



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

Financial Statements and Supplemental Schedules

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



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

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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 fiduciary net position as of June 30, 2016 and 2015, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 fiduciary net position of the City of Atlanta, Georgia General Employees' Pension Plan as of June 30, 2016 and 2015, and the changes in fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 2(b) to the basic financial statements, the Plan adopted, in 2016, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3–9 and the schedule of investment returns on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016 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, Georgia
November 9, 2016

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

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, 2016 and 2015. This overview compares the year ended June 30, 2016 with the year ended June 30, 2015 and the year ended June 30, 2015 with the year ended June 30, 2014. 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.

Financial Highlights

- At June 30, 2016 and 2015, the assets of the Plan exceeded its liabilities by \$1.2 billion at June 30, 2016 and \$1.3 billion at June 30, 2015.
- The total net position decreased in 2016 by \$38.2 million or 3.0% compared with net position at June 30, 2015. The total net position increased in 2015 by \$10.2 million or 0.8% compared with net position at June 30, 2014.
- Net investment income decreased in 2016 by \$55.6 million. Net investment income decreased in 2015 by \$146.7 million compared to fiscal year 2014.
- Contributions received from employers and employees in 2016 totaled \$125.5 million as compared to \$115.6 million and \$109.1 million in fiscal years 2015 and 2014, respectively.
- Benefit payments in 2016 totaled \$169.8 million, an increase of \$3.0 million or 1.8% when compared with fiscal year 2015. Benefit payments in 2015 totaled \$166.8 million, an increase of \$2.6 million or 1.6% when compared with fiscal year 2014.

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 year ended June 30, 2016 and 2015 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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GENERAL EMPLOYEES' PENSION PLAN**

Management's Discussion and Analysis

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(Unaudited)

Basic financial statements comprise the following:

The *Statement of Fiduciary Net Position* presents information on the assets and liabilities of the Plan, with the difference between the two reported as *net position*. The investments of the Plan in this statement are presented at fair value.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the fiscal year. The additions include contributions and investment income, which includes the net increase (decrease) in the fair value of investments. The deductions include benefit payments 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 money-weighted rate of return. 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 \$1.2 billion and \$1.3 billion at the close of the years ended June 30, 2016 and 2015, 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, 2016, 2015, and 2014.

Table 1. General Employees' Pension Plan Net Position, as of June 30, 2016 and 2015 (dollars in thousands):

	June 30		Amount change	Percentage change
	2016	2015		
Assets:				
Cash and deposits	\$ 15,025	7,526	7,499	99.6%
Investments	1,227,944	1,276,462	(48,518)	(3.8)
Securities lending collateral	25,448	54,638	(29,190)	(53.4)
Due from brokers for securities sold	9,479	2,805	6,674	237.9
Receivables	6,874	8,673	(1,799)	(20.7)
Total assets	<u>1,284,770</u>	<u>1,350,104</u>	<u>(65,334)</u>	<u>(4.8)</u>

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GENERAL EMPLOYEES' PENSION PLAN**

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June 30, 2016 and 2015

(Unaudited)

	June 30		Amount change	Percentage change
	2016	2015		
Liabilities:				
Accounts payable	\$ 2,612	2,508	104	4.1
Due to brokers for securities purchased	10,048	8,110	1,938	23.9
Liability for securities lending agreement	25,448	54,638	(29,190)	(53.4)
Total liabilities	<u>38,108</u>	<u>65,256</u>	<u>(27,148)</u>	<u>(41.6)</u>
Net position restricted for pensions	<u>\$ 1,246,662</u>	<u>1,284,848</u>	<u>(38,186)</u>	<u>(3.0)%</u>

The net position of the Plan decreased by \$38.2 million or 3.0% when compared to an increase of \$10.2 million in fiscal year 2015. The decrease in net position can be attributed to a decrease in investments of \$48.5 million offset by an increase in cash and deposits of \$7.5 million. Cash and deposits increased to \$15.0 million in fiscal year 2016 from \$7.5 million in fiscal year 2015. Investments decreased to \$1.2 billion in fiscal year 2016 from \$1.3 billion in fiscal year 2015. Total assets for the Plan decreased by \$65.3 million or 4.8% compared to 2015. Total cash and investments decreased by \$41.0 million. Receivables decreased by \$1.8 million, while due from brokers for securities sold increased \$6.7 million. Cash and investments represent 96.7% of total assets as of June 30, 2016 and 95.1% as of June 30, 2015.

