

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

Financial Statements and Supplemental Schedules

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)



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

Table of Contents

| | Page |
|---|------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 3 |
| Basic Financial Statements: | |
| Statements of Fiduciary Net Position | 10 |
| Statements of Changes in Fiduciary Net Position | 11 |
| Notes to Financial Statements | 12 |
| Required Supplementary Information (Unaudited) | |
| Schedule of Investment Returns | 30 |



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

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, 2017 and 2016, 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, 2017 and 2016, and the changes in its fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3–9 and the schedule of investment returns on page 30 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 December 21, 2017, 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
December 21, 2017

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis
June 30, 2017 and 2016
(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, 2017 and 2016. This overview compares the year ended June 30, 2017 with the year ended June 30, 2016 and the year ended June 30, 2016 with the year ended June 30, 2015. 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, 2017 and 2016, the assets of the Plan exceeded its liabilities by approximately \$1.4 billion and \$1.2 billion, respectively.
- The total net position increased in 2017 by \$122.2 million or 9.8% compared with net position at June 30, 2016. The total net position decreased in 2016 by \$38.2 million or 3.0% compared with net position at 2015.
- Net investment income increased in 2017 by \$161.6 million. Net investment income decreased in 2016 by \$55.6 million compared to fiscal year 2015.
- Contributions received from employers and employees were the same in 2017 and 2016 at \$125.5 million for each year, as compared to \$115.6 million in fiscal years 2015.
- Benefit payments in 2017 totaled \$171.0 million, an increase of \$1.2 million or 0.7% when compared with fiscal year 2016. Benefit payments in 2016 totaled \$169.8 million, an increase of \$3.0 million or 1.8% when compared with fiscal year 2015.

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, 2017 and 2016 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).

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis
June 30, 2017 and 2016
(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 approximately \$1.4 billion and \$1.2 billion at the close of the years ended June 30, 2017 and 2016, 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, 2017, and 2016.

Table 1. General Employees' Pension Plan Net Position, as of June 30, 2017 and 2016 (dollars in thousands):

| | June 30 | | Amount change | Percentage change |
|--------------------------------------|----------------|-------------|--------------------------|------------------------------|
| | 2017 | 2016 | | |
| Assets: | | | | |
| Cash and deposits | \$ 32,351 | 15,025 | 17,326 | 115.3% |
| Securities lending collateral | 33,929 | 25,448 | 8,481 | 33.3 |
| Due from brokers for securities sold | 623 | 9,479 | (8,856) | (93.4) |
| Receivables | 5,666 | 6,874 | (1,208) | (17.6) |
| Investments | 1,338,348 | 1,227,944 | 110,404 | 9.0 |
| Total assets | 1,410,917 | 1,284,770 | 126,147 | 9.8 |

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis
June 30, 2017 and 2016
(Unaudited)

| | June 30 | | Amount change | Percentage change |
|--|----------------|-------------|--------------------------|------------------------------|
| | 2017 | 2016 | | |
| Liabilities: | | | | |
| Due to brokers for securities purchased | 5,885 | 10,048 | (4,163) | (41.4) |
| Liability for securities lending agreement | 33,929 | 25,448 | 8,481 | 33.3 |
| Accounts payable | \$ 2,287 | 2,612 | (325) | (12.4) |
| Total liabilities | 42,101 | 38,108 | 3,993 | 10.5 |
| Net position restricted for pensions | \$ 1,368,816 | 1,246,662 | 122,154 | 9.8% |

The net position of the Plan increased by \$122.2 million or 9.8% when compared to a decreased of \$38.2 million in fiscal year 2016. The increase in net position can be attributed to an increase in investments of \$110.4 million and an increase in cash and deposits of \$17.3 million. Cash and deposits increased to \$32.4 million in fiscal year 2017 from \$15.0 million in fiscal year 2016. Investments increased to \$1.3 billion in fiscal year 2017 from \$1.2 billion in fiscal year 2016. Total assets for the Plan increased by \$126.1 million or 9.8% compared to 2016. Total cash and investments increased by \$127.7 million. Receivables decreased by \$1.2 million, while due from brokers for securities sold decreased \$8.9 million. Cash and investments represent 97.1% of total assets as of June 30, 2017 and 96.7% as of June 30, 2016.

