

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

**Financial Statements and Supplemental Schedules  
June 30, 2011 and June 30, 2010  
(With Independent Auditors' Report)**

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

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## Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the City of Atlanta, Georgia General Employees' Pension Plan (the "Plan") as of June 30, 2011 and June 30, 2010 and the related statements of changes in plan net assets for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust for pension benefits of the City of Atlanta, Georgia General Employees' Pension Plan as of June 30, 2011 and June 30, 2010 and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The schedules of funding progress and employer and other contributions on page 15 are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules certain limited procedures prescribed by professional standards, which consisted principally of inquires of management regarding the methods of measurement and presentation of the schedules.

*Banks, Finley, White & Co.*

February 22, 2011

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

Statements of Plan Net Assets  
June 30, 2011 and June 30, 2010  
(Dollars in thousands)

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,735	\$ 27,074
Investments:		
Equities	759,135	424,254
U.S. government and agency obligations	141,984	286,899
Corporate bonds	53,211	98,815
Other Investments	83,225	119,350
Total Investments	1,037,555	929,318
Securities lending collateral investment pool	121,482	96,338
Contributions receivable from employers	10,787	-
Contributions receivable from employees	410	421
Due from brokers for securities sold	4,087	4,882
Due from other funds	279	474
Accrued interest receivable	2,133	3,666
Other Receivables	1,847	-
Total Assets	1,222,315	1,062,173
<b>LIABILITIES</b>		
Deferred Revenue	1,218	2,091
Due to other funds of the City of Atlanta	-	15
Due to brokers for securities purchased	10,458	7,512
Liability for securities lending agreement	121,482	96,338
Total Liabilities	133,158	105,956
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (See Schedule of Funding Progress on page 14)</b>		
	<b>\$ 1,089,157</b>	<b>\$ 956,217</b>

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

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

Statements of Changes in Plan Net Assets  
For the Years Ended  
June 30, 2011 and June 30, 2010  
(Dollars in thousands)

	<b>2011</b>	<b>2010</b>
<b>Additions to Plan net assets:</b>		
Investment income:		
Net (depr.) appreciation in fair value of investments	\$ 158,376	\$ 82,640
Interest and dividends	23,352	28,877
Securities lending income	142	137
Less:		
Investment expenses	(5,042)	(3,826)
Net Investment Income (Loss)	176,828	107,828
Employer contributions:		
City of Atlanta	46,078	51,762
Atlanta Independent School System	47,333	45,500
Employee contributions	15,201	14,095
Other income	65	190
Total additions	285,505	219,375
<b>Deductions from Plan net assets:</b>		
Benefit payments	152,371	145,858
Administrative fees, management fees, and other expenses	194	968
Total Deductions	152,565	146,826
Net Increase	132,940	72,549
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	956,217	883,668
<b>END OF YEAR</b>	<b>\$ 1,089,157</b>	<b>\$ 956,217</b>

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

**CITY OF ATLANTA, GEORGIA**  
**GENERAL EMPLOYEES' PENSION PLAN**  
Notes to the Financial Statements  
June 30, 2011 and June 30, 2010

**Note 1 - Summary of Significant Accounting Policies**

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 Independent School System (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 non-classified employees, pay grade 18 and below enrolled in the Defined Contribution Plan had the one-time option of transferring to the General Employee's Pension Plan. Classified employees and certain non-classified 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 Employee's 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, exclusive of the portion allocated to the School System, is considered a fiduciary fund of the City and its financial statements are included in the City of Atlanta, Georgia's Comprehensive Annual Financial Report (CAFR) as part of the Pension Trust Fund. The latest available CAFR for the year ended June 30, 2011 should be read in conjunction with these financial statements.

b. *Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting whereby revenues are recognized as earned and expenses are recognized as the associated liabilities are incurred.

## Notes to Financial Statements - Continued

### Note 1 - Summary of Significant Accounting Policies, continued

c. *Cash*

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

d. *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 bases of such investments do not exceed 55% of the net assets 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 stated 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 over-the-counter 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.

## Notes to Financial Statements - Continued

### Note 2 - Plan Description

#### e. *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 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.

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. (On June 29, 2011, the City Council approved pension plan reform as presented in Note 8, page 14).

