KPMG

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Financial Statements and Supplemental Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Table of Contents

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Atlanta, Georgia General Employees' Pension Plan (the Plan), which comprise the statements of plan net position as of June 30, 2013 and 2012, and the statements of changes in plan net position for the years then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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 an opinion 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 net position of the City of Atlanta, Georgia General Employees' Pension Plan as of June 30, 2013 and 2012, and the changes in plan net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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 Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, GA
November 6, 2013

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 years ended June 30, 2013 and 2012. This overview compares the years ended June 30, 2013 and 2012. 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, 2012 actuary report is 51.02% for the City and 15.98% for the School System.

Financial Highlights

- At June 30, 2013, the assets of the Plan exceeded its liabilities by $1.1 billion. At June 30, 2012, the assets of the Plan exceeded its liabilities by $1.0 billion. This amount represents the Plan's net position.
- The total net position increased in 2013 by $102.2 million or 9.9% compared with net position at June 30, 2012. The total net position decreased in 2012 by $61.4 million or 5.6% compared with net position at June 30, 2011.
- Net investment income increased in 2013 by $158.3 million compared to fiscal year 2012. Net investment income declined in 2012 by $171.6 million compared to fiscal year 2011.
- Contributions received from employer and employees in 2013 totaled $100.7 million as compared to $91.2 million and $108.6 million in fiscal years 2012 and 2011, respectively.
- Benefit payments in 2013 totaled $161.4 million, an increase of $3.2 million or 2.0% when compared with fiscal year 2012. Benefit payments in 2012 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 Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2013 and 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 basis of accounting, 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).

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Basic financial statements comprise

The *Statements 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 *Statements 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.

(Continued)

Financial Analysis

Financial Analysis of June 30, 2013 compared to June 30, 2012

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 $1.1 billion and $1.0 billion at the close of the years ended June 30, 2013 and 2012, respectively. 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, 2013 and 2012.

Table 1. General Employees' Pension Plan Net Position, Years ended June 30, 2013 and 2012 (in thousands)

	Years ended June 30			
	2013	**2012**	**Change**	**Percentage change**
Assets:				
Cash and cash equivalents	$ 85,950	74,697	11,253	15.1%
Investments	1,029,979	940,411	89,568	9.5
Securities lending collateral	—	117,104	(117,104)	(100.0)
Due from brokers for securities sold	835	5,082	(4,247)	(83.6)
Receivables	14,623	15,007	(384)	(2.6)
Total assets	1,131,387	1,152,301	(20,914)	(1.8)
Liabilities:				
Accounts payable	963	833	130	15.6
Due to brokers for securities purchased	486	6,595	(6,109)	(92.6)
Liability for securities lending agreement	—	117,104	(117,104)	(100.0)
Total liabilities	1,449	124,532	(123,083)	(98.8)
Net position held in trust for pension benefits	$ 1,129,938	1,027,769	102,169	9.9%

The net position of the Plan increased by $102.2 million or 9.9% when compared to the beginning balance at July 1, 2012. This is mainly attributable to an increase in net investment income, which was related to improved investment market performance for fiscal year 2013. Total assets for the Plan declined by $20.9 million or 1.8% compared to 2012. Total cash and investments increased by $100.8 million offset by a $4.2 million decrease in amounts due from brokers for securities sold. Cash and investments represent 98.6% of total assets as of June 30, 2013 compared to 88.1% as of June 30, 2012. The increase is the result of the Plan not having any Securities Lending at the end of fiscal year 2013. 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.

(Continued)

Table 2. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2013 and 2012 (in thousands)

	Years ended June 30 2013	Years ended June 30 2012	Change	Percentage Change
Additions to plan net position:				
Employer contributions:				
City of Atlanta	$ 38,694	35,237	3,457	9.8%
Atlanta Independent School System	43,013	39,000	4,013	10.3
Employee contributions	19,011	16,983	2,028	11.9
Refunds and other	79	66	13	19.7
Investment income:				
Net appreciation (depreciation) in fair value of investments	146,171	(11,394)	157,565	1,382.9
Interest and dividends	20,731	21,086	(355)	(1.7)
Securities lending income	163	223	(60)	(26.9)
Less investment expenses	(3,537)	(4,640)	1,103	23.8
Net investment income	163,528	5,275	158,253	3,000.1
Total additions	264,325	96,561	167,764	173.7
Deductions from plan net position:				
Benefit payments	161,439	158,265	3,174	2.0
Administrative fees, management fees, and other expenses	717	(316)	1,033	(326.9)
Total deductions	162,156	157,949	4,207	2.7
Increase (decrease) in net position held in trust for pension benefits	$ 102,169	(61,388)	163,557	(266.4)%
Net position held in trust for pension benefits:				
Beginning of year	$ 1,027,769	1,089,157		
Increase (decrease)	102,169	(61,388)		
End of year	$ 1,129,938	1,027,769		

