New Turkish Lira	264		-
Norwegian Krone	1,725		-
Pound Sterling	26,182		20,403
South African Comm Rand	462		-
Singapore Dollar	2,029		1,637
South Korean Won	5,091		5,304
Swedish Krona	6,529		5,943
Swiss Franc	14,151		12,410
Total	$ 187,004		$ 169,858

Notes to Financial Statements, continued

Derivatives

Future contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Futures are used primarily as a tool to increase or decrease market exposure to various asset classes. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Because of daily settlement, the futures contracts have no fair value. The System entered into certain futures contracts of which the notional value at June 30, 2015 and 2014 were $(69,086,889) and $(44,966,696), respectively.

The System utilizes certain derivative instruments for the purpose of obtaining income or profit. The derivatives are subject to credit risks, interest rate risk, and foreign currency risk. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015 and 2014, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value (in Thousands)			Fair Value as of June 30, 2015 (in Thousands)	
Investment Derivatives:	**Classification**	**Amount**		**Amount**	**Notional Value**
Futures	Investment Revenue	-		-	($ 69,087)
Options	Investment Revenue	10		(4)	143
Swaps	Investment Revenue	16		109	432
Mortgage Derivatives	Investment Revenue	(25)		1,783	1,783
TBA Transactions	Investment Revenue	(16)		3,959	3,959

	Changes in Fair Value (in Thousands)			Fair Value as of June 30, 2014 (in Thousands)	
Investment Derivatives:	**Classification**	**Amount**		**Amount**	**Notional Value**
Futures	Investment Revenue	-		-	($ 44,967)
Options	Investment Revenue	$ (5)		$ 3	642
Swaps	Investment Revenue	(16)		175	6,411
Mortgage Derivatives	Investment Revenue	(43)		2,118	2,118
TBA Transactions	Investment Revenue	71		11,268	11,268

Rationale for Derivative strategies:

The purpose of using futures and options is to hedge the portfolio to reduce risk and adjust exposure along the yield curve. A short position in total options reduces the portfolio's convexity in exchange for higher yield. A long position increases convexity in exchange for lower yields.

The effect of long and short treasury notes and bond futures is to shift the portfolio's duration to its target position.

The combined effect of Eurodollar and Euribor futures and options is to adjust exposure to the front portion of the yield curve.

Long and short call and put options on notes and bond futures are used to adjust portfolio convexity in exchange for higher yields.

Credit default indices and credit default swaps on individual names are used as an efficient, low cost way of adjusting credit exposure on the margin.

Notes to Financial Statements, continued

Securities Lending Transactions **-** The Board's policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian lends U.S. government and agency securities, corporate bonds and stocks for collateral in the form of cash, other securities and irrevocable bank letters of credit. Collateral securities, letters of credit and cash are initially pledged at 102% of the market value of the securities lent. Additional collateral is to be provided by the next business day if the collateral value falls to less than 100% of the market value of the securities lent. The System did not impose any restrictions during the fiscal year on security loans the custodian made on its behalf. At June 30, 2015, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the System cannot determine. The System cannot pledge or sell collateral securities received unless the borrower defaults. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in both a separately managed fixed income account and a cash collateral pool, which at year-end had a weighted-average maturity of 5 days. The collateral held as of June 30, 2015 and 2014 were $52.2 million and $63.4 million, respectively. The fair value of securities on loan as of June 30, 2015 and 2014 totaled $50.4 million and $54.3 million, respectively.

The following tables present the fair value of the underlying securities, and the value of the collateral pledged at June 30, 2015 and 2014 (in thousands):

FY 2015 Securities Lent for:	Fair Value of Loaned Securities	Collateral Fair Value	Percent Collateralized
Cash Collateral	$21,091	$22,155	105.04%
Non-Cash Collateral	29,351	30,042	102.36%
Total	$50,442	$52,197	103.48%

FY 2014 Securities Lent for:	Fair Value of Loaned Securities	Collateral Fair Value	Percent Collateralized
Cash Collateral	$26,785	$27,365	102.17%
Non-Cash Collateral	27,510	36,062	131.09%
Total	$54,295	$63,427	116.82%

5. Risk Management

The County bears any risk of loss related to the System (e.g. torts, theft of, damage to, or destruction of assets; errors or omissions, job-related illnesses, or injuries to employees; and natural disasters). The County manages its risks internally and sets aside assets for claims settlement in an internal service fund.

6. Litigation

There is one significant claim against Baltimore County that has the potential to impact members' contributions to the Employees' Retirement System of Baltimore County. The U.S. Equal Employment Opportunity Commission (EEOC) has sued Baltimore County and six (6) County Unions claiming that they violated the Age Discrimination in Employment Act (ADEA) by requiring employees who join the retirement system as older workers to contribute more than workers who joined at a younger age. The United States District Court for the District of Maryland granted Baltimore County's Motion for Summary Judgment on January 21, 2009. The Fourth Circuit Court of Appeals reversed and remanded the case to the District Court. By Order entered on October 17, 2012, the District Court

Notes to Financial Statements, continued

reversed itself and found the County liable for age discrimination. After the District Court granted the County permission to file an interlocutory appeal, the Fourth Circuit affirmed the liability determination of the District Court on March 31, 2014. The Supreme Court denied the County's Petition for Writ of Certiorari on November 3, 2014 and the case will be remanded to the District Court for a determination of damages. The County has recently filed a separate action in federal court seeking a declaration that its long-term actuary, Buck Consultants, LLC (Buck) is contractually obligated to defend, indemnify and hold the County harmless in the underlying EEOC action. In addition, the county recently filed in the underlying action a Motion for Leave to file a third-party Complaint against Buck for common law indemnification and contribution in that action. EEOC's claim for "excess contributions" by older workers was estimated to be $17 million to $19 million. The Employees' Retirement System of Baltimore County would absorb any potential liability through higher member contributions.

7. Deferred Retirement Option Program (DROP)

Effective July 1, 2007, General employees hired prior to July 1, 2007, are offered a Forward DROP. The DROP allows eligible general employees to elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is a minimum of 5 years and a maximum of 10 years. Eligibility is age 55 plus a total of age and service of at least 85. The DROP account will include benefit payments at the maximum option, employee contributions, an interest credit of 5%, plus any cost of living increase granted to retirees, provided the member has been in the DROP for at least 12 months. As of June 30, 2015, the balance of the System's DROP allowance for General employees was $31.0 million and DROP payables were $20.1 million.

8. Net pension Liability of the System

The components of the net pension liability as of June 30, 2015, were (in thousands):

Components of Net Pension Liability	Plan A	Plan B	Total
Total pension liability	$3,856,475	$58,201	$3,914,676
The Plan's fiduciary net position	(2,415,478)	(44,695)	(2,460,173)
The Plan's net pension liability	$1,440,997	$ 13,506	$1,454,503
The Plan's net position as a percentage of the total pension liability	62.63%	76.79%	62.84%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015 using the actuarial assumptions set forth below. These assumptions were applied to all periods included in the measurement. For GASB No. 67 purposes, the Post Retirement Increase Fund (PRIF) assets equal to $10,526,113 were excluded from retiree and beneficiary liabilities but included in the Plan's fiduciary net position. (Detailed actuarial assumptions are set forth in the Actuarial Section of this report).

The last experience study covered the period July 1, 2006 through June 30, 2011. The experience investigation was prepared in accordance with Article 5-1-245 of the Baltimore County Code, which requires that the actuary periodically undertake an experience investigation into the mortality, service, and compensation experience of the members and retirees of the System and that these investigations take place at least every five years.

Notes to Financial Statements, continued

Investment Rate of Return: 7.00%, net of investment expense and gain sharing, and including inflation.

Mortality:

For healthy participants and beneficiaries: For males 108% of the RP-2000 Combined Healthy male table projected to 2027 by Scale AA and for females 100% of the RP-2000 Combined Healthy female table projected to 2027 by Scale AA. For disabled members, RP-2000 Disabled Annuitant Tables projected to 2027 with Scale AA.

Inflation: 3.0% per annum.

Salary Increase: Representative rates are as follows:

	Annual Rates of Salary Increase		
	Fiscal Year 2014 – Fiscal Year 2016		Fiscal Year 2017 and thereafter
Age	General Employees, Correctional Officers and Deputy Sheriffs	Police Officers and Firefighters	All Members
25	6.40%	6.55%	6.55%
30	4.90	5.05	5.05
35	3.90	4.05	4.05
40	3.40	3.55	3.55
45	2.90	3.05	3.05
50	2.40	2.55	3.00
55	1.90	2.30	3.00
60	1.90	2.30	3.00
65	1.90	2.30	3.00

The effect of these assumptions is illustrated by the following examples: When used in the valuation process, the age-based rates shown above produce an effective annual average increase of 4.1% over a 27-year career for a Policeman or Fireman hired at age 25, and 3.5% over a 30-year career for a General Employee hired at age 30.

Marital Status: For Firefighters and Police, 90% of active members are assumed to be married. For all other employees, 90% of active males and 50% of active females are assumed to be married. In all cases, it is assumed that the male spouse is 3 years older than the female spouse.

Credit for Unused Sick Leave: For members entitled to receive credit for unused sick leave, it was assumed that each member will accumulate such credit as follows:

Supervisory, management and confidential (SMC) members, other than firefighters	¾ year
Firefighters including SMC members	1 year
Employees other than Police and Firefighters, excluding SMC members	½ year
Police	½ year

Notes to Financial Statements, continued

Long-term expected rate of return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the table below:

Schedule of Long-term Expected Rate of Return

Asset Class	Long-Term Expected Rate of Return	Target Asset Allocation
Cash	0.00%	0.00%
Large Cap Equities	4.25	15.00
Small/Mid Cap Equities	4.50	7.00
International Equities (Unhedged)	4.75	10.00
Emerging International Equities	6.00	7.00
Core Bonds	0.73	11.00
High-Yield Bonds	2.50	1.00
EMD (Local Currency)	3.50	4.00
Diversified Fixed Income	2.04	10.00
Private Equity	6.25	5.00
Real Estate (Core)	3.25	4.00
Hedge Funds	3.50	6.00
Global Asset Allocation	3.89	10.00
Risk Parity	3.56	5.00
Commodities	2.50	5.00

Discount rate. The discount rate used to measure the total pension liability was the funding valuation interest rate of 7.00%. The projection of cash flow used to determine the discount rate assumed that employer contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, in accordance with the method prescribed by GASB Statement No. 67. We believe this assumption is reasonable for the purposes of the measurements required by the Statement. In the event of benefit payments not covered by the System's fiduciary net position, a municipal bond rate of 3.73% would be used to discount the benefit payments not covered by the System's fiduciary net position. The 3.73% rate equals the S&P Municipal Bond 20-Year High Grade Rate index at June 30, 2015.

Sensitivity of the net pension liability to changes in the discount rate. The following schedules presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the System's net liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (in thousands):

Net Pension Liability	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Plan A - Net Pension Liability	$1,878,542	$1,440,997	$1,071,336
Plan B - Net Pension Liability	$25,075	$13,506	$4,429

Required Supplementary Information
(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios
(in Thousands)

THE SYSTEM

	FY 2015*	FY 2014*
Total pension liability		
Service cost	$ 88,642	$ 60,588
Interest	258,266	251,154
Changes of benefit terms	-	-
Differences between expected and actual experience	71,738	-
Changes of assumptions	21,165	-
Benefit payments, including refunds of member contributions	(247,854)	(228,834)
Net change in total pension liability	191,957	82,908
Beginning total pension liability	3,722,719	3,639,811
Ending total pension liability: (a)	3,914,676	3,722,719
Plan fiduciary net position		
Employer contributions	108,191	80,454
Employee contributions	39,725	37,844
Net investment income	23,027	327,264
Benefit payments, including refunds of member contributions	(247,854)	(228,834)
Administrative expense	(1,682)	(1,342)
Other	-	-
Net change in plan fiduciary net position	(78,593)	215,386
Beginning plan fiduciary net position	2,538,766	2,323,380
Ending plan fiduciary net position: (b)	2,460,173	2,538,766
Plan's net pension liability - ending (a) - (b)	$1,454,503	$1,183,953
Plan fiduciary net position as a percentage of the total pension liability	62.84%	68.20%
Covered-employee payroll	$ 519,380	$ 509,899
System's net pension liability as a percentage of covered-employee payroll	280.05%	232.19%
Expected average remaining service years of all participants	6	6

*Ten-year historical trend information is not available but will be compiled going forward.

Notes to the Schedule:
Changes of Assumptions: In FY2015, the assumed rate of DROP election for General Employees was increased from 8% to 35%.

Required Supplementary Information, continued
(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios
(in Thousands)

PLAN A

	FY 2015*	FY 2014*
Total pension liability		
Service cost	$ 74,949	$ 51,438
Interest	253,796	247,768
Changes of benefit terms	-	-
Differences between expected and actual experience	80,967	-
Changes of assumptions	21,165	-
Benefit payments, including refunds of member contributions	(246,074)	(227,438)
Net change in total pension liability	184,803	71,768
Beginning total pension liability	3,671,672	3,599,904
Ending total pension liability: (a)	3,856,475	3,671,672
Plan fiduciary net position		
Employer contributions	106,912	80,127
Employee contributions	29,463	29,860
Net investment income	22,648	323,620
Benefit payments, including refunds of member contributions	(246,074)	(227,438)
Administrative expense	(1,651)	(1,326)
Other	-	-
Net change in plan fiduciary net position	(88,702)	204,843
Beginning plan fiduciary net position	2,504,180	2,299,337
Ending plan fiduciary net position: (b)	2,415,478	2,504,180
Plan's net pension liability - ending (a) - (b)	$1,440,997	$1,167,492
Plan fiduciary net position as a percentage of the total pension liability	62.63%	68.20%
Covered-employee payroll	$ 390,353	$ 403,401
System's net pension liability as a percentage of covered-employee payroll	369.15%	289.41%
Expected average remaining service years of all participants	4	4

*Ten-year historical trend information is not available but will be compiled going forward.

Notes to the Schedule:
Changes of Assumptions: In FY2015, the assumed rate of DROP election for General Employees was increased from 8% to 35%.

