



**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Financial Statements and Supplemental Schedules

June 30, 2012

(With Independent Auditors' Report)



**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
City of Atlanta, Georgia
General Employees' Pension Plan:

We have audited the accompanying statement of plan net position of the City of Atlanta, Georgia General Employees' Pension Plan (the Plan) as of June 30, 2012, and the related statement of changes in plan net position for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Atlanta, Georgia General Employees' Pension Plan as of June 30, 2012, and the changes in its net position for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of funding progress, and schedule of employer and other contributions on pages 3 – 8 and 21 – 23, respectively, 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.

KPMG LLP

March 27, 2013

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis (Unaudited)

June 30, 2012

As management we offer readers of the General Employees' Pension Plan (the Plan) financial statements, this narrative overview and analysis of the financial activities of the Plan for the year ended June 30, 2012. This overview compares the year ended June 30, 2012 with the year ended June 30, 2011. Readers are encouraged to read the Notes to the Financial Statements in conjunction with the financial statements presented following this narrative.

The Plan is administered as an agent multiple-employer, defined-benefit plan by the Board of Trustees (the Board), which includes an appointee of the Mayor, the City's Chief Financial Officer, a member of the City Council, a member of the Atlanta Board of Education (School System), two representatives elected by the retired membership (City and School System) and four representatives elected by active City and School System membership.

The objective of the Plan is to meet long-term benefit obligations through member and employer contributions and investment earnings. As a measure of progress against being able to provide for these future obligations, readers should consider the Plan funded ratio. The funded ratio is the actuarially determined assets against liabilities. The Plan funded ratio as of the July 1, 2011 actuary report is 51.19% for the City and 17.57% for the School System.

Financial Highlights

- The assets of the Plan exceeded its liabilities at the close of 2012 by \$1.0 billion. This amount represents the Plan's net position.
- The total net position decreased by \$61.4 million or 5.6% compared with fiscal year 2011.
- Net investment income declined by \$171.6 million compared to fiscal year 2011.
- Contributions received from employer and employees totaled \$91.2 million as compared to \$108.6 million in fiscal year 2011.
- Benefit payments totaled \$158.3 million, an increase of \$5.9 million or 3.9% when compared with fiscal year 2011.

Fiduciary funds. The Plan is considered a fiduciary fund of the City of Atlanta, Georgia (City). The City's most recent CAFR for the year ended June 30, 2012 should be read in conjunction with these financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government, but over which the government maintains a meaningful degree of ongoing responsibility. The financial statements of fiduciary funds are presented using the economic resources measurement focus, or full accrual, similar to private sector businesses.

Directly following this discussion are the basic financial statements. The *basic financial statements* and required disclosures are prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis (Unaudited)

June 30, 2012

Financial Highlights (Continued)

Basic financial statements comprise:

The *Statement of Plan Net Position* presents information on the assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

The *Statement of Changes in Plan Net Position* presents information showing how the Plan's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Changes would include investment income, employee and employer contributions to the Plan, benefit payments to members, and administrative expenses.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements. The notes can be found following the financial statements in this report.

Required Supplementary Information. In addition to the basic financial statements, this report also presents certain *required supplementary information* concerning the Plan's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes in this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial stability. In the case of the Plan, assets exceeded liabilities by \$1.0 billion at the close of the year ended June 30, 2012. Table 1 summarizes the major categories of assets, liabilities, and net position. Table 2 summarizes the changes in the Plan's net position for the years ended June 30, 2012 and 2011.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Management's Discussion and Analysis (Unaudited)

June 30, 2012

Financial Analysis (Continued)

Table 1. General Employees' Pension Plan Net Position, Year Ended June 30, 2012 and 2011 (Dollars in thousands):