Table 2. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2017 and 2016 (dollars in thousands):

| | June 30 | | Amount change | Percentage change |
|---|----------------|-------------|--------------------------|------------------------------|
| | 2017 | 2016 | | |
| Additions to plan net position: | | | | |
| Investment income: | | | | |
| Net (depreciation) appreciation in fair value of investments | \$ 155,829 | (4,212) | 160,041 | (3,799.6)% |
| Interest, dividends and other, net | 16,753 | 14,938 | 1,815 | 12.2 |
| Less investment expenses | (3,661) | (3,432) | (229) | 6.7 |
| Net investment income | 168,921 | 7,294 | 161,627 | 2,215.9 |
| Employer contributions: | | | | |
| City of Atlanta | 53,817 | 54,236 | (419) | (0.8) |
| Atlanta Board of Education | 52,000 | 50,400 | 1,600 | 3.2 |
| Employee contributions | 19,684 | 20,836 | (1,152) | (5.5) |
| Other income | 72 | 22 | 50 | 227.3 |
| Total additions | 294,494 | 132,788 | 161,706 | 121.8 |

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis

June 30, 2017 and 2016

(Unaudited)

| | June 30 | | Amount change | Percentage change |
|---------------------------------------|---------------------|------------------|--------------------------|------------------------------|
| | 2017 | 2016 | | |
| Deductions from plan net position: | | | | |
| Benefit payments | \$ 170,986 | 169,808 | 1,178 | 0.7 |
| Administrative expense | 1,354 | 1,166 | 188 | 16.1 |
| Total deductions | <u>172,340</u> | <u>170,974</u> | <u>1,366</u> | <u>0.8</u> |
| (Decrease) increase in net position | | | | |
| restricted for pensions | <u>\$ 122,154</u> | <u>(38,186)</u> | <u>160,340</u> | <u>(419.9)%</u> |
| Net position restricted for pensions: | | | | |
| Beginning of year | \$ 1,246,662 | 1,284,848 | | |
| (Decrease) increase | <u>122,154</u> | <u>(38,186)</u> | | |
| End of year | <u>\$ 1,368,816</u> | <u>1,246,662</u> | | |

Total additions to the plan net position increased by \$161.7 million or 121.8% compared to 2016. This increase is primarily attributed to the increase in net investment income resulting from an upturn in market performance during fiscal year 2017. Net investment income was \$168.9 million for 2017, an increase of \$161.6 million, or 2,215.9% compared to fiscal year 2016. The investment portfolio primarily comprises 71.9% equities, 22.3% fixed income, alternative investments including real estate 4.8%, and short term investments of cash and cash equivalents 1.0% as of June 30, 2017, compared to 69.8% equities, 24.6% fixed income investments, 3.6% alternative investments including real estate, and 2.0% short term investments of cash and cash equivalents as the investment mix as of June 30, 2016. The overall portfolio returned net 14.46% for the fiscal year ended 2017, compared with 0.42% for fiscal year 2016. The S&P 500 index was 17.92% and 3.99%, respectively, during the same time periods.

Employee contributions to the Plan decreased by \$1.2 million to \$19.7 million compared to \$20.8 million in fiscal year 2016. Employer contributions were \$105.8 million, an increase of \$1.2 million, or 1.1% primarily due to a higher actuarially determined contribution (ADC) than fiscal year 2016. Benefit payments increased by \$1.2 million or 0.7% to \$171.0 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, 2016 to June 30, 2015

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 in fiscal years 2016 and 2015, respectively. 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, 2016 and 2015.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis
June 30, 2017 and 2016
(Unaudited)

Table 1-1. 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 cash equivalents | \$ 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> |
| 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% in fiscal year 2016, compared to an increase of \$10.2 million in fiscal year 2015. The decrease in net position can be attributed to net investment income, which was \$7.3 million compared to \$62.9 million in fiscal years 2016 and 2015, respectively. 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 2-1. 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 appreciation (depreciation) | | | | |
| in fair value of investments | \$ (4,212) | 45,158 | (49,370) | (109.3)% |
| Interest, dividends and other, net | 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> |