Required Supplementary Information, continued
(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios
(in Thousands)

PLAN B

	FY 2015*	FY 2014*
Total pension liability		
Service cost	$ 13,693	$ 9,150
Interest	4,470	3,386
Changes of benefit terms	-	-
Differences between expected and actual experience	(9,229)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(1,780)	(1,396)
Net change in total pension liability	7,154	11,140
Beginning total pension liability	51,047	39,907
Ending total pension liability: (a)	58,201	51,047
Plan fiduciary net position		
Employer contributions	1,279	327
Employee contributions	10,262	7,984
Net investment income	379	3,644
Benefit payments, including refunds of member contributions	(1,780)	(1,396)
Administrative expense	(31)	(16)
Other	-	-
Net change in plan fiduciary net position	10,109	10,543
Beginning plan fiduciary net position	34,586	24,043
Ending plan fiduciary net position: (b)	44,695	34,586
Plan's net pension liability - ending (a) - (b)	$ 13,506	$ 16,461
Plan fiduciary net position as a percentage of the total pension liability	76.79%	67.75%
Covered-employee payroll	$ 129,027	$ 106,498
System's net pension liability as a percentage of covered-employee payroll	10.47%	15.46%
Expected average remaining service years of all participants	13	13

*Ten-year historical trend information is not available but will be compiled going forward.

Notes to the Schedule:
Changes of Assumptions: In FY2015, the assumed rate of DROP election for General Employees was increased from 8% to 35%.

Required Supplementary Information, continued
(Unaudited)

Schedule of Investment Returns

Schedule of Investment Returns	Fiscal Year*	Rate
Annual money-weighted rate of return, net of investment expenses	2015	0.6%
Annual money-weighted rate of return, net of investment expenses	2014	13.6%

*Ten year information is not available at this time, but will be compiled going forward.

Schedule of Employers' Contributions
Last 10 Fiscal Years
(in thousands)

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Actuarially Determined Employer Contribution	$103,372	$80,454	$73,362	$65,127	$58,340	$57,976	$49,763	$44,168	$40,065	$34,433
Contributions in relation to the Actuarially Determined Employer Contribution	103,372	80,454	73,362	65,127	58,340	57,976	49,763	44,168	40,065	34,433
Prefunding of FY 2016 Contribution in FY 2015	4,819	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ (4,819)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Covered-employee Payroll	$519,380	$509,899	$532,406	$544,230	$536,394	$529,269	$495,387	$454,227	$429,250	$406,743
Contributions as a percentage of Covered-employee Payroll	19.90%	15.78%	13.78%	11.97%	10.88%	10.95%	10.05%	9.72%	9.33%	8.47%

Notes to the Required Supplementary Information
(Unaudited)

The actuarial method and assumptions used in the calculations of the actuarially determined employer contributions (ADEC) are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of employer contributions above for FY 2015:

Valuation Date:	June 30, 2013
Actuarial cost Method:	Projected Unit Credit
Normal Cost Allocation:	Service
Amortization Method:	Level percent closed
Amortization Period:	30 years
Asset Valuation Method	10- year smoothed market without corridor
Actuarial Assumptions:	
-Investment Rate of Return(1)	7.00%
-Projected Salary Increases(1)	1.9% - 6.8% select for FY14 – FY16 3.0% - 6.8% ultimate for FY17 and thereafter
-Cost-of-Living Adjustments(2)	None
-Healthy Mortality (Male)	108% of RP-2000 Healthy Annuitant Male Table projected to 2027 with Scale AA
-Healthy Mortality (Female)	RP-2000 Healthy Annuitant Female Table projected to 2027 with Scale AA
-Disabled Mortality	RP-2000 Disabled Annuitant Tables projected to 2027 with Scale AA

(1) Includes inflation at 3.0%.
(2) Increases equal to the CPI up to a maximum of 3% are granted to qualifying members only if only if sufficient reserves have accumulated in the Post Retirement Increase Fund.

Supplementary Supporting Schedules
Schedule of Investment Expenses
(in Thousands)
For the Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014
Investment managers:		
Domestic equity managers	$ 4,264	$ 3,839
International equity managers	1,159	2,167
Fixed income managers	3,005	4,913
Private equity managers	1,294	1,896
Real estate managers	1,221	1,153
Hedge fund managers	1,959	719
Global asset allocation managers	2,684	2,838
Real asset managers	637	658
Total manager fees	16,223	18,183
Investment service fees:		
Custodian fees	291	220
Consultant fees	298	297
Total service fees	589	517
Subtotal - investment expenses	16,812	18,700
Security lending fees:		
Agent fees	117	90
Borrower rebates	(314)	(246)
Total security lending fees	(197)	(156)
Total investment fees and expenses	$ 16,615	$ 18,544

Schedule of Administrative Expenses
(in Thousands)
For the Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014
Personal services:		
Salaries	$ 627	$ 582
Employee fringe benefits	224	193
Total personal services	851	775
Professional and contractual services:		
Actuarial	389	287
Legal and financial	44	85
Data processing	314	112
Medical	39	26
Total professional and contractual services	786	510
Miscellaneous services:		
Communication	38	49
Equipment and supplies	7	8
Total miscellaneous services:	45	57
Total administrative expenses	$1,682	$ 1,342

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INVESTMENT SECTION

INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the Employees Retirement System of Baltimore County (the "System") by NEPC, LLC, is based on accounting information supplied by the System's custodian, BNY Mellon. NEPC relies on this source for security pricing, calculation of accruals, and all transactions. NEPC reconciles the monthly rates of return provided by BNY Mellon with those calculated by each investment manager. NEPC exercises reasonable professional care in preparing the performance report, and the performance calculations are reported to the greatest degree possible in compliance with the presentation standards of the Global Investment Performance Standards (GIPS) promulgated by the CFA Institute. The returns, calculated using a time-weighted rate of return methodology based upon market values, are reported on both net of fees and gross of fees to provide comparisons with the appropriate benchmarks.

Distinction of Responsibilities

The Board of Trustees (the "Trustees") of the System is responsible for establishing the investment goals and objectives for the System's Retirement Fund (the "Fund") and sets the appropriate risk levels and asset allocation policy. The criteria used in developing the System's investment policy include: actuarial information, such as funded status, the actuarial return assumption and benefits obligations; risk and return expectations of the capital markets; the financial conditions of the County; and practices of similar types of funds. The investment policy has been developed after the Trustees have given careful consideration of the potential financial implication of a wide range of investment policies. The policy describes the degree of pension fund risk that the Trustees, as System fiduciaries, deem appropriate.

In carrying out their duties the Trustees follow acceptable standards of prudence. These standards include: 1) acting for the exclusive benefit of the Fund participants and beneficiaries; 2) exercising skill, care and diligence of a prudent person acting in a similar capacity; and 3) diversifying investments to minimize the risk of large losses.

The investment managers required to execute the policy will invest System assets in accordance with the established policy and with their judgments concerning relative investment values. In particular, the investment managers are accorded full discretion to select individual securities, make periodic strategic adjustments and diversify their portfolios.

Investment Policy/Structure

The System's investment policy was designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System. In addition, asset allocation ranges have also been implemented to maintain compliance with the investment policy and ensure the System will achieve its long-term risk and return objectives.

The System's investment policy is shown below for the broad investment categories:

Investment Policy as of 6/30/2015

Asset Class	*Allocation Target*	*Allocation Range*
U. S. Equities	*22%*	*16 - 28%*
International Equities	*17%*	*12 - 22%*
Private Equities	*5%*	*0 - 7%*
Fixed Income	*26%*	*18 - 34%*
Hedge FOF	*6%*	*0 - 7%*
Real Estate	*4%*	*0 - 7%*
Global Asset Allocation	*15%*	*10 - 20%*
Real Asset	*5%*	*0 - 7%*
Total	***100%***	

INVESTMENT CONSULTANT'S REPORT, continued

Within each asset class, the Trustees have employed several investment managers to further diversify the investment approach and minimize style bias. The Trustees have employed both active and passive investment strategies in order to obtain the desired asset allocation mix in the most cost effective and efficient manner.

Investment Objective

The System's long-term investment objective is to achieve a total rate of return which exceeds the Policy Index, defined here as the actual asset allocation for each asset class invested in its respective index. The Trustees recognize that there will be short-term deviations from these long-term investment objectives, and therefore, have developed performance expectations for the Fund and individual investment managers.

The overall Fund is also compared to the InvestorForce (IF) Public Funds Universe with more than $1 billion in assets, a large and representative universe of actual institutional performance results in the industry. At June 30, 2015, this universe contained actual public fund data for 100 public plans with an aggregate market value of $2,037 billion.

Market Overview

For the year ending June 30, 2015, the U.S. economy appeared to exhibit continued resilience in the face of global market conditions and geo-political events. Based on more consistent economic news for the U.S., domestic equities topped off another positive year, yields on fixed income securities narrowed, the economy grew at a moderately-healthy pace and unemployment receded further. The broad domestic equity market, as measured by the S&P 500 Index, posted its tenth consecutive quarterly gain, capping off the fiscal year with a +7.4% return. The domestic bond market, as measured by the Barclays Aggregate Bond Index, returned +1.9% over the same period. The global equity market, as measured by the MSCI All Country World Index (net), returned +0.7% for the fiscal year, reflecting a blend of the positive results in the U.S. and the negative performance in the non-U.S. developed markets (MSCI EAFE down -4.2% for the trailing year) and emerging markets (MSCI EM down -5.1%).

U.S. equity markets continued to move higher for the 2015 fiscal year ending in June 2015, producing positive returns across the board. Throughout the year, equity investors faced headwinds of slowing equity returns. Although value, growth and core indexes were all positive for the year ending in June they were muted relative to fiscal year 2014. Indications of full valuations have been met with hope for continued growth, but as the markets have sustained momentum-driven results, they appear to be moving at a more cautious pace. Large cap stocks outperformed small cap stocks by +0.9% as the Russell 1000 returned +7.4% and the Russell 2000 returned +6.5%. Large cap growth outperformed large cap value with the Russell 1000 Growth up +10.6% compared to +4.1% for the Russell 1000 Value. The same trend held true to an even greater degree in smaller cap names as the Russell 2000 Growth returned +12.3% as compared with the Russell 2000 Value Index return of +0.8%.

Bond markets produced modest returns over the twelve-month period ending June 30, 2015. Monetary policy divergence was the dominant macro theme during the year with the Federal Reserve tapering its quantitative-easing (QE) program and moving gently towards policy-rate normalization while the European Central Bank and the Bank of Japan either launched or expanded their own asset purchase programs. U.S. economic growth accelerated early in the period only to lose momentum following a meaningful appreciation in the foreign exchange value of the U.S. dollar. Inflation fell sharply during the fiscal year driven by a steep fall in the price of oil and other commodities while interest-rate volatility trended higher. The 10-year U.S. Treasury note ended the fiscal year yielding 2.4%, 18 basis points lower than where it had begun the period. High-quality bonds performed reasonably well under these conditions with the Barclays U.S. Treasury Bond Index, the Barclays U.S. Aggregate Bond Index, and the Barclays U.S. Credit Index all producing returns of 2.3%, 1.9%, and 0.9%, respectively. Leveraged loans also performed well benefiting from the widely-held view that the Federal Reserve would begin raising short-term interest rates in 2015. The Barclays U.S. High-Yield Loan Index produced a solid return of 2.0% during the period but such performance proved to be an outlier as lower-quality bonds generally struggled to overcome the deflationary consequences of slow economic growth, a strong U.S. dollar, and lower commodity prices. The Barclays U.S. Corporate High-Yield Bond Index and the Barclays Emerging Market Bond Index both produced meager returns of -0.4% and 0.2%, respectively.

Non-U.S. equity markets were driven lower as commodities widely fell, global economic growth moderated, and the U.S. dollar strengthened. While the U.S. Federal Reserve shifted to a neutral stance from easing and began to signal potential tightening, other key central banks in China, Europe, and Japan were all engaged in stimulus activity. In a broadly declining commodity market oil (down 45%) and gold (down 11%) were among the headliners. Against this backdrop, Non-U.S. developed markets, as measured by the MSCI World ex-U.S. Index, fell by roughly 5% in dollar

INVESTMENT CONSULTANT'S REPORT, continued

terms. Emerging markets equities, as measured by the MSCI Emerging Markets Index, also fell by roughly 5%. Emerging market debt has been the clear loser for the year ending June 30, 2015 following a stellar 2014. Emerging market debt posted a return of -15.4% for the year as measured by the JPM GBI-EM Global Diversified Index,

Investment Performance

For the fiscal year ended June 30, 2015, the System's investment portfolio gained 1.3%, including dividends and interest income, unrealized gains and losses.

The System's domestic equity portfolio posted a 7.5% net of fee return over the fiscal year as compared to a 7.5% return of the broad U.S. equity market, as measured by the Wilshire 5000 Index. The System's active U.S. equity managers performed in line with the broader market index for the year. The System's non-US equity portfolio's net of fee return of -6.0% fell short of the -5.3% return of the international equity benchmark. The return from the developed international market portfolio exceeded the benchmark's return by 0.4%, while the emerging market component trailed its benchmark by 4.6%. The System's fixed income portfolio returned 1.2% net of fees over the fiscal year, trailing the broad domestic bond market by 0.4%. The System's core bond managers, collectively, exceeded their respective benchmark for the fiscal year while its emerging market debt and diversified fixed income managers trailed their respective benchmarks during the fiscal year. The System's global asset allocation and real asset managers exceeded their relative benchmarks during the fiscal year by 1.6% and 1.1%, respectively.

To gauge how the overall fund did relative to other public funds, the System's gross of fee return for the fiscal year was compared to the median public fund in the IF Universe of Public Funds with assets exceeding $1 billion. The System's gross of fee return of 1.3% ranked below median (94th percentile) of the Universe for the fiscal year. The market value of the System decreased from $2.55 billion on June 30, 2014 to $2.43 billion on June 30, 2015.

The returns for various asset classes earned during the fiscal year ending June 30, 2015 are shown in the following table.