	Years ended June 30		Change	% Change
	2012	2011		
Assets:				
Cash and cash equivalents	\$ 74,697	\$ 43,735	\$ 30,962	70.8%
Investments	940,411	1,037,555	\$ (97,144)	(9.4)%
Securities lending collateral	117,104	121,482	\$ (4,378)	(3.6)%
Due from brokers for securities sold	5,082	4,087	\$ 995	24.3%
Receivables	15,007	15,456	\$ (449)	(2.9)%
Total assets	<u>\$ 1,152,301</u>	<u>\$ 1,222,315</u>	<u>\$ (70,014)</u>	<u>(5.7)%</u>
Liabilities:				
Accounts payable	\$ 833	\$ —	\$ 833	100.0%
Due to brokers for securities purchased	6,595	10,458	\$ (3,863)	(36.9)%
Liability for securities lending agreement	117,104	121,482	\$ (4,378)	(3.6)%
Deferred revenue	—	1,218	\$ (1,218)	(100.0)%
Total liabilities	<u>\$ 124,532</u>	<u>\$ 133,158</u>	<u>\$ (8,626)</u>	<u>(6.5)%</u>
Net position held in trust for pension benefits	<u>\$ 1,027,769</u>	<u>\$ 1,089,157</u>	<u>\$ (61,388)</u>	<u>(5.6)%</u>

The net position of the Plan decreased by \$61.4 million or 5.6% when compared to 2011. This is mainly attributable to the decline in net investment income, which was related to investment market performance for fiscal year 2012. Total assets for the Plan declined by \$70 million or 5.7% compared to 2011. Total cash and investments decreased by \$66.2 million offset by a \$1.0 million increase in amounts due from brokers for securities sold. Investments represent 81.6% of total assets as of June 30, 2012 compared to 84.9% as of June 30, 2011. The Plan liabilities do not include future benefits payable to plan participants, but an actuarially determined estimate of this amount is in the Required Supplementary Information of this report.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Management's Discussion and Analysis (Unaudited)

June 30, 2012

Financial Analysis (Continued)

**Table 2. General Employees' Pension Plan Changes in Net Position, Year Ended June 30, 2012 and 2011
(Dollars in thousands):**

	Years ended June 30		Change	% Change
	2012	2011		
Additions to plan net position:				
Investment income:				
Net appreciation (depreciation) \$	(11,394)	\$ 158,376	\$ (169,770)	(107.2)%
in fair value of investments				
Interest and dividends \$	21,086	\$ 23,352	\$ (2,266)	(9.7)%
Securities lending income \$	223	\$ 142	\$ 81	57.0%
Less:				
Investment expenses \$	(4,640)	\$ (5,042)	\$ 402	(8.0)%
Net investment income \$	5,275	\$ 176,828	\$ (171,553)	(97.0)%
Employer contributions:				
City of Atlanta \$	35,237	\$ 46,078	\$ (10,841)	(23.5)%
Atlanta Board of Education \$	39,000	\$ 47,333	\$ (8,333)	(17.6)%
Employee contributions \$	16,983	\$ 15,201	\$ 1,782	11.7%
Other income \$	66	\$ 65	\$ 1	1.5%
Total additions \$	96,561	\$ 285,505	\$ (188,944)	(66.2)%
Deductions from plan net position:				
Benefit payments \$	158,265	\$ 152,371	\$ 5,894	3.9%
Administrative fees, management fees, and other expenses	(316)	194	\$ (510)	(2.6)%
Total deductions \$	157,949	\$ 152,565	\$ 5,384	3.5%
Increase (decrease) in net position held in trust for pension benefits \$	(61,388)	\$ 132,940	\$ (194,328)	(146.2)%
Net position held in trust for pension benefits:				
Beginning of year \$	1,089,157	\$ 956,217		
Increase (decrease) \$	(61,388)	\$ 132,940		
End of year \$	1,027,769	\$ 1,089,157		

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Management's Discussion and Analysis (Unaudited)

June 30, 2012

Financial Analysis (Continued)

Total additions to the Plan net position declined by \$188.9 million or 66.2% compared to 2011. As mentioned earlier, this decrease is primarily attributed to the decrease in net investment income and market performance during fiscal year 2012. Net investment income was \$5.3 million for 2012, a decline of \$171.6 million compared to 2011. The investment portfolio comprises 68% equities and 32% fixed income investments as of June 30, 2012, which remains largely the same as the investment mix in 2011. The overall portfolio returned 0.75% for the 12 months ended June 30, 2012, compared with 20.46% for the same time period in 2011. The S&P 500 index rose 5.44% and 30.70%, respectively during the same time periods.