Table 2. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2016 and 2015 (dollars in thousands):

	June 30		Amount change	Percentage change
	2016	2015		
Additions to plan net position:				
Investment income:				
Net (depreciation) appreciation in fair value of investments	\$ (4,212)	45,158	(49,370)	(109.3)%
Interest, dividends and other	14,938	21,666	(6,728)	(31.1)
Less investment expenses	(3,432)	(3,947)	515	(13.0)
Net investment income	<u>7,294</u>	<u>62,877</u>	<u>(55,583)</u>	<u>(88.4)</u>
Employer contributions:				
City of Atlanta	54,236	48,015	6,221	13.0
Atlanta Board of Education	50,400	48,905	1,495	3.1
Employee contributions	20,836	18,659	2,177	11.7
Other income	22	108	(86)	(79.6)
Total additions	<u>132,788</u>	<u>178,564</u>	<u>(45,776)</u>	<u>(25.6)</u>

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(Unaudited)

	June 30		Amount change	Percentage change
	2016	2015		
Deductions from plan net position:				
Benefit payments	\$ 169,808	166,796	3,012	1.8
Administrative expense	1,166	1,608	(442)	(27.5)
Total deductions	<u>170,974</u>	<u>168,404</u>	<u>2,570</u>	<u>1.5</u>
(Decrease) increase in net position restricted for pensions	<u>\$ (38,186)</u>	<u>10,160</u>	<u>(48,346)</u>	<u>(475.8)%</u>
Net position restricted for pensions:				
Beginning of year	\$ 1,284,848	1,274,688		
(Decrease) increase	<u>(38,186)</u>	<u>10,160</u>		
End of year	<u>\$ 1,246,662</u>	<u>1,284,848</u>		

Total additions to the plan net position decreased by \$45.8 million or 25.6% compared to 2015. This decrease is primarily attributed to the decrease in net investment income and a downturn in market performance during fiscal year 2016. Net investment income was \$7.3 million for 2016, a decrease of \$55.6 million, or 88.4% compared to fiscal year 2015. The investment portfolio comprises 69.9% equities, 24.6% fixed income, alternative investments including real estate 3.6%, and short term investments of cash and cash equivalents 1.9% as of June 30, 2016, compared to 80.2% equities, 14.4% fixed income investments, 2.9% alternative investments including real estate, and 2.5% short term investments of cash and cash equivalents as the investment mix as of June 30, 2015. The overall portfolio returned net 0.42% for the fiscal year ended 2016, compared with 5.35% for fiscal year 2015. The S&P 500 index was 3.99% and 7.42%, respectively, during the same time periods.

Employee contributions to the Plan increased by \$2.2 million to \$20.8 million compared to \$18.7 million in fiscal year 2015. Employer contributions were \$104.6 million, an increase of \$7.7 million, or 8.0% primarily due to a higher actuarially determined contribution (ADC) for fiscal year 2015. Benefit payments increased by \$3.0 million or 1.8% to \$169.8 million. The increase in benefit payments is primarily the result of the increase in pension payments and increased cost of living adjustments.

Financial Analysis of June 30, 2015 to June 30, 2014

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 \$1.3 billion in both fiscal years 2015 and 2014. Table 1-1 summarizes the major categories of assets, liabilities, and net position. Table 2-1 summarizes the changes in the Plan's net position for the years ended June 30, 2015 and 2014.

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Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

Table 1-1. General Employees' Pension Plan Net Position, as of June 30, 2015 and 2014 (dollars in thousands):