			Fiscal Year Rate of Return	
Investment Type	**Fair Value (in Millions)**	**Percent of Total**	**System**	**Benchmark**
U S Equities	$ 567.6	22.9%	8.1%	7.5%
International Equities	423.6	17.1	-5.5%	-5.3%
Private Equity	111.6	4.5	10.4%	10.6%
Hedge Funds	154.5	6.2	0.2%	4.0%
Real Estate	118.4	4.8	15.8%	13.0%
Domestic Fixed Income	551.2	22.2	1.6%	1.6%
Emerging Market Debt	79.4	3.2	-16.2%	-15.4%
GAA	373.2	15.1	4.5%	2.1%
Real Assets	94.6	3.8	-22.1%	-23.7%
Cash	6.0	0.2	0.3%	0.0%
Total Fund*	$2,480.1	100.0%	1.3%	0.8%

*The Total Fund shown above in the amount of $2,480.1 million includes short-term investments of $35.6 million, accrued interest and dividends receivable of $2.4 million, receivables for investment sold of $24.2 million and payables for investment purchased of $31.8 million. These items are separately reported from "Total Investments" in the Statement of Fiduciary Net Position.

INVESTMENT CONSULTANT'S REPORT, continued

Investment Strategies

During FY 2015, the Trustees conducted an annual asset allocation review. As a result of the review, effective July 1, 2015, the Board increased international equities from 10% to 13%, increased emerging market equities from 7% to 9%, decreased core bonds from 11% to 9%, and decreased real assets from 5% to 2%. One new manager was hired. One new private equity commitment was made and two managers were terminated. The Board implemented these changes to better meet the System's long-term risk and return objectives.

John Krimmel, CPA, CFA
Partner

Outline of Investment Policies

Investment Policy. As provided in Article 5 Title 1 of the Baltimore County Code, the Board of Trustees of the Employees' Retirement System of Baltimore County (the "Board") is empowered to invest the System's assets and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The Board has carefully exercised these responsibilities by diversifying the assets into common stocks (domestic and foreign), fixed income, real estate, hedge funds, private equity, and real assets. The investment policy targets are 22% in U.S. equities, 17% in international equities, 26% in fixed income investments, 4% in real estate, 6% in hedge funds, 5% in private equity, 15% in global asset allocation strategies and 5% in real assets. Effective July 1, 2015, the Board adopted the following investment policy targets: 22% in U.S. equities, 22% in international equities, 24% in fixed income investments, 4% in real estate, 6% in hedge funds, 5% in private equity, 15% in global asset allocation strategies and 2% in real assets. The investment policy authorizes the allocation targets to be maintained within the allocation ranges specified in the Investment Consultant's report.

A pension investment consultant has been appointed to advise and consult with the Board and the System staff, prepare recommendations on investment policies, investment management structure and asset allocation, and to monitor and evaluate the performance of the investment managers and the asset custodian.

The Board authorizes the managers to vote all proxies related to stocks in which they invest pension assets. The Board expects the managers to cast votes solely in the best interest of plan beneficiaries. Managers are required to report annually to the Board on its proxy-voting policies and activities on the System's behalf.

Investment Results

The following schedule compares rates of return, gross of fees, for the System portfolio with a comparative index, market indices and the inflation rate.

The market indices shown below are the Wilshire 5000 Stock Index, Morgan Stanley Capital International All Country World Ex-U.S. Index, the Barclays Capital Universal Index, 60% MSCI World/40% WGBI blended index, the NCREIF Property Index, the DJ-UBS Commodity index, the HFRI Fund of Funds Index and the Thomson One All Private Equity Index. The Comparative Index is a blend of market indices and is reflective of the total System's portfolio policy for each time period.

From June 1, 2010 to May 31, 2011, the Balanced Index was comprised of 19% S&P 500; 7% Russell 2000 Index; 10% Morgan Stanley EAFE Index; 3% Morgan Stanley Emerging Markets Free Index; 9% Morgan Stanley World Index; 17% Barclays Capital Aggregate Bond Index; 8% Citigroup World Government Bond Index; 7% Merrill Lynch High Yield Index; 5% NCREIF Property Index; 5% Cambridge Associates US All Private Equity Index; 5% HFRI Fund of Fund Index; 5% Dow Jones-UBS Commodity Index.

From June 1, 2011 to March 31, 2012, the Balanced Index has been comprised of 17% S&P 500; 7% Russell 2000 Index; 9% Morgan Stanley EAFE Index; 7% Morgan Stanley Emerging Markets Free Index; 9% Morgan Stanley World Index; 14% Barclays Capital Aggregate Bond Index; 8% Citigroup World Government Bond Index; 7% Merrill Lynch High Yield Index; 5% NCREIF Property Index; 5% Cambridge Associates US All Private Equity Index; 5% HFRI Fund of Fund Index; 5% Dow Jones-UBS Commodity Index; 4% JP Morgan Emerging Market Global Bond Index.

From April 1, 2012 to June 30, 2014, the Balanced Index has been comprised of 15% S&P 500; 7% Russell 2000 Index; 9% Morgan Stanley EAFE Index; 7% Morgan Stanley Emerging Markets Free Index; 9% Morgan Stanley World Index; 16% Barclays Capital Aggregate Bond Index; 6% Citigroup World Government Bond Index; 7% Merrill Lynch High Yield Index; 5% NCREIF Property Index; 5% Cambridge Associates US All Private Equity Index; 5% HFRI Fund of Fund Index; 5% Dow Jones-UBS Commodity Index; 4% JP Morgan Emerging Market Global Bond Index.

From July 1, 2014 to June 30, 2015, the Balanced Index has been comprised of 15% S&P 500; 7% Russell 2000 Index; 10% Morgan Stanley EAFE Index; 7% Morgan Stanley Emerging Markets Free Index; 9% Morgan Stanley World Index; 14.3% Barclays Capital Aggregate Bond Index; 6% Citigroup World Government Bond Index; 3.4% Merrill Lynch High Yield Index;1% Barclays Corporate Credit Index + 1.5%; 4% NCREIF Property Index; 5% Thomson One All Private Equity Index; 6% HFRI Fund of Fund Index; 5% Bloomberg Commodity Index; 7.3% JP Morgan Emerging Market Global Bond Index.

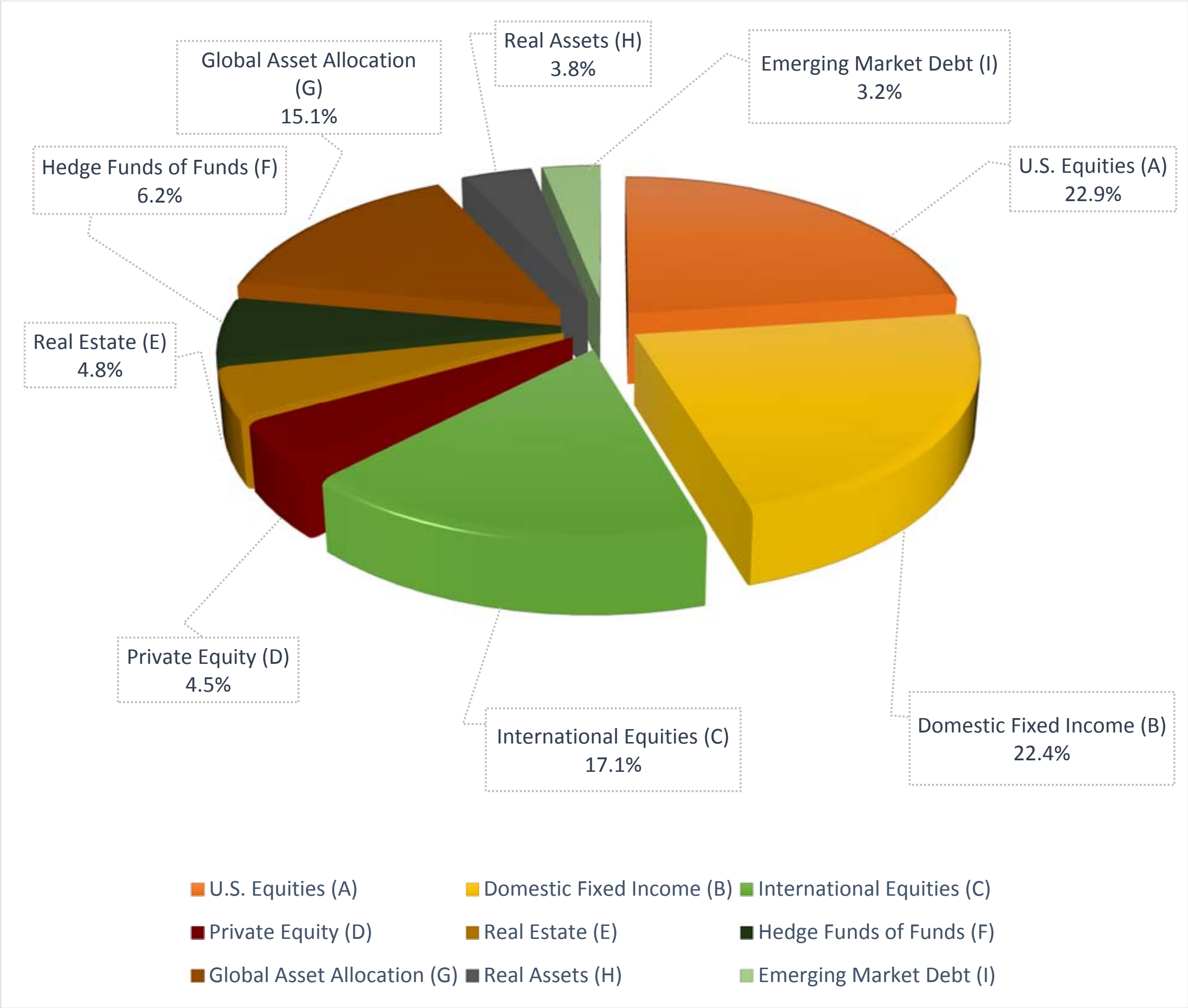
The rate of return measure for the financial asset class managers is time weighted. This investment measure eliminates the influence of contributions and withdrawals that are beyond the control of the investment managers. This investment measure is an effective means of appraising a fund manager's ability to make assets perform.

Investment Return Summary
(Percentage Change)

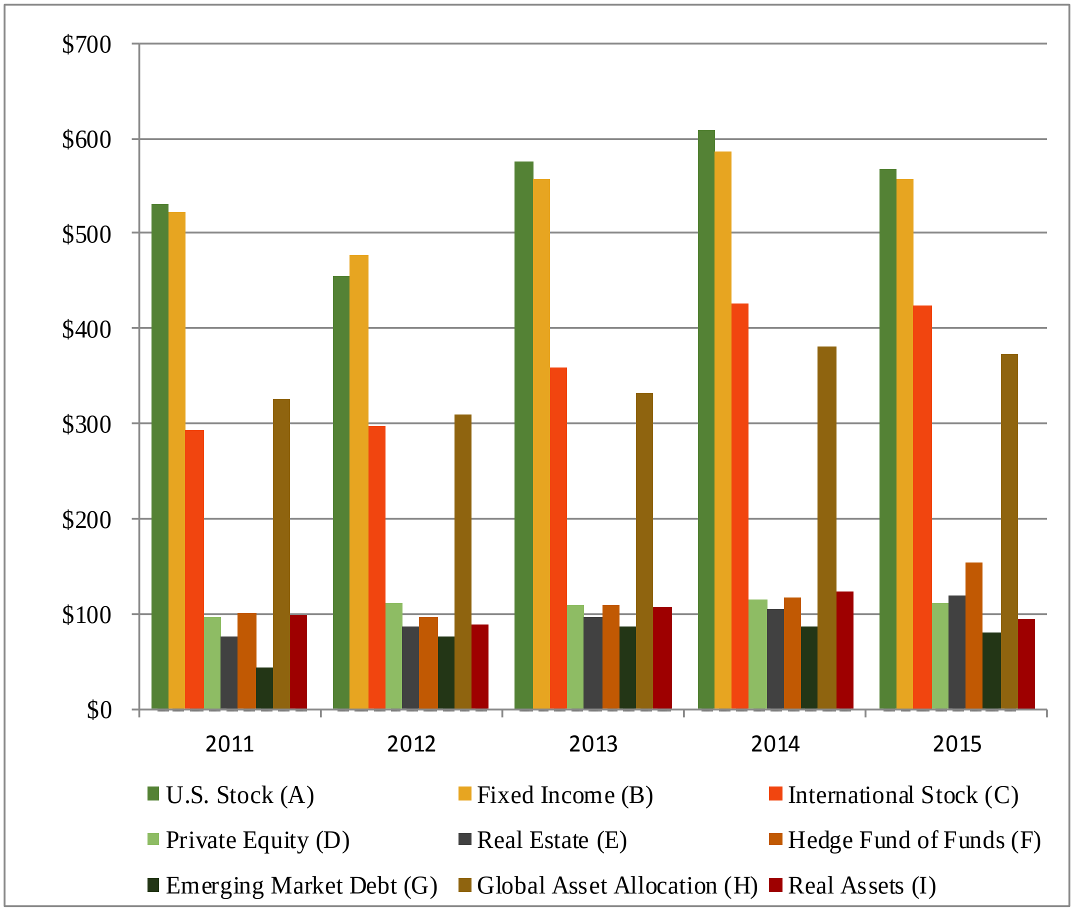
Rate of Return	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Annualized Rate Over 3 Years	Annualized Rate Over 5 Years
U.S. Common Stock	34.2%	1.9%	24.8%	25.9%	8.1%	19.3%	18.4%
Wilshire 5000 Stock Index	32.0	4.0	21.7	25.1	7.5	17.9	17.5
International Common Stock	28.6	(12.3)	13.1	17.8	(5.5)	8.0	7.4
MSCI ACWIXUS	29.7	(14.6)	13.6	21.8	(5.3)	9.4	7.8
GAA	20.4	3.5	6.4	15.5	4.5	8.7	10.0
60% MSCI World / 40% WGBI	17.8	0.2	11.5	15.7	2.1	9.6	9.2
Domestic Fixed Income	8.4	9.1	3.0	7.2	1.6	3.9	5.9
Barclays Universal	4.8	7.4	0.2	5.2	1.6	2.3	3.8
Emerging Market Debt	NA	NA	(0.5)	1.9	(16.2)	(5.4)	NA
JP Morgan GBI – EM Diversified	NA	NA	1.3	3.9	(15.4)	(3.8)	NA
Real Estate	20.5	13.2	11.0	12.7	15.8	13.8	15.2
NCREIF Property Index	16.7	12.4	10.7	11.2	13.0	11.6	12.7
Hedge Funds	6.3	(5.7)	12.3	7.7	0.2	6.6	4.0
HFRI Hedge Fund-of-Funds Index	6.7	(4.5)	7.4	7.6	4.0	6.3	4.1
Private Equity	14.6	9.5	7.7	9.5	10.4	10.9	11.4
Thomson One All Private Equity Index	13.1	9.8	12.8	9.5	10.6	14.4	15.1
Real Assets	31.9	(11.0)	(8.5)	7.8	(22.1)	(8.4)	(2.1)
Bloomberg Commodity Index	25.9	(14.3)	(8.0)	8.2	(23.7)	(8.8)	(3.9)
Total System Portfolio	21.0	1.7	10.7	14.8	1.3	8.9	9.8
Comparative Index (Policy Index)	19.4	0.8	9.4	14.7	0.8	8.1	8.7
Inflation Rate (CPI)	3.6	1.7	1.8	2.1	0.1	1.3	1.9

Note: Performance is gross of fees.