Employee contributions to the Plan increased by \$1.8 million or 11.7% to \$17.0 million mainly as a result of plan changes enacted during 2011, which required participants to contribute an additional 5% of pay to the Plan each year. Employer contributions decreased by \$19.2 million or 25.8% to \$74.2 million due to a lower actuarially determined required contribution (ARC) for fiscal 2012. Benefit payments increased by \$5.9 million or 3.9% to \$158.3 million. The increase in benefit payments is primarily the result of the increase in members from the City part of the Plan receiving benefits (see table below).

	June 30, 2012		
	Total	Change	% Change
Members:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6,077	5	0.08%
Current active employees:			
Fully vested	2,320	(174)	(7.0)%
Partially vested	741	475	178.6%
Nonvested	835	(537)	(39.1)%
Total membership	<u>9,973</u>	<u>(231)</u>	<u>(2.3)%</u>

	June 30, 2011		
	Total	Change	% Change
Members:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6,072	206	3.5%
Current active employees:			
Fully vested	2,494	(153)	(5.8)%
Partially vested	266	(183)	(40.8)%
Nonvested	1,372	80	6.2%
Total membership	<u>10,204</u>	<u>(50)</u>	<u>(0.5)%</u>

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Management's Discussion and Analysis (Unaudited)

June 30, 2012

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Plan's Chief Financial Officer, 11100 City Hall Tower, 68 Mitchell St., SW, Atlanta, Georgia 30303.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Statement of Plan Net Position

June 30, 2012

(Dollars in thousands)

Assets:	
Cash and cash equivalents	\$ 74,697
Receivables:	
Contributions receivable from employers	10,295
Contributions receivable from employees	618
Due from brokers for securities sold	5,082
Due from other City funds	164
Accrued interest receivable	1,986
Other receivables	1,944
Total receivables	<u>20,089</u>
Investments:	
Securities lending collateral investment pool	117,104
Equities	716,485
U.S. government and agency obligations	108,731
Corporate bonds	53,869
Other investments	61,326
Total investments	<u>1,057,515</u>
Total assets	<u>1,152,301</u>
Liabilities:	
Accounts payable	833
Due to brokers for securities purchased	6,595
Liability for securities lending agreement	117,104
Total liabilities	<u>124,532</u>
Net position Held in Trust For Pension Benefits (see schedule of funding progress on page 21)	<u>\$ 1,027,769</u>

See accompanying notes to financial statements.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Statement of Changes in Plan Net Position

Year ended June 30, 2012

(Dollars in thousands)

Additions to Plan Net Assets:	
Contributions:	
Employer contributions	74,237
Employee contributions	16,983
Refunds and other	66
Total contributions	91,286
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ (11,394)
Interest and dividends	21,086
Securities lending income	223
Less investment expenses	(4,640)
Net investment income	5,275
Total additions	96,561
Deductions from plan net position:	
Benefit payments	158,265
Administrative fees, management fees, and other expenses	(316)
Total deductions	157,949
Net decrease	(61,388)
Net position Held in Trust for Pension	
Benefits:	
Beginning of year	1,089,157
End of year	\$ 1,027,769

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to the Financial Statements (Continued)

June 30, 2012

(1) Plan Description

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Atlanta, Georgia, Code of Ordinances, Section 6 (Plan agreement) for more complete information.

(a) Overview of Plan and Related Governments

The City of Atlanta, Georgia General Employees' Pension Plan (the Plan), an agent multiple-employer, defined-benefit pension plan, was established by a 1927 Act of the State of Georgia Legislature to provide retirement benefits for permanent employees of the City of Atlanta (the City), excluding sworn personnel of the Police and Fire Departments and including employees of the Atlanta Board of Education (the School System) who are not covered under the Teachers Retirement System of Georgia. Until 1983, the Georgia Legislature established all requirements and policies of the Plan. By a Constitutional amendment, effective July 1983, control over the Plan transferred to the City under the principle of Home Rule. Effective July 1, 2001, all new, permanent employees of the City, excluding sworn personnel of the Police and Fire Departments, are only eligible to participate in the newly created Defined Contribution Plan. Effective December 5, 2002, employees previously participating in the General Employees' Defined Benefit Plan were given the option of transferring to the new Defined Contribution Plan.