	June 30		Amount change	Percentage change
	2015	2014		
Assets:				
Cash and cash equivalents	\$ 7,526	15,486	(7,960)	(51.4)%
Investments	1,276,462	1,256,024	20,438	1.6
Securities lending collateral	54,638	178,848	(124,210)	(69.5)
Due from brokers for securities sold	2,805	296	2,509	847.6
Receivables	8,673	6,687	1,986	29.7
Total assets	<u>1,350,104</u>	<u>1,457,341</u>	<u>(107,237)</u>	<u>(7.4)</u>
Liabilities:				
Accounts payable	2,508	1,984	524	26.4
Due to brokers for securities purchased	8,110	1,821	6,289	345.4
Liability for securities lending agreement	54,638	178,848	(124,210)	(69.5)
Total liabilities	<u>65,256</u>	<u>182,653</u>	<u>(117,397)</u>	<u>(64.3)</u>
Net position restricted for pensions	<u>\$ 1,284,848</u>	<u>1,274,688</u>	<u>10,160</u>	<u>0.8%</u>

The net position of the Plan increased by \$10.2 million or 0.8% in fiscal year 2015, compared to an increase of \$144.8 million in fiscal year 2014. The smaller increase in net position can be attributed to net investment income, which was \$62.9 million compared to \$209.6 million in fiscal years 2015 and 2014, respectively. Total assets for the Plan decreased by \$107.2 million or 7.4% compared to 2014. Total cash and investments increased by \$12.5 million. Total receivables increased by \$4.5 million, including an addition of \$2.5 million in amounts due from brokers for securities sold. Cash and investments represent 95.1% of total assets as of June 30, 2015 and 87.2% as of June 30, 2014.

Table 2-1. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2015 and 2014 (dollars in thousands):

	June 30		Amount change	Percentage change
	2015	2014		
Additions to plan net position:				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ 45,158	194,400	(149,242)	(76.8)%
Interest, dividends and other	21,666	19,459	2,207	11.3
Less investment expenses	<u>(3,947)</u>	<u>(4,292)</u>	<u>345</u>	<u>(8.0)</u>
Net investment income	62,877	209,567	(146,690)	(70.0)

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(Unaudited)

	June 30		Amount change	Percentage change
	2015	2014		
Employer contributions:				
City of Atlanta	\$ 48,015	42,145	5,870	13.9
Atlanta Board of Education	48,905	48,000	905	1.9
Employee contributions	18,659	18,920	(261)	(1.4)
Other income	108	172	(64)	(37.2)
Total additions	178,564	318,804	(140,240)	(44.0)
Deductions from plan net position:				
Benefit payments	166,796	164,238	2,558	1.6
Administrative expense	1,608	9,816	(8,208)	(83.6)
Total deductions	168,404	174,054	(5,650)	(3.2)
Increase in net position restricted for pensions	\$ 10,160	144,750	(134,590)	(93.0)%
			2015	2014
Net position restricted for pensions:				
Beginning of year		\$ 1,274,688	1,129,938	
Increase		10,160	144,750	
End of year		\$ 1,284,848	1,274,688	

Financial Analysis as of June 30, 2015 to June 30, 2014

Total additions to the plan net position decreased by \$140.2 million or 44.0% compared to 2014. This decrease is primarily attributed to the decrease in net investment income and a downturn in market performance during fiscal year 2015. Net investment income was \$62.9 million for 2015, a decrease of \$146.7 million, or 70.0% compared to fiscal year 2014. The investment portfolio comprises 80.2% equities, 14.4% fixed income, and 2.9% alternative investments including real estate and 2.5% short term investments such as cash and cash equivalents as of June 30, 2015, compared to 74.7% equities, 19.1% fixed income investments, 1.0% alternative investments and 5.2% short term investments of cash and cash equivalents as the investment mix as of June 30, 2014. The overall portfolio returned 5.35% for the fiscal year ended 2015, compared with 16.8% for fiscal year 2014. The S&P 500 index was 7.42% and 24.62%, respectively, during the same time periods.

Employee contributions to the Plan remained flat at \$19.0 million mainly as a result of plan changes enacted during 2011, and consistent plan participation. Employer contributions were \$96.9 million, an increase of \$6.8 million, or 7.5% primarily due to increased contributions by the City. Benefit payments increased by \$2.6 million or 1.6% to \$166.8 million. The increase in benefit payments is primarily the result of the increase in pension payments and increased cost of living adjustments.