Portfolio Composition by Manager Type
Fair Value of Investments
Percent of Total Fund
As of June 30, 2015



Portfolio Composition by Manager Type
Fair Value of Investments
Percent of Total Fund
As of June 30, 2011, 2012, 2013, 2014 & 2015
(Expressed in Millions)



Investment Type	**2011**		**2012**		**2013**		**2014**		**2015**	
U.S. Stock (A)	$ 530.4	25.4%	$ 455.2	22.8%	$ 575.5	24.8%	$ 609.1	23.9%	$ 567.6	22.9%
Fixed Income (B)	521.4	25.0	478.1	23.9	556.7	24.0	585.5	22.9	557.2	22.4
International Stock (C)	292.9	12.0	296.7	14.8	357.6	15.4	427.1	16.8	423.6	17.1
Private Equity (D)	97.2	4.7	111.7	5.6	107.7	4.6	114.1	4.5	111.6	4.5
Real Estate (E)	75.7	3.6	87.1	4.4	96.0	4.1	104.7	4.1	118.4	4.8
Hedge Fund of Funds (F)	101.2	4.9	96.4	4.8	107.8	4.6	117.3	4.6	154.5	6.2
Emerging Market Debt (G)	43.0	2.1	76.9	3.8	87.0	3.7	85.4	3.4	79.4	3.2
Global Asset Alloc. (H)	325.4	15.6	310.0	15.5	331.3	14.2	380.2	14.9	373.2	15.1
Real Assets (I)	98.9	4.7	87.9	4.4	107.0	4.6	123.7	4.9	94.6	3.8
Total	$2,086.1	100.0%	$2,000.0	100.0%	$2,326.6	100.0%	$2,547.1	100.0%	*2,480.1	100.0%

*The Total Fund shown above in the amount of $2,480.1 million includes short-term investments of $35.6 million, accrued interest and dividends receivable of $2.4 million, receivables for investment sold of $24.2 million and payables for investment purchased of $31.8 million. These items are separately reported from "Total Investments" in the Statement of Fiduciary Net Position.

List of Largest Assets Held*
(Year Ended June 30, 2015)

	Ten Largest Equity Holdings (STOCKS)	PAR VALUE/ SHARES	FAIR VALUE
1)	Fresenius SE & Co. KGAA	72,564	$4,652,942
2)	ING GROEP NV	245,842	4,056,715
3)	Tyler Technologies Inc.	28,370	3,670,497
4)	Manhattan Associates, Inc.	61,278	3,655,221
5)	Blackbaud Inc.	63,730	3,629,397
6)	Visa Inc.	53,969	3,624,014
7)	ACI Worldwide Inc.	144,801	3,557,768
8)	Novartis AG	36,048	3,554,511
9)	Cantel Medical Corp.	65,472	3,513,873
10)	Medidata Solutions Inc.	64,022	3,477,678

	Ten Largest Fixed Income Holdings (NOTES & BONDS)	INTEREST RATE	MATURITY DATE	PAR VALUE/ SHARES	FAIR VALUE
1)	US Treasury Bond	2.500%	02/15/2045	8,788,653	$7,734,718
2)	US Treasury Note	2.000	02/15/2025	7,188,767	6,984,318
3)	US Treasury Bond	2.750	08/15/2042	5,979,201	5,562,989
4)	US Treasury Note	0.250	04/15/2016	4,400,760	4,399,396
5)	US Treasury Note	1.375	02/29/2020	4,121,960	4,086,222
6)	US Treasury Note	1.750	04/30/2022	2,779,428	2,727,313
7)	Federal NATL MTG ASSN	1.000	09/20/2017	2,063,125	2,068,695
8)	Commit to Purchase FNMA SF MTG	3.000	07/01/2030	1,973,051	2,044,100
9)	GNMA Pool #OAD0091	2.730	06/15/2032	2,000,590	1,988,286
10)	Citigroup Inc.	4.587	12/15/2015	1,651,357	1,679,381

*A complete list of the portfolio holdings is available upon request.

Supplementary Supporting Schedules
Schedule of Fees
(Year Ended June 30, 2015)
(in Thousands)

Investment Services	Assets Under Management*	Fees
Domestic Equity Managers	$ 567,669	$ 3,197
International Equity Managers	423,567	1,159
Fixed Income Managers	551,270	3,005
Private Equity Managers	111,587	1,294
Real Estate Managers	118,354	1,221
Hedge Fund of Funds Managers	154,499	1,959
Emerging Market Debt	79,376	1,067
Global Asset Allocation Managers	373,163	2,684
Real Assets	94,587	637
Short-Term Investment Manager	6,055	-
Other Investment Service Fees:		
Custodian		291
Security lending – Agent Fees		117
Security lending – Borrower rebates		(314)
Investment consultant		298
Total	$2,480,127	$16,615

*Asset Under Management" shown above in the amount of $2,480,127 includes short-term investments of $35,576, accrued interest and dividends receivable of $2,410, receivables for investments sold of $24,190 and payables for investments purchased of $31,776. These items are separately reported from "Total Investments" in the Statement of Fiduciary Net Position.

Supplementary Supporting Schedules
Schedule of Commissions
(Year Ended June 30, 2015)

Investment Broker Firms	Number of Shares Traded	Total Commissions	Commission Per Share
BNY Convergex, New York	7,213,182	$ 42,747	0.006
Barclays Capital LE, Jersey City	525,326	20,022	0.038
Loop Capital Markets, Jersey City	712,517	15,503	0.022
Cabrera Capital Markets, Chicago	671,018	15,436	0.023
Williams Capital Group LP, Jersey City	580,706	12,895	0.022
Morgan Stanley & Co. Inc., NY	1,008,664	11,984	0.012
Wells Fargo Securities LLC, Charlotte	298,189	10,061	0.034
Deutsche BK Secs. Inc, NY	749,993	8,599	0.011
Credit Suisse, New York	3,276,273	7,869	0.002
Jonestrading Instl. Svcs. LLC, Westlake	272,490	7,860	0.029
Cheevers & Co. Inc., Chicago	317,897	7,655	0.024
SG Sec (London) Ltd, London	321,167	7,388	0.023
Penserra Securities, New York	237,510	6,672	0.028
Stifel Nicolaus	172,093	5,372	0.031
Miscellaneous (Under $6,000)	11,431,119	121,948	0.011
Total	27,788,144	$302,011	

Investment Summary
(Year Ended June 30, 2015)
(in Thousands)

TYPE OF INVESTMENTS	FAIR VALUE	% of FAIR VALUE
Fixed Income:		
U.S. Government & Agencies Securities	$143,830	5.9%
Municipals	4,790	0.2
Corporate Bonds	97,161	4.0
Foreign Debt	25,598	1.0
Commingled Fixed Income Funds	355,283	14.5
Total Fixed Income	$626,662	25.6%
Common Stock:		
Consumer Discretionary	$60,738	2.5%
Consumer Staples	22,400	0.9
Energy	24,667	1.0
Financial Services	99,991	4.1
Health Care	77,260	3.2
Materials & Processing	42,094	1.7
Producer Durables	75,997	3.1
Technology	92,633	3.8
Utilities	13,523	0.6
Total Common Stock	$509,303	20.8%
Other Investments:		
Commingled Equity Funds	$382,196	15.6%
Real Estate Equity Funds	118,354	4.8
Hedge Funds	154,499	6.3
Private Equity Funds	111,587	4.6
Real Assets	94,587	3.9
Emerging Market Debt	79,376	3.2
Global Asset Allocation Funds	373,163	15.2
Total Other Investments	$1,313,762	53.6%
Total Investments at fair value*	$ 2,449,727	100.0%

*The Total Investments at fair value shown above in the amount of $2,449,727 does not include short-term investments of $35,576, accrued interest and dividends receivable of $2,410, receivables for investments sold of $24,190 and payables for investments purchased of $31,776. These items are separately reported from "Total Investments" in the Statement of Fiduciary Net Position.

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ACTUARIAL SECTION

BOLTON PARTNERS

July 14, 2015

Actuary's Certification Letter

Board of Trustees
Employees' Retirement System of Baltimore County
400 Washington Avenue
Towson, Maryland 21204

Re: Retirement System Actuarial Valuation

Members of the Board:

The following report sets forth the actuarial valuation as of July 1, 2014 of the Employees' Retirement System of Baltimore County, Maryland. The valuation is based on participant data submitted by Baltimore County and asset data submitted by the County.

INVESTMENT PERFORMANCE

The market value of plan assets as of June 30, 2014 was $2,538,766,248. The average investment return for the fund for the year ended June 30, 2014 was 13.2% on a market basis and 5.7% on an actuarial basis.

The plan utilizes an actuarial averaging method to smooth out swings in investment performance and thus in asset values from year to year. Under the method, investment gains or losses above or below the 7.0% actuarial assumption are phased in over a ten year period. As of June 30, 2014, the actuarial value of assets was $2,517,944,853. Details of the development of the actuarial value of assets are set forth later in this report.

VALUATION RESULTS

The results of the July 1, 2014 valuation determine the recommended contribution appropriation for the fiscal year ending June 30, 2016. The recommended contribution appropriation increased from $103,371,561 for the fiscal year ending June 30, 2015 to $110,561,481 for the fiscal year ending June 30, 2016. The balance of this report sets forth details of changes in participation in the plan and the results of the valuation. A statement of funding progress is also included. The information for the plan's financial reporting requirements and the County's financial statements is included in a separate report.

ASSUMPTIONS

The election rate assumption for the General Employees Front DROP was increased from 8 percent to 35 percent based on the number of employees enrolled in the program. In addition, based on the data, we assumed that Plan A agency part-time employees accrued on average one-half year of service per year. The other assumptions are unchanged from the 2013 actuarial valuation report. The 2013 actuarial assumptions are based on a 2011 assumption study.

Bolton Partners, Inc.
100 Light Street • 9th Floor • Baltimore, Maryland 21202 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924
Actuarial, Benefit and Investment Consultants

Board of Trustees
July 14, 2015
Page 2

The investment return (discount rate) assumption used reflects the effect of the PRIF and is net of the expected investment related expenses. The last experience study was produced in January 2014 and covered the period 2006-2011. That study used the 2012 NEPC set of Capital Market Assumptions. The experience study estimated that the PRIF reduces the rate by approximately 75 to 100 basis points and that a net 7.4% assumption less 20-25 basis points for investment management fees was reasonable. Based on this, the prior actuary recommended a 7.25% assumption. The actual assumption for the prior (2013) valuation was 7.0% and we have retained that assumption for 2014.

Thomas Lowman, Kevin Binder and Kristopher Seets are Fellows of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The Actuarial Certification at the end of this report contains other important information to understand about this valuation.

Sincerely,

BOLTON PARTNERS, INC.

Thomas B. Lowman, FSA, EA

Kevin Binder, FSA, EA

Kristopher E. Seets, FSA, EA

Summary of Actuarial Assumptions and Methods

ASSUMPTIONS

Interest Rate: 7.00% per annum, compounded annually

Inflation: 3.0% per year.

Salary Increase: Representative rates are as follows:

Age	Annual Rates of Salary Increase		
	Fiscal Year 2014 – Fiscal Year 2016		Fiscal Year 2017 and thereafter
	General Employees, Correctional Officers and Deputy Sheriffs	Police Officers and Firefighters	All Members
25	6.40%	6.55%	6.55%
30	4.90	5.05	5.05
35	3.90	4.05	4.05
40	3.40	3.55	3.55
45	2.90	3.05	3.05
50	2.40	2.55	3.00
55	1.90	2.30	3.00
60	1.90	2.30	3.00
65	1.90	2.30	3.00

The effect of these assumptions is illustrated by the following examples: The age-based rates shown above produce an effective annual average increase of 4.1% over a 27-year career for a Police Officer/Firefighter hired at age 25, and 3.5% over a 30-year career for a General Employee hired at age 30.

Future Expenses: The assumed interest rate is gross of the anticipated future administrative expenses of the fund. All administrative and operating expenses of the System are included in the normal cost.