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis

June 30, 2017 and 2016

(Unaudited)

| | June 30 | | Amount change | Percentage change |
|---------------------------------------|--------------------|----------------|--------------------------|------------------------------|
| | 2016 | 2015 | | |
| 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> |
| 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> |
| | | | 2016 | 2015 |
| Net position restricted for pensions: | | | | |
| Beginning of year | | | \$ 1,284,848 | 1,274,688 |
| Increase (decrease) | | | (38,186) | 10,160 |
| End of year | | | <u>\$ 1,246,662</u> | <u>1,284,848</u> |

Financial Analysis as of June 30, 2016 to June 30, 2015

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 69.8% equities, 24.6% fixed income, and 3.6% alternative investments including real estate and 2.0% short term investments such as cash and cash equivalents 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 0.42% for the fiscal year ended 2016, compared to 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.

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

Management's Discussion and Analysis

June 30, 2017 and 2016

(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, 2017 and 2016

(Dollars in thousands)

| | 2017 | 2016 |
|---|--------------|-------------|
| Assets | | |
| Cash and deposits | \$ 32,351 | 15,025 |
| Securities lending cash collateral | 33,929 | 25,448 |
| Total cash | 66,280 | 40,473 |
| Receivables: | | |
| Contributions receivable from employer | 2,446 | 2,724 |
| Contributions receivable from employees | 700 | 680 |
| Due from brokers for investments sold | 623 | 9,479 |
| Investment income | 1,071 | 1,114 |
| Other | 1,449 | 2,356 |
| Total receivables | 6,289 | 16,353 |
| Investments: | | |
| Short term investments | 13,720 | 24,176 |
| Domestic fixed income securities | 227,081 | 301,973 |
| Domestic equities | 677,026 | 747,352 |
| International fixed income securities | 70,729 | — |
| International equities | 285,678 | 110,622 |
| Alternative investments: | | |
| Real estate | 38,469 | 19,119 |
| Limited partnerships | 25,645 | 24,702 |
| Total investments | 1,338,348 | 1,227,944 |
| Total assets | 1,410,917 | 1,284,770 |
| Liabilities | | |
| Due to brokers for investments purchased | 5,885 | 10,048 |
| Collateral payable for securities lending | 33,929 | 25,448 |
| Accounts payable | 2,287 | 2,612 |
| Total liabilities | 42,101 | 38,108 |
| Net position restricted for pensions | \$ 1,368,816 | 1,246,662 |

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Statements of Changes in Fiduciary Net Position

June 30, 2017 and 2016

(Dollars in thousands)

| | 2017 | 2016 |
|--|--------------|--------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 105,817 | \$ 104,636 |
| Employee | 19,684 | 20,836 |
| Total contributions | 125,501 | 125,472 |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments | 155,829 | (4,212) |
| Interest and dividends | 16,414 | 14,660 |
| Investment expenses, other than from securities lending | (3,661) | (3,432) |
| Securities lending income, net | 339 | 278 |
| Net investment income | 168,921 | 7,294 |
| Other | 72 | 22 |
| Total additions | 294,494 | 132,788 |
| Deductions: | | |
| Benefit payments, including refunds of member contributions | 170,986 | 169,808 |
| Administrative expense | 1,354 | 1,166 |
| Total deductions | 172,340 | 170,974 |
| Net increase (decrease) in net position | 122,154 | (38,186) |
| Net position restricted for pensions: | | |
| Beginning of year | 1,246,662 | 1,284,848 |
| End of year | \$ 1,368,816 | \$ 1,246,662 |

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2017 and 2016

(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, 2017 and 2016. 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, 2017 and 2016 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 be 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

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2017 and 2016

payable were established by the Atlanta Code of Ordinances, Part 1, Section 6 legislative acts creating the Plan, as amended, and in 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 contribution 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

Obligations to contribute to the Plan are subject to minimum funding standards of the Georgia Public Retirement Systems Standards law and are established by the Board of Trustees. Previously, the School System's policy was to contribute to the Plan based on a level percent of payroll amortization method using a closed amortization period with 12.5 years remaining. By resolution adopted by the Atlanta Independent School System's Board on June 2, 2014, the School System changed its funding policy whereby each year's employer contribution will be equal to the prior year's amount, increased by 3%, until the Plan is fully funded. In addition, active participants are required to contribute 7% of pay to the Plan (8% if a participant is married or elects to name a covered beneficiary).