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

Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

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 City'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 Fiduciary Net Position

June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Assets:		
Cash and deposits	\$ 15,025	7,526
Securities lending cash collateral	25,448	54,638
Total cash	40,473	62,164
Receivables:		
Contributions receivable from employers	2,724	4,826
Contributions receivable from employees	680	648
Due from brokers for investments sold	9,479	2,805
Investment income	1,114	1,594
Other	2,356	1,605
Total receivables	16,353	11,478
Investments:		
Short term investments	24,176	32,766
Domestic fixed income securities	301,973	184,098
Domestic equities	747,352	925,184
International equities	110,622	98,013
Real estate	19,119	13,472
Alternative partnerships:		
Limited partnerships	24,702	22,929
Total investments	1,227,944	1,276,462
Total assets	1,284,770	1,350,104
Liabilities:		
Due to brokers for investments purchased	10,048	8,110
Collateral payable for securities lending	25,448	54,638
Accounts payable	2,612	2,508
Total liabilities	38,108	65,256
Net position restricted for pensions	\$ 1,246,662	1,284,848

See accompanying notes to financial statements.

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

Statements of Changes in Fiduciary Net Position

June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Additions:		
Contributions:		
Employer	\$ 104,636	96,920
Employee	20,836	18,659
Total contributions	125,472	115,579
Investment income:		
Net (depreciation) appreciation in fair value of investments	(4,212)	45,158
Interest and dividends	14,660	20,836
Less investment expense, other than from securities lending	(3,432)	(3,947)
Securities lending	278	830
Net investment income	7,294	62,877
Other	22	108
Total additions	132,788	178,564
Deductions:		
Benefit payments, including refunds of member contributions	169,808	166,796
Administrative expense	1,166	1,608
Total deductions	170,974	168,404
Net (decrease) increase in net position	(38,186)	10,160
Net position restricted for pensions:		
Beginning of year	1,284,848	1,274,688
End of year	\$ 1,246,662	1,284,848

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2016 and 2015

(1) Plan Description

City of Atlanta, Georgia General Employees' Pension Plan (the Plan) was established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full-time permanent employees of the City of Atlanta (the City), excluding sworn personnel of the Police and Fire Departments, and the 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 all aspects of the Plan transferred to the City under the principle of Home Rule. The types of benefits offered by the Plan are retirement, disability, and preretirement death benefits. The Plan is an agent multiple-employer defined-benefit pension plan with two employers participating in the plan at June 30, 2016 and 2015. Participants should refer to the Atlanta, Georgia, Code of Ordinances, Part 1, Section 6 (Plan agreement) for more complete information. Under the principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board of Trustees (Board) has the authority to establish and amend benefit terms and contributions.

Effective September 1, 2005, classified employees and certain nonclassified employees, pay grade 18 and below enrolled in the defined-contribution plan had the onetime 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 as a fiduciary fund in the City of Atlanta, Georgia Comprehensive Annual Financial Report (CAFR) as part of the Pension Trust Funds. The City's most recent CAFR for the years ended June 30, 2016 and 2015 should be read in conjunction with these financial statements.

(a) Administration of the Plan

The Plan is administered as an agent multiple-employer defined-benefit pension plan by the Board. Board membership 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. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

(b) Contribution requirements – The City

Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board has the authority to administer the Plan including establishing and amending contribution requirements. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Part 1, Section 6 legislative acts creating the Plan, as amended, and in

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general, provide that funds are to be accumulated from employee contributions for defined benefits, City contributions, and income from the investment of accumulated funds.

Beginning on November 1, 2011, 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).

Employees hired on or after September 1, 2011 who are below pay grade 19 or its equivalent 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 mandatory 8% employee contribution and 1% multiplier.

The defined contribution element is governed and accounted for separately, and 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.

Beginning in fiscal year 2012, 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%. Contribution requirements may be amended by the Board under the authority of the City ordinance, but the employer contribution requirement is subject to State minimums.

(c) Contribution requirements – School System

Employee contributions for the School System are as follows:

Unmarried employees without dependents	7% of base salary
Unmarried employees with dependent minor children	8% of base salary
Married employees	8% of base salary

Employer contributions for the School Systems changed in 2014 as a result of the Atlanta Board of Education adopted resolution (Report 13/14-01177) dated June 2, 2014, to the funding policy. The fiscal year 2015 contribution under the prior policy was based on a level percent of payroll amortization method using a closed amortization period with 12.5 years remaining as of July 1, 2013. The new policy increases the prior year's contribution 3.0% annually until the Plan is fully funded.