Loading or Contingency Reserves: None

Summary of Actuarial Assumptions and Methods, continued

Illustrative Rates of Separation from Service (adopted as of June 30, 2007)

	Plan A (Hired Before 7/01/2007)							
	Withdrawal			Disability		Death		
						Ordinary		
Age	Refund Before 10 Years of Service	Refund After 10 Years of Service	Termination Benefit After 10 Years of Service	Ordinary	Accidental	Males	Females	Accidental
General Employees, Correctional Officers and Deputy Sheriffs								
20	12.184%			0.027%	0.002%	0.050%	0.014%	0.002%
25	9.450			0.038	0.002	0.049	0.013	0.001
30	7.245	1.631%	0.720%	0.065	0.005	0.047	0.020	0.001
35	6.930	1.215	0.720	0.109	0.005	0.055	0.034	0.001
40	6.930	1.160	0.720	0.190	0.007	0.074	0.045	0.002
45	6.930	1.103	0.810	0.271	0.012	0.109	0.071	0.003
50	5.040	0.349	0.900	0.380	0.014	0.169	0.112	0.005
55	3.780	0.660	1.500	0.461	0.017	0.279	0.162	0.008
60				0.461	0.021	0.529	0.259	0.014
64				0.461	0.021	0.895	0.476	0.020
65				0.461	0.021	1.014	0.561	0.022
69				0.461	0.021	1.608	1.000	0.032
Police Officers								
20	5.625%			0.023%	0.090%	0.028%	0.008%	0.008%
25	2.925			0.023	0.112	0.027	0.007	0.012
30	2.700	0.225%	0.309%	0.028	0.136	0.026	0.011	0.016
35	1.800	0.150	0.189	0.106	0.192	0.031	0.019	0.024
40	1.350	0.090	0.117	0.106	0.107	0.041	0.025	0.036
45	1.350	0.090	0.066	0.106	0.202	0.060	0.040	0.052
50	0.900	0.090	0.036	0.149	0.371	0.094	0.062	0.084
55	0.562	0.090	0.009	0.553	0.660	0.155	0.090	0.140
59				0.553	1.063	0.257	0.128	0.240
60				0.553	1.063	0.294	0.144	0.272
64				0.553	1.063	0.497	0.265	0.400
Firefighters								
20	15.000%			0.046%	0.017%	0.028%	0.008%	0.008%
25	7.800			0.046	0.021	0.027	0.007	0.012
30	7.200	0.750%	1.030%	0.056	0.026	0.026	0.011	0.016
35	4.800	0.500	0.630	0.212	0.036	0.031	0.019	0.024
40	3.600	0.300	0.390	0.212	0.050	0.041	0.025	0.036
45	3.600	0.300	0.220	0.212	0.093	0.060	0.040	0.052
50	2.400	0.300	0.120	0.298	0.173	0.094	0.062	0.084
55	1.500	0.300	0.030	0.106	0.306	0.155	0.090	0.140
59	0.300	0.300	0.010	0.106	0.344	0.257	0.128	0.240
60				0.106	0.344	0.294	0.144	0.272
64				0.106	0.344	0.497	0.265	0.400

Summary of Actuarial Assumptions and Methods, continued

Illustrative Rates of Separation from Service (adopted as of June 30, 2007)

	Plan B (Hired After 6/30/2007)							
	Withdrawal			Disability		Death		
						Ordinary		
Age	Refund Before 10 Years of Service	Refund After 10 Years of Service	Termination Benefit After 10 Years of Service	Ordinary	Accidental	Males	Females	Accidental
General Employees, Correctional Officers and Deputy Sheriffs								
20	15.225%			0.032%	0.003%	0.050%	0.014%	0.002%
25	11.813			0.044	0.003	0.049	0.013	0.001
30	9.056	1.688%	0.600%	0.077	0.006	0.047	0.020	0.001
35	8.663	1.613	0.600	0.128	0.006	0.055	0.034	0.001
40	8.663	1.538	0.600	0.224	0.010	0.074	0.045	0.002
45	8.663	1.462	0.675	0.319	0.016	0.109	0.071	0.003
50	6.300	1.388	0.750	0.446	0.019	0.169	0.112	0.005
55	4.725	1.313	0.750	0.542	0.022	0.279	0.162	0.008
60	3.938	1.237	0.750	0.542	0.028	0.529	0.259	0.014
64	3.308	1.178	0.750	0.542	0.028	0.895	0.476	0.020
65	3.150	1.162	0.750	0.542	0.028	1.014	0.561	0.022
69				0.542	0.028	1.608	1.000	0.032
Police Officers								
20	7.500%			0.047%	0.060%	0.056%	0.015%	0.008%
25	3.900			0.047	0.075	0.054	0.014	0.012
30	3.600	0.750%	0.515%	0.056	0.090	0.052	0.022	0.016
35	2.400	0.500	0.315	0.213	0.128	0.061	0.038	0.024
40	1.800	0.300	0.195	0.213	0.218	0.082	0.050	0.036
45	1.800	0.300	0.110	0.213	0.412	0.121	0.079	0.052
50	1.200	0.300	0.060	0.298	0.758	0.188	0.124	0.084
55	0.750	0.300	0.015	1.105	1.350	0.310	0.180	0.140
59	0.150	0.300	0.005	1.105	2.175	0.514	0.255	0.240
60				1.105	2.175	0.588	0.288	0.272
64				1.105	2.175	0.994	0.529	0.400
Firefighters								
20	5.000%			0.047%	0.045%	0.056%	0.015%	0.008%
25	2.600			0.047	0.056	0.054	0.014	0.012
30	2.400	0.750%	0.515%	0.056	0.068	0.052	0.022	0.016
35	1.600	0.500	0.315	0.213	0.095	0.061	0.038	0.024
40	1.200	0.300	0.195	0.213	0.131	0.082	0.050	0.036
45	1.200	0.300	0.110	0.213	0.247	0.121	0.079	0.052
50	0.800	0.300	0.060	0.298	0.454	0.188	0.124	0.084
55	0.500	0.300	0.015	1.105	0.810	0.310	0.180	0.140
59	0.100	0.300	0.005	1.105	0.910	0.514	0.255	0.240
60				1.105	0.910	0.588	0.288	0.272
64				1.105	0.910	0.994	0.529	0.400

Summary of Actuarial Assumptions and Methods, continued
Illustrative Retirement Rates for General Employees

Age	Plan A (Members before July 1, 2007)												Plan B (Members after June 30, 2007)
		Normal Retirement (Age 60 and 5 Years, or 30 Years)[1]									Front DROP Retirement		
		Under Age 60 at June 30, 2007						30 Years or Age 65[2] with 5 Years of Service		Age 55 and Rule of 85, but not in Front DROP			
	Early Retirement (Age 55 with 20 Years)	5-9 Years of Service		10-19 Years of Service		20-29 Years of Service Without Rule of 85					Under 5 Years of DROP Participation	5 – 9 Years of DROP Participation	Normal Retirement (Age 67 & 10 Years or 35 Years)
		Not DROP	Will DROP	Not DROP	Will DROP	Not DROP	Will DROP	Not DROP	Will DROP	Not DROP			
45								4.97%	12.44%				
46								4.97	12.44				
47								4.97	12.44				
48								4.97	12.44				
49								4.97	12.44				
50								4.97	12.44				
51								4.97	12.44				
52								4.97	12.44				
53								4.97	12.44				
54								4.97	12.44	20.00%			11.05%
55	13.89%							4.97	12.44	20.00			11.05
56	4.39							4.97	12.44	20.00			11.05
57	2.93							4.97	12.44	20.00			11.05
58	4.68							4.97	12.44	20.00			11.05
59	6.58							4.97	12.44	20.00	10.00%		11.05
60		4.00%	1.50%	8.00%	22.50%	20.00%	45.00%	4.97	12.44	20.00	10.00	5.00%	11.05
61		4.00	1.50	8.00	22.50	20.00	45.00	9.53	14.30	25.00	20.00	10.00	12.71
62		4.00	1.50	8.00	22.50	20.00	15.00	10.40	26.01	25.00	20.00	15.00	23.11
63		4.00	1.50	20.00	22.50	20.00	15.00	7.42	18.56	20.00	00.00	20.00	16.48
64		4.00	1.50	20.00	22.50	20.00	15.00	8.41	21.03	20.00	00.00	25.00	18.69
65								13.64	34.10	25.00	20.00	30.00	30.29
66								11.60	29.00	20.00	00.00	35.00	25.76
67								11.00	27.50	20.00	0000	40.00	24.44
68								10.40	26.01	20.00	00.00	45.00	23.11
69								9.91	24.77	20.00	00.00	50.00	22.01
70								100.00	100.00	100.00	100.00	100.00	100.00

1. Members not meeting DROP entry requirements by age 65 are assumed to retire at the unreduced rates shown above. Members who meet the DROP entry requirements by age 65 are assumed to (a) retire at the reduced rates shown above prior to entering the DROP; (b) 35% of members enter the DROP as soon as they are eligible; and (c) retire normally (5%) or with DROP benefits (95%) at the DROP retirement rates shown based on DROP participation service. The DROP retirement rate becomes 100% upon completion of ten years of DROP participation, or attainment of age 70, whichever occurs first.
2. Substitute 60 for 65 if the member was age 60 or older on or before 6/30/2007.

Summary of Actuarial Assumptions and Methods, continued

Illustrative Retirement Rates for Correctional Officers and Deputy Sheriffs

	Plan A (Members hired before 7/01/2007)[1]						Plan B (Hired After 6/30/2007)
	Age 60 with 5-9 Years of Service	Age 60 with 10-19 Years of Service		20-26 Years of Service		27 Years of Service	Retirement (Age 67 & 10 Years or 25 Years)
Age	Will Not be DROP Eligible	Will Not be DROP Eligible	Will be DROP Eligible	Will Not be DROP Eligible	Will be DROP Eligible[2]	Will be DROP Eligible	
40				3.39%	2.54%		
41				3.39	2.54		
42				3.39	2.54		
43				3.39	2.54		
44				3.39	2.54		
45				3.39	2.54	17.19%	14.95%
46				3.39	2.54	17.19	14.95
47				3.39	2.54	17.19	14.95
48				3.39	2.54	17.19	14.95
49				3.39	2.54	17.19	14.95
50				3.39	2.54	17.19	14.95
51				3.39	2.54	17.19	14.95
52				3.39	2.54	17.19	14.95
53				3.39	2.54	17.19	14.95
54				3.39	2.54	17.19	14.95
55				3.39	2.54	17.19	14.95
56				3.39	2.54	17.19	14.95
57				3.39	2.54	17.19	14.95
58				3.39	2.54	17.19	14.95
59				3.39	2.54	17.19	14.95
60	4.00%	10.00 %	7.50%	3.39	2.54	17.19	14.95
61	4.00	12.00	9.00	5.97	4.48	19.77	17.19
62	4.00	14.00	10.50	22.17	16.62	35.97	31.27
63	4.00	16.00	12.00	11.85	8.88	25.65	22.30
64	4.00	18.00	13.50	15.28	11.46	29.08	25.29
65	4.00	20.00	15.00	27.59	20.69	41.14	40.99
66	4.00	22.00	16.50	20.54	15.40	34.39	34.86
67	4.00	24.00	18.00	18.47	13.85	32.27	33.06
68	4.00	26.00	19.50	16.41	12.31	30.21	31.27
69	4.00	28.00	21.00	14.69	11.01	28.49	29.77
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1. Members meeting the service requirement for the DROP by age 70 are assumed to retire at the reduced rates shown above prior to eligibility. Members not qualifying for the DROP are assumed to retire at the unreduced retirement rates shown above. An additional 20% is applied at the point when a member is first eligible to retire under the DROP. Also, an additional 25% is applied at the point when a member first reaches the 25-year service point due to the added health care subsidy. 95% of eligible members are assumed to elect the DROP.
2. Members with 20-24 years and 26 years of service retire at 20% per year.

Summary of Actuarial Assumptions and Methods, continued

Illustrative Retirement Rates for Police Officers

Age	Plan A (Members hired before 7/01/2007)[1]					Plan B (Hired After 6/30/2007)
	Age 55 with 5-9 Years of Service	Age 55 with 10-19 Years of Service		20 Years of Service		
	Will Not be DROP Eligible	Will Not be DROP Eligible	Will be DROP Eligible	Will Not be DROP Eligible[2]	Will be DROP Eligible[3]	Retirement (Age 60 & 10 Years or 25 Years)
40				5.16%	3.87%	
41				5.21	3.91	
42				5.26	3.95	
43				5.31	3.98	
44				5.34	4.01	
45				5.41	4.06	9.41%
46				5.47	4.10	9.47
47				5.56	4.17	9.56
48				5.67	4.25	9.67
49				5.78	4.34	9.78
50				5.91	4.43	9.91
51				6.05	4.54	10.05
52				6.23	4.67	10.23
53				6.44	4.83	10.44
54				6.69	5.02	10.69
55	3.00%	25.00%	18.75%	15.30	11.48	19.30
56	3.00	30.00	22.50	13.79	10.34	17.79
57	3.00	35.00	26.25	5.86	4.40	9.86
58	3.00	40.00	30.00	6.07	4.55	10.07
59	3.00	45.00	33.75	6.41	4.81	10.41
60	3.00	50.00	37.50	95.00	71.25	95.00
61	3.00	55.00	41.25	40.00	30.00	40.00
62	3.00	60.00	45.00	75.00	56.25	75.00
63	3.00	65.00	48.75	50.00	37.50	50.00
64	3.00	70.00	52.50	50.00	37.50	50.00
65	100.00	100.00	100.00	100.00	100.00	100.00

1. Members meeting the service requirement for the DROP by age 65 are assumed to retire at the reduced rates shown above prior to eligibility. Members not qualifying for the DROP are assumed to retire at the unreduced retirement rates shown above. An additional 10% (5% if under age 50) is applied at the point when a member is first eligible to retire under the Back DROP. Also, an additional 10% (2% if age 45 or older) is applied at the point when a member first reaches the 25-year service point due to the added health care subsidy. 80% of eligible members are assumed to elect the DROP.

2. Members age 45 and older with 27 years of service retire at 50% of the rates shown, plus an additional 5%. Members age 60 and age 60 with over 27 years of service are assumed to retire at a rate of 50% per year.

3. Members age 45-49 with 20-24 years of service are assumed to retire at a rate of 3% per year. Members under age 50 with 25 years of service retire at 20% of the rates shown, plus an additional 2%.

Summary of Actuarial Assumptions and Methods, continued

Illustrative Retirement Rates for Firefighters

Age	Plan A (Members hired before 7/01/2007)[1]						Plan B (Hired After 6/30/2007)
	Age 60 with 5-9 Years of Service	Age 60 with 10-19 Years of Service	Age 50 with 20-24 Years of Service		25 Years of Service		Retirement (Age 67 & 10 Years or 25 Years)
	Will Not be DROP Eligible	Will Not be DROP Eligible	Will Not be DROP Eligible	Will be DROP Eligible	Will Not be DROP Eligible[2]	Will be DROP Eligible[3]	
44					12.00%	9.00%	
45					12.00	9.00	
46					12.00	9.00	
47					12.00	9.00	
48					12.00	9.00	
49					12.00	9.00	12.00%
50			2.00%	1.50%	10.25	7.69	10.25
51			2.00	1.50	10.40	7.80	10.40
52			2.00	1.50	10.58	7.94	10.58
53			2.00	1.50	10.80	8.10	10.80
54			2.00	1.50	11.05	7.94	11.05
55			2.00	1.50	19.89	7.94	19.89
56			2.00	1.50	18.32	7.94	18.32
57			2.00	1.50	10.10	7.94	10.10
58			2.00	1.50	10.31	7.94	10.31
59			2.00	1.50	10.65	7.94	10.65
60	4.00%	10.00%	2.00	1.50	85.00	7.94	85.00
61	4.00	12.00	2.00	1.50	35.00	7.94	35.00
62	4.00	14.00	2.00	1.50	60.00	7.94	60.00
63	4.00	16.00	2.00	1.50	40.00	7.94	40.00
64	4.00	18.00	2.00	1.50	50.00	7.94	50.00
65	100.00	100.00	100.00	100.00	100.00	7.94	100.00

1. Members meeting the service requirement for the DROP by age 65 are assumed to retire at the reduced rates shown above prior to eligibility. Members not qualifying for the DROP are assumed to retire at the unreduced retirement rates shown above. An additional 10% is applied at the point when a member is first eligible to retire under the DROP. Also, an additional 10% (5% if age 45-49) is applied at the point when a member first reaches the 25-year service point due to the added health care subsidy. 85% of eligible members are assumed to elect the DROP.