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

Notes to Financial Statements

June 30, 2017 and 2016

(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.

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

Notes to Financial Statements

June 30, 2017 and 2016

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

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

Notes to Financial Statements

June 30, 2017 and 2016

for the remaining months by which age at retirement is less than 60. Unreduced early retirement is available with 30 years of credited service.

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, 2017, participation in the plan was as follows:

| | The city | School system |
|---|-----------------|----------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 3,874 | 2,028 |
| Inactive plan members entitled to, but not yet receiving benefits | 275 | 134 |
| Active plan members | 3,452 | 738 |
| | 7,601 | 2,900 |

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 |

(g) Reclassification

Certain items in the 2016 consolidated financial statements have been reclassified to conform to the presentation adopted in 2017.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2017 and 2016

(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) 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.

(c) 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, as reported by the investment managers. Because of the lag time in reporting, partnership investments are reported as of the end of the third fiscal quarter and with actual investment activity in the fourth fiscal quarter. Net asset value is based upon the fair value of the underlying investments. Information provided by partnerships regarding the methods they use to value the underlying investments of the partnership and any restrictions on or illiquidity of the interests of partnerships are considered in determining fair value.

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

(d) Use of Estimates

Management of the Plan has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the 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.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2017 and 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.

Remainder of page intentionally left blank

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

Notes to Financial Statements

June 30, 2017 and 2016

There were no changes to the investment policy in fiscal year 2017. The policy may be amended by a majority vote of the Board 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>—%</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 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, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 13.32% and 1.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Notes to Financial Statements

June 30, 2017 and 2016

(a) Investment Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. 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, 2017 and 2016, the Plan had the following fixed income investments (dollars in thousands) with the corresponding credit ratings and maturities.

| Type of investments | Credit rating | Maturity at June 30, 2017 | | | | | Fair value |
|-----------------------------|---------------|---------------------------|---------------|---------------|---------------|---------------|----------------|
| | | Under 1 year | 1-3 years | 3-5 years | 5-10 years | Over 10 years | |
| U.S. treasury securities | TSY | \$ — | — | 6,260 | 5,040 | 20,000 | 31,300 |
| U.S. government agencies | AGY | — | 7 | — | 1,949 | 9,574 | 11,530 |
| U.S. government agencies | NR | 12,408 | 10,366 | — | 5,792 | 5,277 | 33,843 |
| Corporate bonds | AAA/A- | 1,508 | 5,093 | 4,550 | 4,825 | 3,320 | 19,296 |
| Corporate bonds | BBB+/BBB- | 1,185 | 1,978 | 1,494 | 4,348 | 2,386 | 11,391 |
| Corporate bonds | NR | — | 4,788 | 2,738 | 6,870 | — | 14,396 |
| Mutual bonds | NR | 20,910 | — | — | — | — | 20,910 |
| Commingled bond fund | NR | 138,723 | — | — | — | — | 138,723 |
| Asset-backed securities | AAA/A | 913 | 817 | 5,216 | — | — | 6,946 |
| Asset-backed securities | NR | — | 415 | — | — | — | 415 |
| CMOs | AAA/A- | — | — | — | — | 2,858 | 2,858 |
| CMOs | NR | — | — | — | — | 3,360 | 3,360 |
| State and local obligations | A+/BBB- | — | — | 147 | 1,899 | 796 | 2,842 |
| | | <u>\$ 175,647</u> | <u>23,464</u> | <u>20,405</u> | <u>30,723</u> | <u>47,571</u> | <u>297,810</u> |

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

Notes to Financial Statements

June 30, 2017 and 2016

| Type of investments | Credit rating | Maturity at June 30, 2016 | | | | | 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 |
| | | <u>\$ 169,752</u> | <u>20,414</u> | <u>16,958</u> | <u>33,686</u> | <u>61,163</u> | <u>301,973</u> |

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, 2017 and 2016.