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GENERAL EMPLOYEES' PENSION PLAN**

Notes to Financial Statements

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(d) Description of the benefit terms – The City

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.

Prior to the change approved in June 2011, the Plan provided monthly retirement benefits that initially represent 3% for each year of credited service times the participants' final average three-year earnings (limited to 80% of the average). Retirement benefits were 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.

Subsequent to the change, 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.

Normal Pension

Hired before July 1, 2010:

Age 65 or Age 60 after completing five years of service.

Monthly benefit is 2.5% of average monthly salary for each year of credited service.

Hired between July 1, 2010 and October 31, 2011:

Age 65 or Age 60 after completing 10 years of service.

Monthly benefit is 2.0% of average monthly salary for each year of credited service.

Hired after October 31, 2011:

Age 65 or Age 62 after completing 15 years of service.

Monthly benefit is 1.0% of average monthly salary for each year of credited service.

This amount cannot be less than \$12 per month for each year of service, capped at 80% of average monthly salary.

The average monthly salary for employees hired before November 1, 2011 is the average of the highest consecutive 36 months of salary. For those employees hired after October 31, 2011, the average monthly salary is the average of the highest consecutive 120 months of salary.

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Early Pension

Hired before July 1, 2010

Five years of credited service.

Hired between July 1, 2010 and October 31, 2011

Ten years of credited service.

Hired after October 31, 2011

Age 52 and 15 years credited service.

The monthly benefit for employees hired before November 1, 2011 is reduced by one half of 1% per month for the first 60 months and by one quarter of 1% per month for the remaining months by which age at retirement is less than 60. More favorable early retirement adjustments may apply to participants in prior plans. Unreduced early retirement is available with 30 years of credited service. For employees hired after October 31, 2011, the monthly benefit amount is reduced by one-half of 1% per month before age 62.

Disability

Service requirement:

Five years of credited service for nonjob-related disability. None for job related disability.

Normal pension based on service accrued and final average salary at disability, payable immediately; cannot be less than 50% of average monthly salary.

This amount is payable until attainment of normal retirement age at which time the benefit is recalculated to include years while disabled as years of service.

(e) Description of the benefit terms – School System

The major provisions of the Plan for the School System are as stated below.

Normal Pension

A participant may retire at age 65 or age 60 after completing 15 years of service. The monthly benefit is 2.5% of the average monthly salary for each year of credited service. This amount cannot be less than \$17 per month for each year of service, and is capped at 80% of average monthly salary. Average monthly salary is defined as the highest average monthly base compensation over any 36-month period.

Early Pension

A participant must have 5 years of credited service. The normal pension monthly amount is reduced by one half of 1% per month for the first 60 months and one quarter of 1% per month for the remaining months by which age at retirement is less than 60. Unreduced early retirement is available with 30 years of credited service.

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Disability

A participant must have 5 years of credited service for non-job-related disability. For job-related disability, there is no service requirement. Normal pension is based on service accrued and final average salary at disability, payable immediately; cannot be less than 50% of the average monthly salary. This amount is paid until attainment of normal retirement age at which time the benefit is recalculated to value years while disabled as years of service.

(f) Plan Membership

As of the beginning of the fiscal year ended June 30, 2016, participation in the plan was as follows:

	The city	School system
Inactive plan members or beneficiaries currently receiving benefits	3,834	2,094
Inactive plan members entitled to, but not yet receiving benefits	241	81
Active plan members	3,307	799
	7,382	2,974

As of the beginning of the fiscal year ended June 30, 2015, participation in the plan was as follows:

	The city	School system
Inactive plan members or beneficiaries currently receiving benefits	3,897	2,129
Inactive plan members entitled to, but not yet receiving benefits	209	62
Active plan members	2,920	619
	7,026	2,810

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized when due, based on statutory requirements. Benefits and refunds are recognized as deductions from plan net position when due and payable.

(b) New Accounting Pronouncement

Effective during fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, was implemented. This Statement addresses

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accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. The impact to the Plan is expanded footnote disclosures around fair value including the fair value hierarchy and valuation techniques. This standard has been applied retrospectively.

Effective during fiscal year 2016, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, was also implemented. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contributions pensions that are provided to employees not within the scope of GASB 68. There was no impact to the Plan.