Total additions to the Plan net position increased by $167.8 million or 173.7% compared to 2012. As mentioned earlier, this increase is primarily attributed to the increase in net investment income and improved market performance during fiscal year 2013. Net investment income was $163.5 million for 2013, an increase of $158.3 million compared to 2012. The investment portfolio comprises 79% equities and 21% fixed income investments as of June 30, 2013, compared to 68% equities and 32% fixed income investments as the investment mix in 2012. The overall portfolio returned 16.7% for the 12 months ended June 30, 2013, compared with 0.75%

for the same time period in 2012. The S&P 500 index rose 20.60% and 5.44%, respectively during the same time periods.

Employee contributions to the Plan increased by $2.0 million or 11.9% to $19.0 million mainly as a result of plan changes enacted during 2011, which required participants from the City to contribute an additional 5% of pay to the Plan each year. Employer contributions increased by $7.5 million or 10.1% to $81.7 million because of increased membership. Benefit payments increased by $3.2 million or 2.0% to $161.4 million. The increase in benefit payments is primarily the result of the increase in retiree and beneficiary members from the City part of the Plan receiving benefits (see note 1(c)).

Table 3. Membership Data

	June 30, 2013		
	Total	**Change**	**Percentage change**
Members:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 6,079	2	0.03%
Current active employees:			
Fully vested	2,184	(136)	(5.9)
Partially vested	978	237	32.0
Nonvested	760	(75)	(9.0)
Total membership	$ 10,001	28	0.3%

	June 30, 2012		
	Total	**Change**	**Percentage change**
Members:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 6,077	5	0.1%
Current active employees:			
Fully vested	2,320	(174)	(7.0)
Partially vested	741	475	64.1
Nonvested	835	(537)	(64.3)
Total membership	$ 9,973	(231)	(2.3)%

Financial Analysis of June 30, 2012 compared to June 30, 2011

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.

Table 1. General Employees' Pension Plan Net Position, Years ended June 30, 2012 and 2011 (in thousands)

	Years ended June 30			Percentage
	2012	2011	Change	change
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	1,152,301	1,222,315	(70,014)	(5.7)
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	124,532	133,158	(8,626)	(6.5)
Net position held in trust for pension benefits	$ 1,027,769	1,089,157	(61,388)	(5.6)%

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 $70.0 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 88.1% of total assets as of June 30, 2012 compared to 88.5% 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.

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

	Years ended June 30			Percentage
	2012	2011	Change	change
Additions to plan net position:				
Employer contributions:				
City of Atlanta	$ 35,237	46,078	(10,841)	(23.5)%
Atlanta Independent School System	39,000	47,333	(8,333)	(17.6)
Employee contributions	16,983	15,201	1,782	11.7
Refunds and other	66	65	1	1.5
Investment income:				
Net appreciation (depreciation) in fair value of investments	(11,394)	158,376	(169,770)	(107.2)
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)
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)	(262.9)
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		

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 20.5% 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.

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

Statements of Plan Net Position

June 30, 2013 and 2012

(In thousands)

		2013	2012
Assets:			
Cash and cash equivalents	$	85,950	74,697
Receivables:			
Contributions receivable from employers		10,652	10,295
Contributions receivable from employees		613	618
Due from brokers for securities sold		835	5,082
Accrued interest receivable		1,588	1,986
Other receivables		1,770	2,108
Total receivables		15,458	20,089
Investments:			
Securities lending collateral investment pool		—	117,104
Equities		688,166	667,653
Commingled funds - equities		123,977	48,832
Commingled funds - fixed income		78,224	—
U.S. government and agency obligations		64,122	108,731
Corporate bonds		48,635	53,869
Other investments		26,855	61,326
Total investments		1,029,979	1,057,515
Total assets		1,131,387	1,152,301
Liabilities:			
Accounts payable		963	833
Due to brokers for securities purchased		486	6,595
Liability for securities lending agreement		—	117,104
Total liabilities		1,449	124,532
Net position held in trust for pension benefits (see schedule of funding progress on page 23)	$	1,129,938	1,027,769

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Statements of Changes in Plan Net Position

Years ended June 30, 2013 and 2012

(In thousands)

		2013	2012
Additions to plan net assets:			
Contributions:			
Employer contributions	$	81,707	74,237
Employee contributions		19,011	16,983
Refunds and other		79	66
Total contributions		100,797	91,286
Investment income:			
Net appreciation (depreciation) in fair value of investments		146,171	(11,394)
Interest and dividends		20,731	21,086
Securities lending income		163	223
Less investment expenses		(3,537)	(4,640)
Net investment income		163,528	5,275
Total additions		264,325	96,561
Deductions from plan net position:			
Benefit payments		161,439	158,265
Administrative fees, management fees, and other expenses		717	(316)
Total deductions		162,156	157,949
Net increase (decrease)		102,169	(61,388)
Net position held in trust for pension benefits:			
Beginning of year		1,027,769	1,089,157
End of year	$	1,129,938	1,027,769

See accompanying notes to financial statements.