2. Members with over 32 years of service retire at 200% of the rates shown.

3. Members age 45-49 with 25 years of service retire at 50% of the rates shown, plus an additional 5%.

Summary of Actuarial Assumptions and Methods, continued

Death After Retirement: The mortality for service retirements and dependent beneficiaries is 108% of the RP-2000 Healthy Annuitant Table for males, projected to 2027 with Scale AA and 100% of the RP-2000 Healthy Annuitant Table for females, projected to 2027 with Scale AA. For disability retirements, the mortality tables are the RP-2000 Disabled Annuitant Tables, projected to 2027 with Scale AA. Illustrative rates are shown below:

	Annual Rates of Mortality			
	Service Pensioners		Disability Pensioners	
Age	Males	Females	Males	Females
45	0.114%	0.073%	1.585%	0.482%
50	0.354	0.148	1.774	0.726
55	0.380	0.284	2.112	1.332
60	0.573	0.542	2.720	1.908
65	0.990	0.905	3.429	2.448
70	1.595	1.462	4.161	3.287
75	2.792	2.263	5.609	4.205
80	5.300	3.795	8.338	5.982
85	9.895	6.583	11.714	8.518

Marital Status: 90% of active Police Officers and Firefighters are assumed to be married. For all other employees, 90% of active males and 50% of active females are assumed to be married. In all cases, it is assumed that the female spouse is 3 years younger than the male spouse.

Credit for Unused Sick Leave: For members entitled to receive credit for unused sick leave, it was assumed that each member will accumulate such credit as follows:

Supervisory, management and confidential (SMC) members, other than Firefighters	¾ year
Firefighters including SMC members	1 year
Police	½ year
Employees other than Police and Firefighters, excluding SMC members	½ year

Summary of Actuarial Assumptions and Methods, continued

Actuarial Cost Method: Projected Unit Credit. Changes in benefits and assumptions and gains or losses are amortized over 30 years with payments that increase by 3% per annum. The impact of the FY 2012 Retirement Incentive Program window is amortized over 10 years, with payments that increase by 3% per annum.

Asset Valuation Method: A ten-year moving average market value of assets that spreads the difference between the actual investment income and the expected income on the market value (based on the valuation interest rate) over a period of ten years. For purposes of this calculation, the gain/(loss) is defined as the difference between the actual and the expected return on the market value of assets. There is no corridor limiting the valuation assets to a certain percentage of the market value.

Liability Due to Assets in Post-Retirement Increase Fund: Liabilities for retirees and beneficiaries include the value of assets in the Post-Retirement Increase Fund.

Payroll Growth: 3% per annum, compounded annually.

Part-Time Employees: For valuation purposes, all part-time County employees are assumed to be full-time. All part-time Agency employees are assumed to be 50% of full-time equivalence.

Data: The valuation is based on members of the System as of June 30, 2014 and does not take into account future members. All census data was supplied by the County and was subject to reasonable consistency checks.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

GENERAL EMPLOYEES

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2005	6,200	$222,429,135	$35,876	4.0%	2.5%
2006	6,347	237,974,768	37,494	4.5	4.3
2007	6,203	246,590,348	39,753	6.0	2.7
2008	6,276	263,073,480	41,917	5.4	5.0
2009	6,458	276,789,524	42,860	2.2	(1.4)
2010	6,336	282,299,161	44,555	4.0	1.1
2011	6,248	285,485,138	45,692	2.6	3.6
2012	5,893	273,433,117	46,400	1.5	1.7
2013	5,916	277,270,227	46,868	1.0	1.8
2014	5,974	281,585,487	47,135	0.6	0.8

POLICE OFFICERS

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2005	1,830	$99,331,097	$54,279	4.9%	2.5%
2006	1,893	113,160,620	59,778	10.1	4.3
2007	1,911	117,584,303	61,530	2.9	2.7
2008	1,926	133,153,117	69,135	12.4	5.0
2009	1,936	142,060,736	73,378	6.1	(1.4)
2010	1,927	144,883,413	75,186	2.5	1.1
2011	1,919	148,430,584	77,348	2.9	3.6
2012	1,833	140,236,837	76,507	(1.1)	1.7
2013	1,843	146,580,108	79,533	4.0	1.8
2014	1,819	146,728,596	80,664	1.4	0.8

Schedule of Active Member Valuation Data, continued

FIREFIGHTERS

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2005	999	$53,487,198	$53,541	5.3%	2.5%
2006	1,006	60,276,437	59,917	11.9	4.3
2007	985	59,689,970	60,599	1.1	2.7
2008	987	65,893,511	66,761	10.2	5.0
2009	985	68,906,384	69,956	4.8	(1.4)
2010	991	69,191,965	69,820	(0.2)	1.1
2011	1,013	71,676,716	70,757	1.3	3.6
2012	958	66,958,931	69,895	1.2	1.7
2013	939	68,076,750	72,499	3.7	1.8
2014	963	$69,048,320	71,701	(1.1)	0.8

CORRECTIONAL OFFICERS AND DEPUTY SHERIFFS

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2005	332	$12,804,147	$38,567	1.8%	2.5%
2006	339	13,988,510	41,264	7.0	4.3
2007	372	16,048,623	43,141	4.5	2.7
2008	381	17,534,096	46,021	6.7	5.0
2009	393	19,151,020	48,730	5.9	(1.4)
2010	379	18,750,737	49,474	1.5	1.1
2011	391	19,729,598	50,459	2.0	3.6
2012	398	21,024,482	52,825	4.7	1.7
2013	401	21,574,912	53,803	1.9	1.8
2014	397	21,311,072	53,680	(0.2)	0.8

Schedule of Active Member Valuation Data, continued

ALL GROUPS

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2005	9,361	$388,051,577	$41,454	4.2%	2.5%
2006	9,585	425,400,335	44,382	7.1	4.3
2007	9,471	439,913,244	46,448	4.7	2.7
2008	9,570	479,654,204	50,121	7.9	5.0
2009	9,772	506,907,664	51,873	3.5	(1.4)
2010	9,633	515,125,276	53,475	3.1	1.1
2011	9,571	525,322,036	54,887	2.6	3.6
2012	9,082	501,653,367	55,236	0.6	1.7
2013	9,099	513,501,997	56,435	2.2	1.8
2014	9,153	518,673,476	56,667	0.4	0.8

SCHEDULE OF RETIREE AND BENEFICIARY DATA

Valuation as of June 30	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase In Annual Allowances	Average Annual Allowances
	Number	Annual* Allowances	Number	Annual Allowances	Number	Annual Allowances		
2005	349	$7,886,485	206	$2,109,495	6,037	$112,216,142	5.4%	$18,588
2006	306	9,198,231	171	2,059,100	6,172	119,355,273	6.4	19,338
2007	405	10,144,583	176	2,416,858	6,401	127,082,998	6.5	19,854
2008	249	8,616,484	200	2,091,325	6,450	133,608,157	5.1	20,714
2009	281	13,789,920	221	2,802,573	6,510	144,595,504	8.2	22,211
2010	395	12,662,248	201	3,237,920	6,704	154,019,832	6.5	22,974
2011	303	12,530,487	235	3,946,193	6,772	162,604,126	5.6	24,011
2012	664	24,367,514	205	3,204,235	7,231	183,767,405	13.0	25,414
2013	380	14,175,414	229	3,181,871	7,382	194,760,948	6.0	26,383
2014	381	11,363,715	267	2,338,972	7,496	203,785,691	4.6	27,186

*Cost of Living Increases included here.

Solvency Test

Baltimore County's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due – the ultimate test of financial soundness. Testing for level contribution rates is the long-term test.

A short conditions test is one means of checking a system's progress under its funding program. In a short condition test, the system's present assets (cash and investments) are compared with: (1) the liabilities for future benefits to present retired lives; (2) the liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for future benefits to present retired lives (liability B) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability A & C) will be at least partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability A & C will increase over time. This is the relationship between accrued liabilities and assets of the System over the last ten years:

Valuation as of June 30	Accrued Liability for: (A) Active Member Contribution	(B) Retirees and Beneficiaries	(C) Active Member Employer Financed	Actuarial Value of Assets	Portion of Accrued Liability Covered by Actuarial Value of Assets (A)	(B)	(C)
2005(1)	$325,300,280	$1,044,483,625	$579,827,565	$1,832,922,033	100.0%	100.0%	79.9%
2006	348,756,395	1,082,484,348	647,571,148	1,938,817,402	100.0	100.0	78.4
2007(2)	363,778,826	1,247,373,485	678,300,211	2,101,023,411	100.0	100.0	72.2
2008(3)	391,743,335	1,307,885,347	791,713,328	2,191,623,378	100.0	100.0	62.1
2009(4)	417,514,605	1,359,000,212	823,155,619	2,143,616,137	100.0	100.0	44.6
2010(5)	447,377,958	1,446,963,230	851,674,652	2,196,914,646	100.0	100.0	35.5
2011	473,082,150	1,484,234,414	906,536,155	2,213,857,844	100.0	100.0	28.3
2012(6)	468,059,738	1,783,341,001	903,115,828	2,483,511,733	100.0	100.0	25.7
2013(7)	483,966,112	1,992,569,006	990,069,135	2,490,481,231	100.0	100.0	1.4
2014	490,356,233	2,041,957,711	1,113,950,591	2,517,944,853	100.0	99.3	0.0

(1) Cost method change: From Entry Age Normal to Projected Unit Credit.

(2) Assumption changes recommended in 2006 experience study were adopted, plus plan changes to all groups including implementation of DROP programs for general employees, correctional officers and deputy sheriffs.

(3) Amortization period was changed to 30 years.

(4) Actuarial Asset Method is revised to remove 14% Corridor Around Market Value and the smoothing period was changed from 4 to 5 years. Salary increase rates for all members were reduced.

(5) Actuarial Asset Method change: The Smoothing period was changed from 5 to 10 years.

(6) Interest rate decreased from 7.875% to 7.25%, which was offset by the net proceeds from the Pension Obligation Bonds. In addition, the System also implemented the Retirement Incentive Plan early retirement window.

(7) Interest rate decreased from 7.25% to 7.00% and assumption changes recommended in the 2011 experience study were adopted.

Analysis of Change in Unfunded Accrued Liability
As of July 1, 2014

Reconciliation of Gain (Loss) in the Unfunded Accrued Liability:	Amount
1. Unfunded Accrued Liability at July 1, 2013	$976,123,022
2. Interest Charge at 7.00% to July 1, 2014	68,328,612
3. Contributions Toward Unfunded Accrued Liability	44,136,962
4. Change in Assumptions	5,749,959
5. Expected Unfunded Accrued Liability at July 1, 2014 (1) + (2) - (3) + (4)	1,006,064,631
6. Actual Unfunded Accrued Liability at July 1, 2014	1,128,319,682
7. Increase (Decrease) from Expected / Actuarial Loss (6) – (5)	$122,255,051

Progress Toward Amortization of Unfunded Accrued Liability
For the Year Ended
July 1, 2014

Unfunded Accrued Liability	Amount	Amortization Period
1. 2008 Fresh Start Employer Base	$200,158,701	24 Years
2. 2008 Actuarial Loss	122,226,845	24 Years
3. 2009 Actuarial Loss	591,370,830	25 Years
4. 2009 Asset Method Change / Remove Corridor & go to 5-Yr Smoothing	(366,951,570)	25 Years
5. 2009 Assumption Change / Salary Scale	(52,913,129)	25 Years
6. 2009 Plan Changes / Amendments	(5,145,505)	25 Years
7. 2010 Actuarial Loss	195,977,922	26 Years
8. 2010 Asset Method Change / Change to 10-Year Smoothing	(109,286,944)	26 Years
9. 2011 Actuarial Loss	98,368,813	27 Years
10. 2012 Actuarial Loss	60,212,143	28 Years
11. 2012 Plan Change / Retirement Incentive Program	10,125,698	28 Years
12. 2012 Assumption Change / Interest Rate offset by POB issue	(64,566,384)	28 Years
13. 2013 Actuarial Loss	108,456,057	29 Years
14. 2013 Assumption Change / Interest Rate, Demographics, and Sal. Scale	212,281,196	29 Years
15. 2014 Actuarial Loss	122,255,050	30 Years
16. 2014 Assumption Change	5,749,959	30 Years
Total	$1,128,319,681	

Summary of Plan Provisions

The Employees' Retirement System provides members the following benefits:

- Retirement Benefits
- Disability Benefits
- Death Benefits

ELIGIBILITY

Members are designated as classified or merit system employees, part-time employees, non-merit employees, elected officials, department heads, or agency employees. Merit system employees included full-time general employees, police officers, firefighters, deputy sheriffs and correctional officers. Agency employees include the Board of Education, the Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. Agency employees that are not eligible to participate in the Maryland State Retirement and Pension Systems are entitled to membership in the System.

System membership is compulsory for merit system employees as a condition of employment, except for those members who were hired at age 55 or over. Merit employees, exclusive of police officers and firefighters, are required to join the System within the first two years of employment if hired prior to January 1, 2014, or sixty days if hired on or after January 1, 2014. Police officers and firefighters are required to join the System as a condition of employment.

Part-time employees, non-merit employees, elected officials, department heads, merit system employees hired at age 59 or over, and agency employees have the option to join the system within two years of employment if hired prior to January 1, 2014, or sixty days if hired on or after January 1, 2014 or forfeit the right to join the System.

Waived time is not eligible for buy back. However, in FY 2015, members hired prior to July 1, 2010 were provided a one-time opportunity to purchase their eligible waived service if they declared their intent by March 31, 2015 and purchased their waived service on or before June 30, 2015.

Members hired prior to July 1, 2007 are vested after five years of membership. System members hired on or after July 1, 2007 are vested after ten years of creditable service.