(c) *Cash and Cash Equivalents*

Cash represents cash deposits held at financial institutions. The Plan considers all highly liquid debt securities with an original maturity of three months or less when purchased to be cash equivalents.

(d) *Investments*

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 and certain commingled vehicles are valued based on the net asset value (NAV) 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.

(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 disclosures of contingent assets and liabilities and the additions to and deletions from 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.

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(f) Reclassification

Certain items in the 2015 financial statements have been reclassified to conform to the presentation adopted in 2016.

(3) Pension Plan Investments

The Plan investments are made within the Public Retirement Systems Investment Authority Law of the Georgia Code (O.C.G.A. 47-20-80). The Board has been granted the authority by City Ordinance to establish and amend the plan investment policy. The Board is responsible for making all decisions with regard to the administration of the Plan, including the management of plan assets, establishing the investment policy and carrying out the policy on behalf of the Plan.

The Plan's investments are managed by various investment managers under contract with the Board who have discretionary authority over the assets managed by them and within the Plan's investment guidelines as 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.

State of Georgia Code 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, the Georgia Fund 1 (a government investment pool maintained by the State of Georgia), and alternative investments. 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.

In the development of a current asset allocation plan, the Board reviews the long-term performance and risk characteristics of various asset classes, balancing the risks and rewards of market behavior, and reviewing state legislation regarding investments options. The below asset classes are included in the plan investment objectives: Domestic Equities, International Equities, Domestic Fixed Income, International Fixed Income and Alternative Investments.

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There were no changes to the investment policy in fiscal year 2016. The policy may be amended by the Board by a majority vote of its members. Below is the asset allocation target assets mix.

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic equity:			
Large cap	27.5%	32.5%	37.5%
Mid cap	2.5	7.5	12.5
Small cap	5.0	10.0	15.0
International equity:			
Developed	10.0	15.0	20.0
Emerging markets equity	—	5.0	10.0
Total equity	<u>45.0%</u>	<u>70.0%</u>	<u>95.0%</u>
Alternative investments	<u>—%</u>	<u>5.00%</u>	<u>5.00%</u>
Fixed income:			
Core	13.5%	18.5%	23.5%
Global	1.5	6.5	11.5
Total fixed income	<u>15.0%</u>	<u>25.0%</u>	<u>35.0%</u>

The Plan, by policy, is to invest the plan funds in domestic equities, domestic fixed income securities, international equities, international fixed income, alternative investments, 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 CMOs), 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 is in compliance with the policy.

The Plan's cash and cash equivalents comprise daily cash balances above day-to-day needs and funds set aside for portfolio strategy reasons. Short-term investments may be placed in 1) issues of the U.S. Treasury, federal agencies and federal government-sponsored enterprises with maturity of less than two years, 2) repurchase agreements immediately collateralized by the U.S. Treasury or federal agency, or 3) domestic corporate bonds, debentures and notes rated at least A by Moody's or Standard & Poor's with a maturity of thirty (30) days or less.

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 1.24% and 4.64%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(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

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value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. 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, 2016 and 2015, 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, 2016 Maturity					Fair value
		Under 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	
U.S. treasury securities	NR	\$ 2,036	5,676	5,862	13,687	11,309	38,570
U.S. government agencies	AAA	—	—	1,423	—	272	1,695
U.S. government agencies	NR	384	1,464	1,022	7,543	31,131	41,544
Corporate bonds	AA/A-	1,801	5,561	1,949	6,726	4,825	20,862
Corporate bonds	B+/BBB	561	4,473	1,488	4,338	5,624	16,484
Mutual bonds	NR	19,455	—	—	—	—	19,455
Comingled bond funds	NR	145,515	—	—	—	—	145,515
Automobile loan receivables	A+/AAA	—	1,002	1,030	—	—	2,032
Automobile loan receivables	NR	—	434	397	—	—	831
Credit card receivables	AAA	—	1,707	1,907	—	—	3,614
Asset-backed securities	AAA/A	—	23	—	—	—	23
Asset-backed securities	NR	—	—	1,806	—	—	1,806
CMOs	AAA/A-	—	65	74	—	2,778	2,917
CMOs	BBB/B+	—	—	—	—	69	69
CMOs	NR	—	9	—	—	3,184	3,193
State and local obligations	AAA/AA-	—	—	—	1,392	1,971	3,363
		\$ 169,752	20,414	16,958	33,686	61,163	301,973