Effective September 1, 2005, classified employees and certain nonclassified employees, pay grade 18 and below enrolled in the Defined Contribution Plan had the one-time option of transferring to the General Employees' Pension Plan. Classified employees and certain nonclassified employees pay grade 18 and below not covered by either the Police Officers' or Firefighters' Pension Plans, hired after September 1, 2005 are required to become members of the General Employees' Pension Plan.

The funding methods and determination of benefits payable were established by the legislative acts creating the Plan, as amended, and in general, provide that funds are to be accumulated from employee contributions, City and School System contributions, and income from the investment of accumulated funds.

The Plan is included in the fiduciary fund of the City of Atlanta, Comprehensive Annual Financial Report (CAFR) as part of the Pension Trust Fund. The City's most recent CAFR for the year ended June 30, 2012, should be read in conjunction with these financial statements.

(b) Amendments

In June 2011, the City Council approved changes for the City's three defined benefit plans, effective on September 1, 2011, for new hires and November 1, 2011, for existing employees. General employees hired after July 1, 2001, below payroll grade 19 or its equivalent, are required to contribute to the General Employees' Pension Plan (the Plan).

Employees hired on or after September 1, 2011, who are below payroll grade 19, are required to participate in a hybrid defined benefit plan with a mandatory defined contribution component. The defined benefit portion of this plan includes a 1% multiplier.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements (Continued)

June 30, 2012

(1) Plan Description (Continued)

(b) Amendments (Continued)

The retirement age increased to age 62 for participants in the Plan. Early Retirement Age is changed from any age (as long as vested) with penalty, to age 52 for hires after September 1, 2011. Upon retirement, these participants will receive an annually calculated cost of living increase to their pension benefit that may not exceed 1% and is based upon the Consumer Price Index. Sick and vacation leave are no longer applied to retirement benefits for employees hired after September 1, 2011.

Beginning on November 1, 2011, General employees participating in the Plan and hired before September 1, 2011, or after January 1, 1984, had an increase of 5% in their mandatory contributions into the Plan fund in which they participate. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary).

Beginning in fiscal year 2012, (July 1, 2011) there is a cap on the maximum amount of the City's contribution to the Plan measured as a percentage of payroll. The City's annual contribution to the Plan may not exceed 35% of payroll of the participants in the City's three defined benefit plans. In the event that this 35% cap is reached, the City will fund any overage for the first 12-month period from its reserves. During that period, the City's management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12-month period, the City and the participants will equally split the cost of the coverage, subject only to a provision that employee contributions may not increase more than 5%.

Beginning with the 2012 actuarial valuation, the amortization period for the Unfunded Actuarial Accrued Liability (UAAL) is changed from a 30-year open period to a 30-year closed amortization period designed to eliminate the UAAL by July 1, 2042.

Amendments to Defined Contribution Plan

Employees hired on or after September 1, 2011 who are below pay grade 19 or its equivalent are required to participate in the mandatory defined contribution component, which includes a mandatory employee contribution of 3.75% of salary and is matched 100% by the City. Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary, which is also matched 100% by the City. Employees vest in the amount of the City's contributions at a rate of 20% per year and become fully vested in the City's contribution after 5 years of participation.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements (Continued)

June 30, 2012

(1) Plan Description (Continued)

(c) Membership

The following schedule reflects membership data for the Plan at the most recent actuarial valuation for the year ended June 30, 2012:

	The City	School System
Members:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,765	2,312
Current active employees:		
Fully vested	1,777	543
Partially vested	683	58
Nonvested	633	202
Total membership	6,858	3,115