MEMBER CONTRIBUTIONS

System members contribute a percentage of their salary to the System. The contribution rate for members hired prior to July 1, 2007 is actuarially-determined based on the member's age at enrollment and employee classification. The contribution rate for elected officials and members hired on or after July 1, 2007 is fixed.

Summary of Plan Provisions, continued

Contribution rates range as follows:

	Contribution Rate as a % of Covered Payroll				
Classification	Hired prior to July 1, 2007 (Range)	Hired on or after July 1, 2007	Hired on or after July 1, 2011	Hired on or after July 1, 2012	Hired on or after July 1, 2014
Elected Officials	13.85%	13.85%	13.85%	13.85%	13.85%
Department Heads	8.11 - 11.56	10.50	10.50	10.50	10.50
General Employees	5.42 - 9.36	7.00	7.00	7.00	7.00
Correctional Officers	6.03 - 8.22	8.00	10.00	10.00	10.00
Deputy Sheriffs	6.01 - 9.36	8.00	10.00	10.00	10.00
Firefighters	7.96 - 9.71	8.50	10.00	10.00	10.00
Police Officers	7.98 - 10.22	8.50	8.50	8.50	10.00
Police Supervisory, Mgmt. and Confidential (SMC)	7.98 - 8.63	9.50	9.50	10.00*	10.00

*Includes members who began service as Police SMC on or after July 1, 2012.

Interest is credited on member contributions at the rate of 5.0% per annum on the beginning of the fiscal year balance.

MILITARY SERVICE CREDIT

Members hired prior to July 1, 2007, with five years of creditable service, or members hired on or after July 1, 2007, with ten years of creditable service are entitled to a military service credit on a year-for-year basis for up to a maximum of four years. To apply, a member must bring their DD214 to the Retirement Office and complete an Application for Military Credit.

SICK LEAVE CREDIT

At the time of retirement, all members, except firefighters and Police SMC (Supervisory, Management and Confidential) receive one month of service credit for each 22 unused sick leave days. One additional month is granted if fractional days of sick leave total 11 or more. Firefighters and Police SMC receive one month of service credit for each 16 unused sick leave days. Sick leave may be used to determine service credit except for the following circumstances: death benefit, ordinary disability, and vesting.

RETIREMENT ALLOWANCE DATES

Normal Retirement for Service: Plan A (Members hired prior to July 1, 2007)

Normal retirement for service can be granted to general employees and appointed officials who have reached the age of 60 with 5 years of creditable service or attained 30 years of creditable service. A normal retirement for service can be granted to elected officials who have attained 16 years of creditable service or age 55 and attained 4 years of creditable service. An early service retirement can be granted to general employees who have reached the age of 55 and have attained 20 years of creditable service. A normal retirement for service can be granted to correctional officers and deputy sheriffs who have reached the age of 60 with 5 years of creditable service or have attained 20 years of creditable service. A normal retirement for service can be granted to firefighters at the age of 60 with 5 years of creditable service, age 50 with 20 years of creditable service, or 25 years creditable service regardless of age. A normal retirement for service can be granted to police officers who have reached the age of 55 or have attained 20 or more years of creditable service. The System does not have a mandatory retirement age requirement for general employees, deputy sheriffs and correctional officers. Firefighters and police officers must retire at age 65 unless approved for continuation of service by the Board annually.

Summary of Plan Provisions, continued

Normal Retirement for Service: Plan B (Members hired on or after July 1, 2007)

Normal retirement for service can be granted to general employees and appointed officials who have reached the age of 67 with 10 years of creditable service or attained 35 years of creditable service. A normal retirement for service can be granted to elected officials who have attained 16 years of creditable service or age 55 and attained 4 years of creditable service. A normal retirement for service can be granted to correctional officers and deputy sheriffs who have reached the age of 67 with 10 years of creditable service or have attained 25 years of creditable service. A normal retirement for service can be granted to firefighters at the age of 60 with 10 years of creditable service or 30 years creditable service. A normal retirement for service can be granted to police officers who have reached the age of 60 with 10 years of creditable service or have attained 25 years of creditable service. The System does not have a mandatory retirement age requirement for general employees, deputy sheriffs and correctional officers. Firefighters and police officers must retire at age 65 unless approved for continuation of service by the Board on an annual basis.

Ordinary Disability Retirement may be granted to a member who can no longer perform their job due to a non-occupational related injury. A sworn police officer or firefighter, hired prior to July 1, 2007 must have five years of creditable service and be medically certified as incapacitated to continue performance of their duties. All other members must have 10 years of creditable service and be medically certified as incapacitated to continue performance of their duties.

Accidental Disability Retirement may be granted to a member upon application who has been physically incapacitated for duty as a result of an occupational related injury. Accidental disabilities for all members are tiered based on the degree of disability (75%, 66.67%, or 50%) plus accumulated contributions.

Discontinued Service Retirement may be granted to a member whose employment has been discontinued through no fault of their own after completion of 25 years of creditable service or age 50 and 20 years of creditable service.

RETIREMENT ALLOWANCES

Retirement allowances are comprised of an annuity equal to the actuarial equivalent of the accumulated contributions plus a pension which together with the annuity shall provide a maximum allowance as provided for in the Code.

Normal Retirement for Service Allowance is granted as follows:

(A) General employees (excluding appointed officials, correctional officers and part-time employees) hired prior to July 1, 2007, with 30 years of creditable service, or age 65 with 5 years of creditable service receive an allowance equal to 1/55th of the Average Final Compensation (AFC) times the number of years of creditable service. General employees hired prior to July 1, 2007 may retire at age 60 with at least 5 years of creditable service, however, such members will be granted a blended benefit. For creditable service earned prior to July 1, 2007, members will receive an allowance equal to 1/55th of AFC times the number of years of creditable service and for creditable service earned on or after July 1, 2007, members will receive an allowance equal to 1/70th of AFC times the number of years of creditable service. The AFC definition is determined by the employee's classification as the highest 12 or 36 consecutive months.

General employees (excluding appointed officials and correctional officers) hired on or after July 1, 2007, receive an allowance equal to 1/70th of the Average Final Compensation (AFC) times the number of years of creditable service. The AFC definition for general employees hired on or after July 1, 2007 is the annual earnable compensation for the highest 36 consecutive months.

Part-time employees earn creditable service on a proportionate basis equal to the time worked annually as compared to the standard work year.

(B) Appointed officials receive an allowance equal to 2.5% of their AFC times the number of years of creditable service.

Summary of Plan Provisions, continued

(C) Elected officials receive an allowance equal to 5.0% of their AFC times the number of years of creditable service. Any Council member who becomes a member of the retirement system on or after February 1, 2010 may not receive a retirement allowance in excess of 60% of the member's AFC.

(D) Firefighters receive an allowance equal to 2.5% times the years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years, and 3% of AFC for each year of creditable service in excess of 30 years for years beginning on or after July 1, 2007. Firefighters with less than 20 years of creditable service receive an allowance equal to 2% of AFC times years of creditable service. The 3% rate does not apply to service earned prior to July 1, 2007. AFC is defined as the annual earnable compensation during the 12 consecutive calendar months affording the highest average.

(E) Police officers with 20 or more years of creditable service receive an allowance equal to 2.5% of AFC times years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years, and 3% of AFC for each year of creditable service in excess of 25 years for years beginning on or after July 1, 2007. The 3% rate does not apply to service earned prior to July 1, 2007. Police officers with less than 20 years of creditable service receive an allowance equal to 2% of AFC times years of creditable service. AFC is defined as the annual earnable compensation during the 12 consecutive calendar months affording the highest average.

(F) Correctional officers and deputy sheriffs with 20 or more years of creditable service receive an allowance equal to 2.5% of AFC times years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years. Correctional officers and deputy sheriffs hired prior to July 1, 2007, with less than 20 years of creditable service receive the same benefit as a general employee. Correctional officers and deputy sheriffs hired on or after July 1, 2007, with 25 years of creditable service receive an allowance equal to 1.43% of AFC times the number of years of creditable service.

Ordinary Disability Retirement Allowance

(A) General employees, correctional officers and deputy sheriffs hired prior to July 1, 2007, receive an ordinary disability retirement allowance equal to 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007 and 1.43% for creditable service earned on or after July 1, 2007. General employees, correctional officers and deputy sheriffs hired on or after July 1, 2007, receive a retirement allowance equal to 1.43% of AFC times the number of years of creditable service. The minimum allowance is equal to 25% of AFC. The maximum allowance is equal to one-third of the members AFC. No member may receive a benefit in excess of that which they would have received at normal service retirement age. General employees, correctional officers and deputy sheriffs who are eligible for a normal service retirement and apply for an ordinary disability retirement may be required by the Board to accept a normal service retirement.

(B) Firefighters and police officers receive an ordinary disability retirement allowance equal to 2.5% of AFC times the number of years of creditable service not in excess of 20 years, and 2% of AFC times the number of years of creditable service in excess of 20 years. The minimum retirement allowance for firefighters and police officers for an ordinary disability retirement allowance shall equal to 50% of AFC. No member may receive a benefit in excess of that which they would have received at normal service retirement age.

Summary of Plan Provisions, continued

RETIREMENT ALLOWANCE OPTIONS

Members may select the maximum retirement allowance or one of seven optional survivorship allowances. The selection of an option, excluding *Option 7*, reduces the maximum allowance. The options are as follows:

Option 1. Allows the member's undistributed accumulated contributions to be paid to the beneficiary in a lump sum if the member's death occurs prior to a complete payout of all member contributions.

Option 2. Allows 100% of the member's retirement allowance to continue to be paid to the beneficiary after the member's death.

Option 3. Allows 50% of the member's retirement allowance to continue to be paid to the beneficiary after the member's death.

Option 4. Allows any portion of the retirement allowance to continue to be paid to the beneficiary after the member's death.

Option 5. Allows 100% of the member's reduced retirement allowance to be paid to the beneficiary after the member's death. If the member becomes divorced from the beneficiary or the beneficiary dies before the retiree, upon notification to the Board of Trustees, the member's allowance will be increased to the maximum allowance described above. If after such death or divorce, the member wishes to select a new beneficiary and retirement option, the member may select *options 2, 3, 4, 5 or 6*. The retirement allowance will then be recomputed.

Option 6. Allows 50% of the member's reduced retirement allowance to be paid to the beneficiary after the member's death. If the member becomes divorced from the beneficiary or the beneficiary dies before the retiree, upon notification to the Board of Trustees, the member's allowance will be increased to the maximum allowance described above. If after such death or divorce, the member wishes to select a new beneficiary and retirement option, the member may select *options 2, 3, 4, 5 or 6*. The retirement allowance will then be recomputed.

Option 7. Allows 50% of the member's retirement allowance to continue to be paid to the original beneficiary at no cost to the employee. This option is available to employees who have completed at least 25 years of actual service as a sworn Baltimore County police officer or 25 years of actual service as a sworn Baltimore County Firefighter. If after such death or divorce, the member wishes to select a new beneficiary and retirement option, the member may select *options 2, 3, 4, 5 or 6*. The retirement allowance will then be recomputed.

DEFERRED RETIREMENT OPTION PLAN (DROP)

Police Officers and Firefighters DROP

The County has adopted a Back DROP for police officers with at least 27 years of service and firefighters with at least 32 years of service, under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit for life. Election to participate in the DROP will be made at retirement. The DROP participant benefit will be calculated along with all other available options, and the member will then choose between the DROP benefit and the regular pension benefits provided by the County. The DROP participant monthly pension will be determined as of a date that is 3, 3½, 4, 4½ or 5 years prior to retirement date based on the plan provisions, the member's salary and service at that earlier date. The lump sum payment will be based on the accumulation of member contributions, monthly pension payments, interest earned in the DROP at the greater of the rate of return on the actuarial value of assets minus 50 basis points or the regular rate of interest (currently 5%), and any retiree COLAs after at least twelve months in the DROP. This program became effective with retirements that occurred on or after July 1, 2004. Police officers and firefighters hired on or after July 1, 2007 are not eligible to participate in the DROP.

Summary of Plan Provisions, continued

Correctional Officers and Deputy Sheriffs Deferred Retirement Option Plan (DROP)

Effective July 1, 2010, a Back-DROP is offered to eligible correctional officers and deputy sheriffs hired prior to July 1, 2007. The Back-DROP program allows eligible correctional officers and deputy sheriffs to elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is 3, 3½, 4, 4½ or 5 years prior to retirement date based on the plan provisions, the member's salary and service at that earlier date.. Eligibility is based on at least 27 years of service. The lump sum payment will be based on the accumulation of member contributions, monthly pension payments, interest earned in the DROP period at the regular rate of interest (currently 5%), and any retiree COLAs after at least twelve months in the DROP. Correctional officers and deputy sheriffs hired on or after July 1, 2007 are not eligible to participate in the DROP.

General Employees Deferred Retirement Option Plan (DROP)

Effective July 1, 2007, General employees hired prior to July 1, 2007, are offered a Forward DROP. The DROP allows eligible general employees to elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is a minimum of 5 years and a maximum of 10 years. Eligibility is age 55 plus a total of age and service of at least 85. The DROP account will include benefit payments at the maximum option, employee contributions, interest earned in the DROP period at the regular rate of interest (currently 5%), plus any cost-of-living increase granted to retirees, provided the member has been in the DROP for at least 12 months. This program is effective for retirements that occur on or after July 1, 2012. General employees hired on or after July 1, 2007 are not eligible to participate in the DROP.

DEATH BENEFITS

Ordinary Death Benefit is granted as a result of a member's death from non-occupational causes as follows:

(A) A general employee's designated beneficiary or estate receives a lump sum payment of the member's contributions plus interest. Additionally, after five years of creditable service, the member's designated beneficiary or estate may receive a one-time payment equal to 100% of the member's annual earnable compensation. If the member was eligible for a service retirement or had 15 years of creditable service at the time of death, the surviving spouse or surviving minor children, if designated as the beneficiary, may receive a retirement allowance, in lieu of other benefit payments, based on service years equivalent to *Option 2*.

(B) A firefighter's or police officer's designated beneficiary or estate receives a lump sum payment consisting of the member's accumulated contributions plus interest. Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a one-time payment equal to 100% of the member's annual earnable compensation. If the firefighter or police officer had two years of creditable service, a surviving dependent family member, if designated as the beneficiary, may receive an allowance equal to 25% of AFC in lieu of another benefit. If the firefighter or police officer had 15 years of creditable service or was eligible for a service retirement, the surviving spouse or surviving minor children, if designated as the beneficiary, may receive a retirement allowance in lieu of other benefit payments based on the service years equivalent to *Option 2*.