Type of investments	Credit rating	June 30, 2015 Maturity					Fair value
		Under 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	
U.S. treasury securities	NR	\$ 2,981	3,033	8,630	17,503	11,990	44,137
U.S. government agencies	AAA	3	3,128	1,618	10,909	43,749	59,407
Corporate bonds	AA/A-	2,170	10,017	3,642	7,375	6,418	29,622
Corporate bonds	B+/BBB	306	2,530	4,329	4,397	6,300	17,862
Mutual bonds	NR	10,956	—	—	—	—	10,956
Automobile loan receivables	A+/AAA	305	729	321	—	—	1,355
Automobile loan receivables	NR	—	286	1,546	—	—	1,832
Credit card receivables	AAA	—	—	2,300	—	—	2,300
Asset-backed securities	AAA/A	—	1,236	156	—	110	1,502
Asset-backed securities	NR	—	41	535	—	26	602
Corporate CMOs	AAA/A+	—	—	4	—	418	422
Corporate CMOs	BBB/B-	—	—	—	—	150	150
Corporate CMOs	NR	—	—	15	—	2,498	2,513
CMOs	AAA/A-	—	9	204	—	5,770	5,983
CMOs	BBB/B+	—	—	16	68	463	547
CMOs	NR	—	—	—	—	505	505
State and local obligations	AAA/AA-	—	—	—	1,985	2,418	4,403
		\$ 16,721	21,009	23,316	42,237	80,815	184,098

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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 Plan 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.

All investments of the Plan are either held by the Plan or by the counterparty in the Plan's name; therefore, the Plan's investments had no custodial risks as of June 30, 2016 and 2015.

Concentration of Credit Risk

The Plan does not have a policy regarding the concentration of credit risk. Investments in any one issuer representing 5% or more of the net position restricted for pensions at June 30, 2016 and 2015 are as follows (in thousands):

Issuer	Investment type	June 30,	
		2016	2015
BlackRock Equity Index Fund	Commingled Equity Fund	\$ 286,494	—
Artisan Funds	Equity Exchange Traded Fund	85,228	74,661
Johnston International Equity Group	Commingled Equity Fund	77,095	67,531
Vanguard	Equity Exchange Traded Fund	—	191,568
Rhumblin	Commingled Equity Fund	—	66,709
Northern Trust	Commingled Equity Fund	—	81,964
SSGA U.S. Aggregate Bond Index	Commingled Bond Fund	73,251	191,568
Colchester Global Bond Fund	Commingled Bond Fund	72,263	—

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. The Plan does not have a policy regarding foreign currency risk.

Although all of the foreign equity securities are American Depository Receipts (ADRs), this does not eliminate the foreign currency risk involved in purchasing foreign securities.

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The following table provides the value in U.S. dollars by foreign currency denominations and investment equities type for the plan investments denominated in foreign currencies at June 30, 2016 and 2015 (dollars in thousands):

	June 30	
	2016	2015
Currency:		
Bermuda	\$ 1,950	5,990
Canada	505	504
Cayman Islands	639	1,002
Curacao	—	25
France	104	—
Germany	—	524
Guernsey, CI	304	58
International Region	100,571	78,264
Ireland	4,305	9,243
Israel	116	266
Jersey, C.I.	48	317
Liberia	1	—
Luxembourg	—	26
Netherlands	59	473
Singapore	—	135
Switzerland	—	377
United Kingdom	1,650	810
Virgin Islands – British	370	—
Total securities subject to foreign currency risk	\$ 110,622	98,014

(b) Fair Value Investments

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and

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- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Plan also has investments held through limited partnerships and commingled vehicles for which fair value is estimated using the NAV reported by the investment manager as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2016 and 2015 (in thousands):