#### a. *Benefit Provisions*

The Plan provides monthly retirement benefits that initially represent 2.5% for each year of accredited service times the participant's final average three-year earnings or the highest consecutive three-year earnings whichever is the highest, up to a maximum of 80% of salary. The Plan was amended, effective January 1, 1986, to exclude overtime pay in the computation of benefits. Retirement benefits are adjusted annually based on the change in the consumer price index, limited to 3% per year. Upon the death of a vested participant who has beneficiary coverage, his or her eligible beneficiary(ies) would be entitled to three fourths of the amount the deceased participant was receiving or would have been entitled to receive.

#### b. *Benefit Option*

- Normal Monthly Pension Benefit

An employee is eligible for a normal monthly pension benefit when he or she reaches the normal retirement age of 65 or age 60 with 10 years of creditable service.

An employee is eligible for a normal monthly pension benefit at any age with 30 years of creditable service.

- Early Monthly Pension Benefit

An employee is eligible for an early monthly pension benefit after 15 years of creditable service. The monthly benefit is reduced to allow for the fact that it will be paid over a longer period of time.

## Notes to Financial Statements - Continued

### Note 2 - Plan Description, continued

- **Reduced Monthly Pension Benefit**

Employees hired prior to April 1, 1978 are eligible for a reduced monthly pension benefit at age 55 with 25 years of service. The reduction for the reduced monthly pension benefit is less than the reduction for an early monthly pension benefit.

- **General Disability Retirement**

Disability benefits are calculated, if disabled in the line of duty, without 1986 Amendment coverage, as 2% times 35 years times top pay within pay range or if otherwise disabled, as 2% times years of service times current average monthly salary. Employees hired after December 31, 1985, disability benefits are calculated based on 50% of current average salary or accrued pension benefit, whichever is greater. Accrued pension benefits in this case, are calculated in the same manner as the normal retirement benefit except that no reductions are made if minimum age or service requirements are not met. Participants becoming disabled, while not in the line of duty must have at least five years of creditable service in order to receive benefits.

*c. Membership*

The following schedule reflects membership for the Plan at July 1, 2010, the membership data used for the most recent actuarial valuation:

**Members:**

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6,072
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**Current active employees:**

Fully vested	2,494
Partially vested	266
Deferred Vested	-
Nonvested	1,372
Total membership	<u>10,204</u>

## Notes to Financial Statements - Continued

### Note 3 - Deposits and Investments

#### *d. Administration of the Plan*

The Plan is administered as a multiple employer 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, 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.

#### *Investments in Employee Retirement Plans*

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.

The Plan's investments are managed by various investment managers' who have discretionary authority over the assets managed by them under contracts with the Plan and within the 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, by policy, is to invest their 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.

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.

Board policy permits the Plan to engage in securities lending with an authorized agent, provided that the securities are fully collateralized at least 102% of collateral value and that collateral is received prior to the release of the securities by the custodian.

## Notes to Financial Statements - Continued

### Note 3 - Deposits and Investments, continued

#### *Investment Risk Disclosure*

**Interest Rate Risk.** Interest rate risk is the risk that changes in market rates will adversely affect the fair market 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.

**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.

As of June 30, 2011, the Plan had the following fixed income investments (amounts in thousands), with the corresponding credit ratings and maturities:

<u>Type of Investments</u>	<u>Credit Rating</u>	<u>Maturity</u>					<u>Fair Value</u>
		<u>Under 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 Years</u>	
U.S. Government Agencies	AAA	\$ -	\$ 5,518	\$ 357	\$ 24,008	\$ 68,186	\$ 98,069
Corporate Bonds	AA/A-	1,844	3,321	6,927	17,979	6,268	36,339
Corporate Bonds	B+/BBB	1,128	4,360	2,187	6,784	2,412	16,871
Automobile Loan Receivables	A+/AAA	-	9,121	13,778	1,544	-	24,443
Credit Card Receivables	AAA	-	1,483	5,081	3,195	-	9,759
Asset Backed Securities	AAA	-	-	2,064	-	480	2,544
Corporate CMO's	AAA	-	-	-	2,340	7,510	9,850
CMO's	AAA	-	-	-	-	14,571	14,571
State and Local Obligations	AA-	-	-	-	-	3,617	3,617
		<u>\$ 2,972</u>	<u>\$ 23,803</u>	<u>\$ 30,394</u>	<u>\$ 55,850</u>	<u>\$ 103,044</u>	<u>\$ 216,063</u>