(d) Administration of the Plan

The Plan is administered an agent multiple-employer defined benefit pension plan by the Board of Trustees (the Board) which includes an appointee of the Mayor, the City's Chief Financial Officer, a member of the City Council, a member of the School System, two representatives elected by the retired membership (City and School System) and four representatives elected by active City and School System membership. All modifications to the Plan must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial Officer, and the Board of Trustees. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

The Board is ultimately responsible for making all decisions with regard to the administration of the Plan, including the management of Plan assets, and for carrying out the investment policy on behalf of the Plan.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Employee contributions are recognized as additions to plan net position in the period in which withheld from the employees' salary. Benefits and refunds are recognized as deductions from plan net position when due and payable.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to the Financial Statements (Continued)

June 30, 2012

(2) Summary of Significant Accounting Policies (Continued)

(b) Cash and Cash Equivalent

The Plan considers all highly liquid debt securities with an original maturity of three months at the date of purchase or less to be cash equivalents.

(c) Investments

State of Georgia and City statutes authorize the Plan to invest in U.S. government obligations, U.S. government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. government and the Georgia Fund I (a local government investment pool maintained by the State of Georgia). Additionally, the Plan is authorized to invest in common stock provided that the cost basis of such investments do not exceed 55% of the net position of the Plan. The Plan invests in repurchase agreements only when they are collateralized by U.S. government or agency obligations.

The Plan is also authorized to invest in collateralized mortgage obligations (CMOs) to maximize yields. These securities are based on cash flows from interest payments on underlying mortgages. CMOs are sensitive to prepayment by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

The Plan's investments are reported at fair value. Quoted market prices are used to value all investments in equities based on closing prices on the U.S. national securities exchange. Securities traded on the open market for which no sale was reported on that date are valued at the most recent quoted bid price.

Estimated fair values provided by third-party vendors are used to value U.S. governmental notes, corporate bonds, mutual funds, and U.S. government and agency guaranteed bonds, if not traded in an active market.

The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the balance sheet date. Investment income is recognized on the accrual basis as earned by the Plan.

(d) Use of Estimates

Management of the Plan has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the additions and deductions from plan net position to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to the Financial Statements (Continued)

June 30, 2012

(3) Deposits and Investments

The Board is responsible for making all decisions with regard to the administration of the Plan, including the management of Plan assets, and for carrying out the investment policy on behalf of the Plan.

The Plan's investments are managed by various investment managers under contracts with the Plan who have discretionary authority over the assets managed by them, within the Plan's investment guidelines, established by the Board. The investments are held in trust by the Plan's custodian in the Plan's name. These assets are held exclusively for the purpose of providing benefits to members of the Plan and their beneficiaries.

Identified below are the investment types that are authorized by the Board for the Plan. The Plan's investment policy also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

The Plan maintains cash to meet its immediate liquidity needs. Cash not immediately needed is invested in either short-term or long-term investment securities as directed by management. The Plan, by policy, is to invest its cash in domestic equities, domestic fixed income securities, and cash equivalents. These instruments consist of common and preferred stock, obligations of the U.S. government and agencies (GNMA, FHLMC, and FNMA securities and CMO's), corporate bonds, and certificates of deposit. The Plan has strict limitations on the amounts managers are allowed to invest in any one issuer in all classes of securities. The Plan also invests in repurchase agreements, which must be fully collateralized by U.S. government or agency guaranteed securities.

(a) Investment Risk Disclosures

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. By policy, the Plan establishes maximum maturity dates by investment type in order to limit interest rate risk. The Plan manages its exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion is maturing or coming close to maturing, evenly over time, as necessary, to provide the cash flow and liquidity needs for operations. The Plan has no specific policy to address interest rate risk.