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Short term investments:				
Cash and cash equivalents	\$ 24,176	—	—	24,176
Debt securities:				
Asset backed securities	—	56,300	—	56,300
Commingled bond fund	—	73,251	—	73,251
Corporate and municipal bonds	—	41,922	—	41,922
Bond exchange traded funds	19,455	—	—	19,455
U. S. Agency securities	—	211	—	211
U. S. Treasury securities	38,570	—	—	38,570
Total debt securities	58,025	171,684	—	229,709
Equity securities:				
Commingled equity fund	—	286,494	—	286,494
Common stock	282,967	—	—	282,967
Exchange traded funds	165,876	—	—	165,876
Total equity securities	448,843	286,494	—	735,337
Total investments at fair value	\$ 531,044	458,178	—	989,222
Investments measured at NAV:				
Commingled bond funds				72,264
Commingled equity funds				122,637
Private equity funds				24,702
Real estate fund				19,119
Total investments measured at NAV				238,722
Total investments				\$ 1,227,944

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		June 30, 2015			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term investments:					
Cash and cash equivalents	\$	32,766	—	—	32,766
Debt securities:					
Asset backed securities		—	17,711	—	17,711
Corporate and municipal bonds		—	51,887	—	51,887
Bond exchange traded funds		10,956	—	—	10,956
U.S. Agency securities		—	59,407	—	59,407
U.S. Treasury securities		44,137	—	—	44,137
Total debt securities		<u>55,093</u>	<u>129,005</u>	<u>—</u>	<u>184,098</u>
Equity securities:					
Common stock		442,169	—	—	442,169
Exchange traded funds		364,824	—	—	364,824
Total equity securities		<u>806,993</u>	<u>—</u>	<u>—</u>	<u>806,993</u>
Total investments fair value	\$	<u>894,852</u>	<u>129,005</u>	<u>—</u>	<u>1,023,857</u>
Investments measured at NAV:					
Commingled equity funds					216,204
Private equity fund					22,929
Real estate fund					<u>13,472</u>
Total investments measured at NAV					<u>252,605</u>
Total investments					<u>\$ 1,276,462</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Commingled equity funds classified in Level 2 are valued using prices quoted in active markets for those investments types and the readily determinable fair value per share (unit) which is determined based on the publication of the price or on the basis of current transactions.

Investments in privately held limited partnerships and commingled vehicles which do not have a readily determined fair value are valued using the NAV provided by the general partner/investment manager as of June 30, 2016. The monthly or quarterly values of the partnership investments provided from the general partner are reviewed by the Plan to determine if any adjustments are necessary. The Plan currently has no plans to sell any of the investments resulting in these assets being carried at the NAV estimated by the general partner/investment manager.

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(c) Securities Lending

State statutes and the 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. At June 30, 2016, the Plan had funds under a securities lending agreement with a market value of outstanding loans of \$24,836,000 and collateral of \$25,448,000, which consisted of cash, collateral investments, and noncash loans. At June 30, 2015, the Plan had funds under a securities lending agreement with a market value of outstanding loans of \$53,405,000 and collateral of \$54,638,000, which consisted of cash, collateral investments, and noncash loans.

(d) Alternative Investments

In fiscal year 2013, the Board authorized the Plan to invest in alternative investments. As of June 30, 2016 and 2015, the Plan had alternative investments totaling \$24,702,000 and \$22,929,000, respectively, in the form of limited partnerships.

As of June 30, 2016, the related unfunded commitments of the Plan's alternative investments and limitations and restrictions on the Plan's ability to redeem or sell are summarized as follows (in thousands):

	<u>Unfunded commitments</u>	<u>Redemptions frequency (if currently eligible)</u>	<u>Redemptions notice period</u>
Private equity fund	\$ 3,878	Not eligible	Not eligible
Real estate fund	—	Quarterly	90 days

Although the Plan is obligated to fund these commitments, many of these agreements allow resale.

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(5) Contributions Receivable

(a) Employer

Employer contributions receivable represents Annual Determined Contributions owed but not yet remitted to the Plan. Total contributions receivable from employer was \$2,724,000 and \$4,826,000, respectively, as of June 30, 2016 and 2015.

(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 was \$680,000 and \$648,000, respectively, as of June 30, 2016 and 2015.

(6) 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.

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Required Supplementary Information

Schedule of Investment Returns

June 30, 2016

(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual money-weight rate of return, net of investment expense	1.24%	4.64%	19.26%	17.55%	0.93%	19.69%	12.92%	(9.56)%

See accompanying independent auditors' report.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.