(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 years ended June 30, 2013 and 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.

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). Where an Actuarial Valuation anticipates that the City's annual required contribution (ARC) for the next fiscal year will exceed 35% of the total payroll, contributions may be increased, by no more than 5% of compensation, in order to fund the overage.

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 which 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.

(c) Membership

The following schedule reflects membership data for the Plan at July 1, 2012 (fiscal year 2013) and July 1, 2011 (fiscal year 2012), the dates of the most recent actuarial valuations:

		The City		School System	
		June 30		June 30	
		2013	2012	2013	2012
Members:					
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$	3,826	3,765	2,253	2,312
Current active employees:					
Fully vested		1,683	1,777	501	543
Partially vested		834	683	144	58
Nonvested		642	633	118	202
Total membership	$	6,985	6,858	3,016	3,115

(d) *Administration of the Plan*

The Plan is administered as an agent multiple-employer defined benefit pension plan by the Board of Trustees (the Board) which includes The Mayor or his designee, the City's Chief Financial Officer, a member of the City Council, two active City employee representatives, one retired City representative, one active School System representative, and one retired School System Representative. 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.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. This Statement improves financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Plan in fiscal year 2014. Management of the Plan is evaluating the impact on the Plan's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Plan in fiscal year 2015. Management of the Plan is evaluating the impact on the Plan's financial statements.

(b) *Cash and Cash Equivalents*

The Plan considers all highly liquid debt securities with an original maturity of three months or less at the date of purchase 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. government notes, corporate bonds, mutual funds, and U.S. government and agency guaranteed bonds, if not traded in an active market. Partnership investments are valued based on the net asset value of the partnership, without further adjustment. Net asset value is based upon the fair value of the underlying investments. Information provided by partnerships regarding the methods they use to value the underlying investments of the partnership and any restrictions on or illiquidity of the interests of partnerships are considered in determining fair value.

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 statement of plan net position 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.

(3) Deposits and Investments

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 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 and international equities, domestic and international 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 invests in commingled funds with underlying investments represented by publicly traded equity and fixed income securities. 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.

In 2013, the Board authorized the Plan to invest in alternative investments, not to exceed 5% of total investments.

(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.

As of June 30, 2013 and 2012, the Plan had the following fixed income investments (in thousands), excluding commingled funds - fixed income, with the corresponding credit ratings and maturities:

	June 30, 2013						
		Maturity					
Type of investments	**Credit rating**	**Under 1 year**	**1 – 3 years**	**3 – 5 years**	**5 – 10 years**	**Over 10 years**	**Fair value**
U.S. government agencies	AAA	$ 11	171	5,371	8,054	47,163	60,770
Corporate Bonds	AA/A-	1,262	9,186	7,484	9,287	5,519	32,738
Corporate Bonds	B+/BBB	698	899	2,980	8,766	2,553	15,896
Automobile Loan Receivables	A+/AAA	—	219	100	—	—	319
Automobile Loan Receivables	NR	—	—	324	—	—	324
Credit Card Receivables	AAA	—	538	755	—	—	1,293
Asset Back Securities	AAA	—	—	700	99	213	1,012
Corporate CMO's	AAA/A+	—	—	31	713	2,823	3,567
Corporate CMO's	B-	—	—	—	—	658	658
Corporate CMO's	NR	—	—	—	36	1,075	1,111
CMO's	AAA/A	—	—	—	—	4,852	4,852
CMO's	B+/BBB	—	—	—	—	482	482
CMO's	NR	—	—	—	—	1,976	1,976
State and local obligations	AAA/AA-	—	—	—	1,512	1,840	3,352
		$ 1,971	11,013	17,745	28,467	69,154	128,350

	June 30, 2012						
		Maturity					
Type of investments	**Credit rating**	**Under 1 year**	**1 – 3 years**	**3 – 5 years**	**5 – 10 years**	**Over 10 years**	**Fair value**
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 Back 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.

(Continued)

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 credit risks as of June 30, 2013 and 2012.

Concentration of Credit Risk. There were no investments in any one issuer representing 5% or more of the net assets held in trust for pension benefits at June 30, 2013 and 2012, respectively.