Credit Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each investment by a nationally recognized statistical rating organization. The Plan has no specific policy to address credit risk.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements (Continued)

June 30, 2012

(3) Deposits and Investments (Continued)

(a) Investment Risk Disclosures (Continued)

As of June 30, 2012, the Plan had the following fixed income investments (Dollars in thousands), with the corresponding credit ratings and maturities:

Type of investments	Credit rating	June 30, 2012					Fair value
		Maturity					
		Under 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	
U.S. government agencies	AAA	\$ 2,750	\$ 4,298	\$ 2,784	\$ 29,066	\$ 66,757	\$ 105,655
Corporate bonds	AA/A-	1,256	8,367	2,353	17,513	6,475	35,964
Corporate bonds	B+/BBB	2,370	1,588	1,740	8,291	3,916	17,905
Automobile loan receivables	A+/AAA	—	10,838	718	1,195	—	12,751
Automobile loan receivables	NR	—	1,131	2,703	324	—	4,158
Credit card receivables	AAA	899	1,214	3,042	995	—	6,150
Asset-backed securities	AAA	1,975	183	162	—	—	2,320
Corporate CMO's	AAA/A+	—	—	—	1,286	4,913	6,199
Corporate CMO's	B-	—	—	—	—	737	737
Corporate CMO's	NR	—	—	—	55	582	637
CMO's	AAA/A	—	—	—	—	26,918	26,918
CMO's	NR	—	—	—	—	1,456	1,456
State and local obligations	AAA/AA-	—	—	—	368	2,708	3,076
		\$ 9,250	\$ 27,619	\$ 13,502	\$ 59,093	\$ 114,462	\$ 223,926

Custodial Credit Risk. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City requires that uninsured collected balances held in trust by the City for the Plan plus accrued interest in depository accounts be collateralized and that the market value of collateralized pledged securities must be at least 110% of the deposit balances, and 102% of collateral value for repurchase agreements. As a result, the Plan had no deposits or investments with custodial risks as of June 30, 2012.

Concentration Credit Risk. Investments in any one issuer representing 5% or more of the net assets held in trust for pension benefits at June 30, 2012 are as follows (Dollars in thousands):

Issuer	Investment type	Total investments June 30, 2012
Collective	US Government Stiff	\$ 52,414

Foreign Currency Risk. Foreign currency risk is the risk that changes in currency exchange rates could adversely affect an investment's or deposit's fair value. During fiscal year 2012, the Plan's

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements (Continued)

June 30, 2012

(3) Deposits and Investments (Continued)

(a) Investment Risk Disclosures (Continued)

investment policies were revised to allow domestic equities, domestic fixed income, cash equivalents, and foreign equity securities. Although all of the foreign equity securities are American Depository Receipts (ADR's), this does not eliminate the foreign currency risk involved in purchasing foreign securities.

The following table provides the value in U.S. dollars by foreign currency denominations and investment type for the Plan investments denominated in foreign currencies at June 30, 2012 (Dollars in thousands):

<u>Currency</u>	<u>June 30, 2012</u>		
	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Netherlands	\$ —	\$ 604	\$ 604
Canada	387	1,727	2,114
United Kingdom	—	1,544	1,544
Bermuda	—	8,872	8,872
Ireland	—	3,850	3,850
Switzerland	—	975	975
Panama	—	266	266
Cayman Islands	99	83	182
Total securities subject to foreign currency risk	\$ 486	\$ 17,921	\$ 18,407

(b) Securities Lending

State statutes and Board policies permit the Plan 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 Plan's custodians lend securities of the type on loan at year-end for collateral in the form of cash or other securities of 102% of collateral value. Cash collateral is invested in overnight investments.

At June 30, 2012, the General Employee Pension Plan had funds under a securities lending agreement. As of June 30, 2012, the market value of outstanding loans was \$114,286,000. The amount of collateral was \$117,104,000, which consisted of cash, collateral investment and noncash loans. The Plan has no significant credit risk exposure to borrowers. The contract with the Plan's custodian requires it to indemnify the Plan if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities or fail to pay the Plan for income distributions by the securities issuers while the securities are on loan.

There were no violations of legal or contractual provisions, borrower or lending agent default losses, and no recoveries of prior period losses during the year. There are income distributions owed on the securities loaned. The Plan records the cash received as collateral under securities lending

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to the Financial Statements (Continued)

June 30, 2012

(3) Deposits and Investments (Continued)

(b) Securities Lending (Continued)

agreements and the investments purchased with that cash as securities lending collateral investment pool with a corresponding amount recorded as a liability.