#### *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.

## Notes to Financial Statements - Continued

### Note 3 - Deposits and Investments, continued

Cash collateral is invested in overnight investments. As of June 30, 2011, the Plan has no significant credit risk exposure to borrowers because the amounts the Plan owes the borrower exceed the amounts the borrowers owe the Plan. 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 agreements and the investments purchased with that cash as securities lending short-term collateral investment pool with a corresponding amount recorded as a liability.

All securities loans 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.

**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 risks 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 of June 30, 2011, the City's collateralization of pledged securities at Wells Fargo was 107% of deposit accounts. There was no counterparty risk to the City as of June 30, 2011.

**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, 2011 are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Vanguard Institutional Index	Equities	13.25%
Artisian Fund	Equities	5.28%
Collective	US Government Stiff	5.28%

## Notes to Financial Statements - Continued

### Note 3 - Deposits and Investments, continued

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposits fair value. During fiscal year 2011, 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 (in thousands):

Currency	Short Term	Debt	Equity	Total
Brazil	\$ -	\$ -	\$ 1,608	\$ 1,608
Canada	-	-	1,035	1,035
Ireland	-	-	4,914	4,914
Netherlands	-	-	503	503
Norway	-	-	959	959
Switzerland	-	-	1,113	1,113
<i>Total Securities subject to Foreign Currency Risk</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,133</u>	<u>\$ 10,133</u>

### Note 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 7% of base pay (8% 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. Prior to fiscal year 2010, the City made an additional contribution of 1% of payroll, which effectively decreased the employee's required contribution percentage to 6% (or 7% if participant has a covered beneficiary). The City is not obligated to continue the 1% supplemental contribution for any specified period of time. Effective July 1, 2009, the City discontinued making the additional 1% contribution.

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 unfunded actuarial accrued liability as a level percentage of future payrolls. Beginning with the January 1, 2009 valuation, the City elected to change its amortization period for the unfunded actuarial accrued liability (UAAL) from a closed 45 period beginning in January 1, 1979, to an open 30 year period. With respect to the School Board, the annual required contribution is calculated as described above, however the amortization period for the UAAL is a closed period of 45 years 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 unfunded actuarial accrued liabilities 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.

**Notes to Financial Statements - Continued**

**Note 5 - Contributions Required and Contributions Made**

The required contribution percentages developed in the most recent actuarial valuations for the Plan for the years ended June 30, 2011 and June 30, 2010 and the actual contributions made are as follows (dollars in thousands):

	2011	
	School System	The City
Normal cost	14.86%	14.69%
Amortization of the unfunded actuarial accrued liability	<u>139.95%</u>	<u>29.49%</u>
Total required contributions as a percentage of covered payroll	<u>154.81%</u>	<u>44.18%</u>
2011 actual employee contributions		
Dollar amount	\$ 1,971	\$ 11,118
Percent of covered payroll	6.70%	7.80%
2011 actual City contributions		
Dollar amount	\$ 47,333	\$ 46,068
Percent of covered payroll	160.97%	32.31%
	2010	
	School System	The City
Normal cost	14.72%	15.39%
Amortization of the unfunded actuarial accrued liability	<u>131.91%</u>	<u>18.76%</u>
Total required contributions as a percentage of covered payroll	<u>146.63%</u>	<u>34.15%</u>
2010 actual employee contributions		
Dollar amount	\$ 2,478	\$ 11,617
Percent of covered payroll	8.76%	6.45%
2010 actual City contributions		
Dollar amount	\$ 45,500	\$ 51,762
Percent of covered payroll	160.93%	28.76%

The annual covered payroll for the City was \$142,597,000 and \$179,982,000 for the years ended June 30, 2011 and June 30, 2010 respectively. The annual covered payroll for the School System was \$29,405,000 and \$28,273,000 for the years ended June 30, 2011 and June 30, 2010 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.