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 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, 2013 and 2012 (in thousands):

	June 30, 2013		
Currency	**Debt**	**Equity**	**Total**
Canada	$ —	1,651	1,651
United Kingdom	—	2,995	2,995
Guernsey, CI	—	59	59
Bahamas	—	576	576
Bermuda	—	7,185	7,185
Ireland	—	3,224	3,224
Switzerland	—	1,076	1,076
Panama	—	429	429
Cayman Islands	—	468	468
Total securities subject to foreign currency risk	$ —	17,663	17,663

Currency		June 30, 2012		
		Debt	Equity	Total
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 of Trustees 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. At June 30, 2013, the Plan had no funds under a securities lending agreement. At June 30, 2012, the Plan had funds under a securities lending agreement with a market value of outstanding loans of $114,286,000 and collateral of $117,104,000 which consisted of cash, collateral investment, and noncash loans. As of June 30, 2013 and 2012, the Plan has no credit risk exposure to securities lending.

(c) Alternative Investments

As mentioned earlier, in 2013, the Board authorized the Plan to invest in alternative investments. During 2013, the Plan made a capital commitment of $28 million to a limited partnership. As of June 30, 2013, the Plan had an alternative investment in a limited partnership totaling $11,262,000. As part of the partnership agreement, the Plan may not voluntarily withdraw from the partnership prior to its dissolution, and no limited partnership interest is redeemable or repurchasable by the partnership at the option of the Plan.

(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 Actuarial 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.

(5) Contributions Required and Contributions Made

The required contribution percentages developed in the actuarial valuations for the Plan for the years ended June 30, 2013 and 2012 and the actual contributions made are as follows (in thousands):

	June 30, 2013	
	The City	**School System**
Normal cost	5.98%	14.58%
Amortization of the unfunded actuarial accrued liability	34.00	183.79
Total required contributions as a percentage of covered payroll	39.98%	198.37%
2013 actual employee contributions:		
Dollar amount	$ 17,322	1,689
Percent of covered payroll	12.43%	7.37%
2013 actual employer contributions:		
Dollar amount	$ 38,694	43,013
Percent of covered payroll	27.76%	187.72%

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

(Continued)

The annual covered payroll for the City was $139,393,000 and $135,636,000 for the years ended June 30, 2013 and 2012, respectively. The annual covered payroll for the School System was $22,914,000 and $24,563,000 for the years ended June 30, 2013 and 2012, respectively. 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. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(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 employer contributions receivable were $10,652,000 and $10,295,000 as of June 30, 2013 and 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. These "back contributions" may also be paid over a future period. Total contributions receivable from employees were $613,000 and $618,000 at June 30, 2013 and 2012, respectively.

(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 February 11, 2013 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 sponsor in conjunction with consultation with external legal counsel is in the process of filing a request for relief under the IRS Voluntary Correction Program for certain untimely amendments to the Plan documents and tax compliance issues involving interest calculations to Plan participants. The Plan sponsor anticipates these filings will be completed shortly to ensure continued qualification for tax exemption.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

(See Accompanying Independent Auditors' Report)

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Required Supplementary Information

Schedule of Funding Progress

June 30, 2013

(Unaudited)

(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)	AULA as a percentage of covered payroll (b-a)/c)
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
July 1, 2012	917,486	1,798,404	880,918	51.02	139,393	631.97

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)
July 1, 2007	$ 133,058	643,302	510,244	20.68%	$ 29,105	1,753
July 1, 2008	150,876	655,110	504,234	23.03	28,273	1,783
July 1, 2009	112,295	644,788	532,493	17.42	29,405	1,811
July 1, 2010	114,616	669,033	554,417	17.13	26,304	2,108
July 1, 2011	113,553	646,444	532,891	17.57	24,563	2,169
July 1, 2012	101,273	633,672	532,399	15.98	22,914	2,323

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Required Supplementary Information

Schedule of Employer and Other Contributions

June 30, 2013

(Unaudited)

(In thousands)

The City				School System			
Year	Annual required contribution	Actual employer contribution	Percentage contributed	Year	Annual required contribution	Actual employer contribution	Percentage contributed
2008	$ 69,078	70,335	101.8%	2008	$ 38,582	54,567	141%
2009	69,991	69,991	100	2009	39,600	42,005	106
2010	51,699	51,762	100	2010	43,585	45,500	104
2011	46,068	46,068	100	2011	37,217	47,333	127
2012	35,327	35,327	100	2012	38,830	39,000	100
2013	38,694	38,694	100	2013	43,679	43,013	98.5

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

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, 2013

(Unaudited)

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:

	The City	School System
Valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	28 years remaining as of July 1, 2012	16 years remaining as of July 1, 2012
Asset valuation period	Market of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.	Actuarial value from the prior year plus net new money plus 20% of the asset appreciation for the current year and each of the prior four years
Investment rate of return	8.00%	8.00%
Projected salary increases	4.50	4.50
Postretirement benefit increases	3.00	3.00