All securities lending can be terminated on demand by either the Plan or the borrower, with the borrower returning equivalent securities to the Plan within a specified period of time.

(4) Funding Policy

The City's funding policy is to contribute a percentage of the Plan covered employee payroll as developed in the actuarial valuation for the Plan. Active participants are required to contribute 12% of base pay (13% if participant has a covered beneficiary). The City and School System contribution percentages are the actuarially determined amounts necessary to fund plan benefits after consideration of employee contributions.

The actuarially determined annual required contribution amount is the sum of the annual normal cost (determined under the Entry Age Normal Actuarial Cost Method) and the amortization of the UAAL as a level percentage of future payrolls. Beginning with the July 1, 2011 valuation, the City elected to change its amortization period for the unfunded actuarial accrued liability UAAL from a 30-year open period beginning in January 1, 1979, to a 30-year closed period. With respect to the School System, the annual required contribution is calculated as described above, however, the amortization period for the UAAL is a closed 45-year beginning January 1, 1979. The actuarial cost method used for funding purposes is the Entry Age Normal Cost Method. This method is one of the approved methods for such plans in the State of Georgia, and provides for contributions based on a level percentage of future payrolls. The UAAL for funding purposes are amortized on a basis consistent with State of Georgia guidelines. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the actuarial accrued liability.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements (Continued)

June 30, 2012

(5) Contributions Required and Contributions Made

The required contribution percentages developed in the actuarial valuations for the Plan for the year ended June 30, 2012 and the actual contributions made are as follows (Dollars in thousands):

	June 30, 2012	
	School System	The City
Normal cost	14.71%	6.53%
Amortization of the unfunded actuarial accrued liability	151.12%	32.16%
Total required contributions as a percentage of covered payroll	165.83%	38.69%
2012 actual employee contributions:		
Dollar amount	\$ 1,841	\$ 15,142
Percent of covered payroll	7.50%	11.16%
2012 actual employer contributions:		
Dollar amount	\$ 39,000	\$ 35,237
Percent of covered payroll	158.78%	25.98%

The annual covered payroll for the City was \$135,636,000 for the year ended June 30, 2012. The annual covered payroll for the School System was \$24,563,000 for the year ended June 30, 2012. The actual employer contributions shown above include amounts used to fund retiree supplemental cost of living increases and other minimum benefits. These amounts are components of the City's contributions for purposes of meeting actuarially determined funding requirements.

(6) Contributions Receivable

(a) Employer

Employer contribution receivable represents Annual Required Contributions owed but not yet remitted to the Plan by the City and the School System. Total contributions receivable from the City and the School System were \$1,962,000 and \$8,333,000 as of June 30, 2012, respectively.

(b) Employees

Contributions receivable from employees include amounts withheld from employees pay but not yet remitted to the Plan. Employees may receive credit for years of service from employment with certain state and local governmental agencies as well as prior employment with the City. Employees are eligible to make "back" contributions, which are applicable to such service periods. These contributions may be paid over a future period, even after retirement. In addition, 1962 and 1978 amendments to the Plan increased pension benefits and the related employee contribution rates. Active employees may retroactively increase their contribution rates from the date of employment in order to receive the maximum increased benefits available under the 1962 and 1978 amendments.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Notes to the Financial Statements

June 30, 2012

(6) Contributions Receivable (Continued)

(b) Employees (Continued)

These "back contributions" may also be paid over a future period. Total contributions receivable from employees was \$618,000 at June 30, 2012.

(7) Tax Status

The Plan and its trust are intended to be qualified under Sections 401(a) and 501(c) of the Internal Revenue Code (IRC) such that they are not subject to tax under federal income tax laws. The Internal Revenue Service (IRS) issued a favorable determination letter on August 17, 2004 with respect to the Plan, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since the 2004 determination letter, and the City believes that those amendments do not adversely affect the qualified status of the Plan. The IRS's 2004 determination was subject to the adoption of an amendment to the City Charter and the correction of additional plan language in order to bring the Plan into compliance with the current IRC. These required changes were accomplished through an amendment to the City of Atlanta Charter and an ordinance correcting the language of the Plan and adopted by the Atlanta City Council on December 6, 2010. Additionally, a current Application for Determination was submitted to the IRS for consideration on January 31, 2011.