## Notes to Financial Statements - Continued

### Note 6 - Contributions Receivable

#### *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 employers were \$10,787,000 for the year ended June 30, 2011.

#### *Employees*

Contributions receivable from employees includes amounts withheld from employees pay but not yet remitted to the Plan. Total contributions receivable from employees were \$410,000 and \$421,000 at June 30, 2011 and June 30, 2010, respectively.

Additionally, employees may receive credit for service for previous employment with certain state and local governmental agencies including previous employment with the City, upon payment to the City of an amount, as defined in the 1927 Act, as amended, representing contributions applicable to such service period. 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.

### Note 7 – Contingency

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 IRS issued a favorable determination letter on May 19, 1998 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. On August 17, 2004, the IRS issued another favorable determination letter with respect to the terms of the Plan. The Plan has been amended since receiving 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 current IRS Code. These required changes were accomplished through an amendment to the City of Atlanta Charter and an ordinance correcting the language of the Plan which was both adopted by the Atlanta City Council in December of 2010. Additionally, a current Application for Determination was submitted to the IRS for consideration on January 31, 2011.

## Notes to the Financial Statements – Continued

### Note 8 – Subsequent Events

#### Pension Plan Reform

##### Amendments to Defined Benefit Plans

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").

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

Employees hired on or after September 1, 2011 who are below payroll grade 19 will be required to participate in a hybrid defined benefit plan with a mandatory defined contribution component (see discussion below regarding Amendments to the Defined Contribution Plan). The defined benefit portion of this plan will include a 1% multiplier, the employee contribution will be 8% of salary with or without beneficiary, and the retirement age will increase 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 benefit for hires after September 1, 2011.

Beginning in fiscal year 2012 there will be 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 overage, subject only to a provision that employee contributions may not increase more than 5%.

Beginning with the 2012 valuation the amortization period for the UAAL is changed from the 30-year open period to a 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 payroll grade 19 or its equivalent, are required to participate in the mandatory defined contribution component which will include a mandatory employee contribution of 3.75% of salary and be matched 100% by the City. Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary which will also be 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**

Required Supplementary Information

**Schedule of Funding Progress  
Combined City and School System  
(Unaudited)**

(Dollars in thousands)

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, 2004	\$ 788,483	\$ 1,691,953	\$ 903,470	46.60%	\$ 206,665	437.17%
January 1, 2005	\$ 783,447	\$ 1,724,146	\$ 940,699	45.44%	\$ 198,032	475.02%
January 1, 2006	\$ 819,044	\$ 1,936,030	\$ 1,116,986	42.31%	\$ 178,593	625.44%
July 1, 2007	\$ 882,411	\$ 2,079,580	\$ 1,197,169	42.43%	\$ 184,290	649.61%
July 1, 2008	\$ 980,610	\$ 2,138,843	\$ 1,158,233	45.85%	\$ 208,255	556.16%
July 1, 2009	\$ 993,304	\$ 2,126,351	\$ 1,133,047	46.71%	\$ 179,717	630.46%
July 1, 2010	\$ 981,522	\$ 2,283,300	\$ 1,301,778	42.99%	\$ 168,901	770.73%

**Schedule of Employer and Other Contributions  
(Unaudited)**

(Dollars in thousands)

Year	The City			School System		
	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2005	\$ 51,773	\$ 51,773	100%	\$ 42,238	\$ 37,438	89%
2006*	\$ 29,890	\$ 29,890	100%	\$ 44,827	\$ 39,016	87%
2007	\$ 59,780	\$ 59,780	100%	\$ 46,116	\$ 49,265	107%
2008	\$ 69,991	\$ 69,991	100%	\$ 38,582	\$ 54,567	141%
2009	\$ 69,991	\$ 69,991	100%	\$ 39,600	\$ 42,005	106%
2010	\$ 51,699	\$ 51,699	100%	\$ 43,585	\$ 45,500	104%
2011	\$ 46,068	\$ 46,068	100%	\$ 47,333	\$ 47,333	100%

\* 6 months ended June 30, 2006

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

**Required Supplementary Information**

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

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><b>The City</b></u>	<u><b>School System</b></u>
Valuation date	January 1, 2010	January 1, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years open	16.5 years remaining as of July 1, 2010
Asset valuation period	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	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%