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

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016 are as follows (in thousands):

| <u>Issuer</u> | <u>Investment type</u> | <u>June 30,</u> | |
|-------------------------------------|-----------------------------|-----------------|-------------|
| | | <u>2017</u> | <u>2016</u> |
| BlackRock Equity Index Fund | Commingled Equity Fund | \$ — | \$286,494 |
| BlackRock Equity Index Fund | Domestic Equities | 295,554 | — |
| Artisan Funds | Equity Exchange Traded Fund | 102,264 | 85,228 |
| Johnston International Equity Group | Commingled Equity Fund | 97,043 | 77,095 |
| SSGA U.S. Aggregate Bond Index | Commingled Bond Fund | 69,550 | 73,251 |
| Colchester Global Bond Fund | Commingled Bond Fund | 69,173 | 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.

The remainder of this page intentionally left blank

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

Notes to Financial Statements

June 30, 2017 and 2016

The following table provides the value in U.S. dollars by foreign currency denominations for the plan investments denominated in foreign currencies at June 30, 2017 and 2016 (dollars in thousands):

| | | June 30 | |
|---|--------------------------|-------------------|----------------|
| | | 2017 | 2016 |
| Currency: | Country: | | |
| Euro | France | — | 104 |
| Euro | Germany | 1,816 | — |
| Euro | Ireland | 4,132 | 4,305 |
| Euro | Luxembourg | 104 | — |
| Euro | Netherlands | 204 | 59 |
| Euro | United Kingdom | 1,131 | 1,650 |
| Total Euro | | <u>7,387</u> | <u>6,118</u> |
| Bermudian Dollar | Bermuda | 4,430 | 1,950 |
| Canadian Dollar | Canada | 1,117 | 505 |
| Cayman Islands Dollar | Cayman Islands | 136 | 639 |
| Guernsey Pound | Guernsey, CI | 576 | 304 |
| Israeli New Shekel | Israel | 352 | 116 |
| Jersey Pound | Jersey, C.I. | — | 48 |
| Liberian Dollar | Liberia | 772 | 1 |
| United State Dollar | Panama | 557 | — |
| Singapore Dollar | Singapore | — | — |
| Swiss Franc | Switzerland | 311 | — |
| United States Dollar | Virgin Islands - British | 590 | 370 |
| Various foreign currencies | Europe/Far East Region | 5,736 | — |
| Various foreign currencies | International Region | 334,443 | 100,571 |
| Total securities subject to foreign currency risk | | <u>\$ 356,407</u> | <u>110,622</u> |

(b) Fair Value Measurement

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:

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2017 and 2016

- 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
- 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, 2017 and 2016 (in thousands):

The remainder of this page intentionally left blank

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

Notes to Financial Statements

June 30, 2017 and 2016

| | June 30, 2017 | | | |
|--------------------------------------|----------------------|----------------|----------------|--------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Short term investments: | | | | |
| Cash and cash equivalents | \$ 13,720 | — | — | 13,720 |
| Debt securities: | | | | |
| Asset backed securities | — | 13,579 | — | 13,579 |
| Commingled bond fund | — | 69,550 | — | 69,550 |
| Corporate and municipal bonds | — | 47,925 | — | 47,925 |
| Bond exchange traded funds | 20,910 | — | — | 20,910 |
| U. S. Agency securities | — | 45,373 | — | 45,373 |
| U. S. Treasury securities | 31,300 | — | — | 31,300 |
| Total debt securities | <u>52,210</u> | <u>176,427</u> | <u>—</u> | <u>228,637</u> |
| Equity securities: | | | | |
| Commingled equity fund | — | 295,554 | — | 295,554 |
| Common stock | 333,506 | — | — | 333,506 |
| Exchange traded funds | 181,839 | — | — | 181,839 |
| Total equity securities | <u>515,345</u> | <u>295,554</u> | <u>—</u> | <u>810,899</u> |
| Total investments at fair value | <u>\$ 581,275</u> | <u>471,981</u> | <u>—</u> | <u>1,053,256</u> |
| Investments measured at NAV: | | | | |
| Commingled bond funds | | | | 69,173 |
| Commingled equity funds | | | | 151,805 |
| Private equity funds | | | | 25,645 |
| Real estate fund | | | | 38,469 |
| Total investments measured at NAV | | | | <u>285,092</u> |
| Total investments | | | | <u>\$1,338,348</u> |
| Securities lending cash collateral | <u>\$ 33,929</u> | | | <u>\$ 33,929</u> |