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Required Supplementary Information

Schedule of Funding Progress

June 30, 2012

(Unaudited)

(Dollars in thousands)

The City						
Actuarial valuation date	Actuarial valuation assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/c)
January 1, 2006	\$ 702,178	\$ 1,335,975	\$ 633,797	52.56%	\$ 152,408	415.86%
July 1, 2007	\$ 749,353	\$ 1,436,278	\$ 686,925	52.17%	\$ 155,185	442.65%
July 1, 2008	\$ 829,734	\$ 1,483,733	\$ 653,999	55.92%	\$ 179,982	363.37%
July 1, 2009	\$ 881,009	\$ 1,481,563	\$ 600,554	59.46%	\$ 150,312	399.54%
July 1, 2010	\$ 866,906	\$ 1,614,267	\$ 747,361	53.70%	\$ 142,597	524.11%
July 1, 2011	\$ 868,799	\$ 1,697,083	\$ 828,284	51.19%	\$ 135,636	610.67%

School System						
Actuarial valuation date	Actuarial valuation assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/c)
January 1, 2006	\$ 116,866	\$ 600,055	\$ 483,189	19.48%	\$ 26,186	1,845.22%
July 1, 2007	\$ 133,058	\$ 643,302	\$ 510,244	20.68%	\$ 29,105	1,753.11%
July 1, 2008	\$ 150,876	\$ 655,110	\$ 504,234	23.03%	\$ 28,273	1,783.45%
July 1, 2009	\$ 112,295	\$ 644,788	\$ 532,493	17.42%	\$ 29,405	1,810.89%
July 1, 2010	\$ 114,616	\$ 669,033	\$ 554,417	17.13%	\$ 26,304	2,107.73%
July 1, 2011	\$ 113,553	\$ 646,444	\$ 532,891	17.57%	\$ 24,563	2,169.49%

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Schedule of Employer and Other Contributions

June 30, 2012

(Unaudited)

(Dollars in thousands)

The City				School System			
Year	Actual required contribution	Actual employer contribution	Percentage contributed	Year	Actual required contribution	Actual employer contribution	Percentage contributed
2007	\$ 69,078	\$ 84,973	123.0%	2007	\$ 46,116	\$ 49,265	106.8%
2008	\$ 69,078	\$ 70,335	101.8%	2008	\$ 38,582	\$ 54,567	141.4%
2009	\$ 69,991	\$ 69,991	100.0%	2009	\$ 39,600	\$ 42,005	106.1%
2010	\$ 51,699	\$ 51,762	100.1%	2010	\$ 43,585	\$ 45,500	104.4%
2011	\$ 46,068	\$ 46,078	100.0%	2011	\$ 37,217	\$ 47,333	127.2%
2012	\$ 35,237	\$ 35,237	100.0%	2012	\$ 39,000	\$ 39,000	100.0%

**CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN**

Required Supplementary Information

Notes to Schedule of Funding Progress and
Schedule of Employer and Other Contributions

June 30, 2012

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

The actuarial accrued liabilities is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and expected date of payment.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employee compensation. The accumulated plan benefits for active employees are based on their average compensation and credited service ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances – retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

Additional information as of the latest actuarial valuation follows:

	<u>The City</u>	<u>School System</u>
Valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30-year closed	45-year closed
Remaining amortization period	29 years remaining as of July 1, 2011	19 years remaining as of July 1, 2011
Asset valuation method	Actuarial value from the prior year plus net new money plus 20% of the asset appreciation/(depreciation)	Actuarial value from the prior year plus net new money plus 20% of the asset appreciation/(depreciation)
Investment rate of return	8.00%	8.00%
Projected salary increases	4.50%	4.50%
Postretirement benefit increases	3.00%	3.00%