Accidental Death Benefit is granted as the result of death from an occupational related injury as follows:

(A) The dependent beneficiary of a general employee may receive an allowance equal to $66^2/_3$% of AFC plus the annuity.

(B) The dependent beneficiary of a firefighter or police officer may receive an allowance equal to 100% of the annual earnable compensation at the time of death plus the annuity.

Summary of Plan Provisions, continued

TERMINATION BENEFITS

Employees hired prior to July 1, 2007, with 5 or more years of membership service have the option of requesting a refund of their contributions and interest or remain in the System. If such member terminates employment or dies in service, with less than 5 years creditable service, the employee contributions plus interest are refundable to the former member or a designated beneficiary.

Employees hired on or after July 1, 2007, with 10 or more years of creditable service have the option of requesting a refund of their contributions and interest or remain in the System. If such member terminates employment or dies in service, with less than 10 years creditable service, the employee contributions plus interest are refundable to the former member or a designated beneficiary.

POST-RETIREMENT ALLOWANCE INCREASES

Retirement allowance increases can be granted each July 1 if sufficient investment income has accumulated in the Post-Retirement Increase Fund balance account. Increases will be granted in an amount equal to the Consumer Price Index - All Urban Consumers (CPI-U) increase for the previous calendar year. The increase cannot exceed 3%. If there are insufficient funds in the Post-Retirement Increase Fund balance account to finance the full CPI increase, the allowance will be increased to the nearest ¼% for which there are sufficient moneys. If there are insufficient funds to finance a one percent increase, no retirement allowance increase shall be granted. Effective July 1, 2010 the following changes regarding COLAs were implemented:

- Active members hired prior to July 1, 2007 must have at least 20 years of creditable service to be eligible for post-retirement COLAs.
- Active members hired on or after July 1, 2007 must have at least twenty five (25) years of creditable service to be eligible for post- retirement COLAs.
- The cap on post-retirement COLAs has been reduced from 4% to 3% for all members.
- The maximum account balance in the PRIF has been reduced from 2 times the cost of a 4% COLA to 2 times the cost of a 3% COLA for all members.
- For active members who do not select the Deferred Retirement Option Program (DROP), the eligibility period to receive post-retirement COLAs has been increased from a minimum of 12 months to a minimum of 60 months.
- For active members who select the DROP program, the eligibility period to receive COLAs in the DROP remains a minimum of 12 months. Once the member actually retires, the eligibility period for a post-retirement COLA is a minimum of 48 months.

Changes to Plan Provisions

LEGISLATIVE AND ADMINISTRATIVE CHANGES

On September 2, 2014, the County Council passed Bill No. 46-14 that allowed former employees of the Baltimore County Public Library who were members of the state retirement system to transfer all service credit to the county retirement system and be deemed to have joined on the date the employee joined the state retirement system.

On October 6, 2014, the County Council passed Bill No. 51-14 that allowed members who began service before July 1, 2010 to purchase eligible creditable service prior to joining the retirement system. The member had to indicate an intent to purchase credit for service not later than March 31, 2015 and pay the contributions due plus interest in a single lump sum payment not later than June 30, 2015.

On February 17, 2015, the County Council passed Bill No. 3-15 that repealed the prohibition on the continued payment of a line of duty death benefit to a deceased member's surviving spouse if the surviving spouse remarries.

On March 2, 2015, the County Council passed Bill No. 11-15 that expanded the membership of the Board of Trustees by allowing the County Council to appoint two trustees and the County Executive to appoint one trustee for a term of four years beginning on July 1, 2015. The appointees cannot hold an elective or appointed office or other employment with the County or State, cannot be a member, retired member or beneficiary of the system and cannot be an employee or member of a public or private sector employee union.

STATISTICAL SECTION

STATISTICAL SECTION

The purpose of the Statistical Section is to provide historical perspective and detail to assist the reader to better understand and assess the System's overall economic condition. The data presented is intended to provide users with a broader and more complete understanding of the System than is possible from the information presented in the Financial Section alone.

The schedules within the Statistical Section are classified into the following categories.

Financial Trends

The schedules on Page 80 show financial trend information to help the reader understand how the System's financial position has changed over the last 10 years. The schedules presented are:

- Schedule of Changes in Fiduciary Net Position
- Schedule of Benefit and Refund Deductions from Fiduciary Net Position by Type

Other Information

The schedules beginning on Page 81 provide information to assist the reader to understand the retired member characteristics and the participating employer composition of the System. The schedules presented are:

- Retirees and Beneficiaries - Distribution to Members by Type of Retirement
- Retirees and Beneficiaries - Distribution to Members by Option Selected
- Schedule of Average Benefit Payments
- Schedule of Participating Employers

Schedule of Changes in Fiduciary Net Position
For the Ten Years Ended June 30
(Expressed in thousands)

	ADDITIONS				DEDUCTIONS				
Fiscal Year	Member Contributions	Employer Contributions	Total Net Investment Income	Total Additions to Fiduciary Net Position	Benefit Payments	Refunds of Contribution	Administrative Expenses	Total Deductions from Fiduciary Net Position	Changes in Net Position
2006	$26,173	$34,433	$167,538	$228,144	$125,253	$2,674	$1,037	$128,964	$99,180
2007	27,773	40,065	331,810	399,648	139,357	3,263	1,066	143,686	255,962
2008	29,962	44,168	(124,713)	(50,583)	134,991	2,949	1,009	138,949	(189,532)
2009	31,423	49,763	(396,596)	(315,410)	147,062	3,400	947	151,409	(466,819)
2010	33,236	57,976	254,805	346,017	150,704	2,235	1,099	154,038	191,979
2011	36,567	58,340	372,715	467,622	164,655	2,726	2,541	169,922	297,700
2012	39,481	65,127	23,321	127,929	209,673	3,640	2,329	215,642	(87,713)
2013	37,682	328,362	198,892	564,936	232,410	3,110	2,294	237,814	327,122
2014	37,844	80,454	327,264	445,562	225,668	3,166	1,342	230,176	215,386
2015	39,725	108,191	23,027	170,943	244,314	3,540	1,682	249,536	(78,593)

Schedule of Benefit and Refund Deductions from Fiduciary Net Position by Type
For the Ten Years Ended June 30
(Expressed in Thousands)

			Disability Benefits							
	Age & Service Benefits		Retirees					Refunds		
Year Ending June 30	Retirees	Beneficiaries	Occupational	Non-Occupational	Beneficiaries	Death Benefits	Total Benefits	Separation	Death*	Total Refunds
2006	$97,912	$5,751	$15,879	$4,978	$377	$356	$125,253	$2,579	-	$2,579
2007	111,831	6,030	15,800	5,035	457	204	139,357	3,020	$ 243	3,263
2008	106,383	6,420	16,087	5,309	501	291	134,991	2,678	271	2,949
2009	116,697	7,102	16,922	5,584	480	277	147,062	2,998	402	3,400
2010	120,063	7,395	16,857	5,625	579	185	150,704	2,043	192	2,235
2011	132,008	8,561	17,077	5,870	634	505	164,655	1,892	834	2,726
2012	177,075	8,823	16,933	5,821	691	330	209,673	3,030	610	3,640
2013	199,754	9,130	16,671	5,824	709	292	232,410	2,823	287	3,110
2014	195,613	4,820	16,453	5,881	765	2,136	225,668	2,861	305	3,166
2015	211,893	7,030	16,205	5,780	1,133	2,273	244,314	3,458	82	3,540

*Data to allocate refunds by type (i.e. death) were not available prior to FY2007. Refunds due to death were included in refund-separation prior to FY07.

Retirees and Beneficiaries - Distribution of Members by Type of Retirement

Fiscal Year Ended June 30, 2014

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			
		Service Retiree	Accidental Disability	Ordinary Disability	Beneficiary
Under $300	479	379	6	0	94
$300 - $599	793	603	53	3	134
$600 - $899	729	516	105	1	107
$900 - $1,199	590	455	63	5	67
$1,200 - $1,499	518	377	47	16	78
$1,500 - $1,799	503	389	32	34	48
$1,800 - $2,099	495	375	45	44	31
$2,100 - $2,399	516	406	13	73	24
$2,400 - $2,699	490	385	8	77	20
$2,700 - $2,999	399	316	5	68	10
$3,000 and over	1,984	1,769	12	159	44
Totals	7,496	5,970	389	480	657

Retirees and Beneficiaries - Distribution to Members by Option Selected

Fiscal Year Ended June 30, 2014

Amount of Monthly Benefit	Number of Retirees	Option Selected							
		M	1	2	3	4	5	6	7
Under $300	479	251	157	18	7	0	32	14	0
$300 - $599	793	369	283	36	19	0	43	43	0
$600 - $899	729	342	255	20	28	0	36	48	0
$900 - $1,199	590	253	201	19	23	3	41	50	0
$1,200 - $1,499	518	228	152	18	26	2	35	57	0
$1,500 - $1,799	503	223	136	17	28	8	37	54	0
$1,800 - $2,099	495	215	132	26	20	7	42	53	0
$2,100 - $2,399	516	223	128	22	19	19	46	59	0
$2,400 - $2,699	490	234	101	21	14	21	38	61	0
$2,700 - $2,999	399	183	77	8	13	22	31	65	0
$3,000 and over	1,984	598	296	45	50	153	62	178	602
Totals	7,496	3,119	1,918	250	247	235	443	682	602

Option Selected:

M = Maximum. At member's death, all payments cease. Surviving beneficiary will receive pro-rated payment for number of days in final month.

Option 1. Guarantees the return of the member's accumulated contributions and interest less the member's accumulated reserves already paid.

Option 2. Guarantees 100% of the member’s payment to the designated beneficiary for their lifetime.

Option 3. Guarantees 50% of the member’s payment to the designated beneficiary for their lifetime.

Option 4. Guarantees an alternative specified % of the member’s payment to the designated beneficiary for their lifetime.

Option 5. Guarantees 100% payment to beneficiary, unless beneficiary divorces or predeceases member. Allowance then pops-up to maximum.

Option 6. Guarantees 50% payment to beneficiary, unless beneficiary divorces or predeceases member. Allowance then pops-up to maximum.

Option 7. Guarantees 50% of the member's payment to the designated beneficiary for their lifetime, at no cost. (*Option 7* is applicable to police and firefighters only with 25 years of creditable service). Allowed to change beneficiary if beneficiary divorces or predeceases member.

Deferred future benefits - Terminated employees entitled to benefits but not yet receiving them.

Schedule of Average Benefit Payments
For the Six Years Ended June 30

	Years Creditable Service					
Retirement Effective Dates	0-10	10-15	15-20	20-25	25-30	30+
July 1, 2009 to June 30, 2010						
Average Monthly Benefit	$471	$832	$1,497	$1,977	$3,530	$3,982
Average - Average Final Compensation	$34,090	$43,041	$55,274	$56,968	$72,755	$70,323
Number of Active Retirees	37	24	27	47	43	85
July 1, 2010 to June 30, 2011						
Average Monthly Benefit	$452	$833	$1,369	$2,093	$3,679	$4,153
Average - Average Final Compensation	$42,818	$42,066	$49,118	$57,874	$75,447	$75,539
Number of Active Retirees	41	33	29	47	55	123
July 1, 2011 to June 30, 2012						
Average Monthly Benefit	$519	$920	$1,300	$1,946	$3,245	$5,072
Average - Average Final Compensation	$38,855	$46,509	$47,427	$56,824	$72,136	$83,666
Number of Active Retirees	51	36	31	53	147	285
July 1, 2012 to June 30, 2013						
Average Monthly Benefit	$477	$814	$1,318	$1,807	$3,831	$4,846
Average - Average Final Compensation	$40,180	$42,360	$49,074	$55,647	$78,608	$88,317
Number of Active Retirees	39	49	29	29	68	130
July 1, 2013 to June 30, 2014						
Average Monthly Benefit	$414	$726	$1,051	$2,569	$4,049	$4,471
Average - Average Final Compensation	$40,648	$42,058	$43,627	$66,524	$81,617	$81,261
Number of Active Retirees	20	46	27	40	74	75
July 1, 2014 to June 30, 2015						
Average Monthly Benefit	$579	$697	$1,317	$1,787	$3,615	$4,879
Average - Average Final Compensation	$50,521	$42,299	$48,981	$54,291	$74,694	$87,584
Number of Active Retirees	26	52	30	41	62	104

Schedule of Participating Employers
Current Year and Nine Years ago

Participating Government Employers	The System FY 2015 Covered Employees	Rank	Percentage of Total System	The System FY 2006 Covered Employees	Rank	Percentage of Total System
Baltimore County, Maryland	6,765	1	71.27%	6,948	1	72.49%
Certain employees of:						
Board of Education	2,487	2	26.20%	2,377	2	24.80%
Community College	157	3	1.65%	159	3	1.66%
Revenue Authority	58	4	0.61%	68	4	0.71%
Board of Library Trustees	25	5	0.26%	33	5	0.34%
Total	9,492		100.00%	9,585		100.00%

Participating Government Employers	Plan A FY 2015 Covered Employees	Rank	Percentage of Total System	Plan A FY 2006 Covered Employees	Rank	Percentage of Total System
Baltimore County, Maryland	4,549	1	75.38%	6,948	1	72.49%
Certain employees of:						
Board of Education	1,376	2	22.80%	2,377	2	24.80%
Community College	66	3	1.09%	159	3	1.66%
Revenue Authority	32	4	0.53%	68	4	0.71%
Board of Library Trustees	12	5	0.20%	33	5	0.34%
Total	6,035		100.00%	9,585		100.00%

Participating Government Employers	PLAN B FY 2015 Covered Employees	Rank	Percentage of Total System	PLAN B FY 2006 Covered Employees	Rank	Percentage of Total System
Baltimore County, Maryland	2,216	1	64.10%	-		
Certain employees of:						
Board of Education	1,111	2	32.14%	-		
Community College	91	3	2.63%	-		
Revenue Authority	26	4	0.75%	-		
Board of Library Trustees	13	5	0.38%	-		
Total	3,457		100.00%	-		

Plan A closed to members hired after June 30, 2007. Plan B was created for members hired on or after July 1, 2007.