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

Notes to Financial Statements

June 30, 2017 and 2016

| | 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 | — | 14,485 | — | 14,485 |
| Commingled bond fund | — | 73,251 | — | 73,251 |
| Corporate and municipal bonds | — | 40,709 | — | 40,709 |
| Bond exchange traded funds | 19,455 | — | — | 19,455 |
| U.S. Agency securities | — | 43,239 | — | 43,239 |
| 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 | — | — | 735,337 |
| Total investments fair value | \$ 531,044 | 171,684 | — | 989,222 |
| Investments measured at NAV: | | | | |
| Commingled bond funds | | | | 72,264 |
| Commingled equity funds | | | | 122,637 |
| Private equity fund | | | | 24,702 |
| Real estate fund | | | | 19,119 |
| Total investments measured at NAV | | | | 238,722 |
| Total investments | | | | \$ 1,227,944 |
| Securities lending cash collateral | \$ 25,448 | | | \$ 25,448 |

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.

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

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 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.

(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, 2017, the Plan had funds under a securities lending agreement with a market value of outstanding loans of \$33,122,000 and collateral of \$33,929,000, which consisted of cash, collateral investments, and noncash loans. 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.

(d) Alternative Investments

In fiscal year 2013, the Board authorized the Plan to invest in alternative investments. As of June 30, 2017 and 2016, the Plan had alternative investments totaling \$64,114,000 and \$43,821,000 respectively, in the form of limited partnerships.

As of June 30, 2017, 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):

| | Unfunded commitments | Redemptions frequency (if currently eligible) | Redemptions notice period |
|---------------------|---------------------------------|--|--------------------------------------|
| Private equity fund | \$ 3,582 | 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.

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

Notes to Financial Statements

June 30, 2017 and 2016

(4) Contributions Required and Contributions Made

The required contribution percentages developed in the actuarial valuations for the Plan for the years ended June 30, 2017 and 2016, and the actual contributions made are as follows (dollars in thousands):

| | June 30, 2017 | |
|---|----------------------|----------------------|
| | The city | School system |
| Service cost | 12.41% | 23.50% |
| Amortization of the unfunded actuarial accrued liability | 28.07 | 233.81 |
| Total required contributions as a percentage of covered payroll | 40.48% | 257.31% |
| 2017 actual employee contributions: | | |
| Dollar amount | \$ 18,088 | 1,596 |
| Percent of covered payroll | 10.57% | 7.88% |
| 2017 actual employer contributions: | | |
| Dollar amount | \$ 53,817 | 52,000 |
| Percent of covered payroll | 31.45% | 256.9% |
| | | |
| | June 30, 2016 | |
| | The city | School system |
| Service cost | 13.34% | 22.81% |
| Amortization of the unfunded actuarial accrued liability | 31.68 | 227.14 |
| Total required contributions as a percentage of covered payroll | 45.02% | 249.95% |
| 2016 actual employee contributions: | | |
| Dollar amount | \$ 19,173 | 1,663 |
| Percent of covered payroll | 12.65% | 8.22% |
| 2016 actual employer contributions: | | |
| Dollar amount | \$ 54,236 | 50,400 |
| Percent of covered payroll | 35.77% | 249.00% |

The annual covered payroll for the City was \$171,107,000 and \$151,625,000 for the years ended June 30, 2017 and 2016, respectively. The annual covered payroll for the School System was \$20,242,000 and \$20,241,000 for the years ended June 30, 2017 and 2016, 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.

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

Notes to Financial Statements

June 30, 2017 and 2016

(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 \$2,446,000 and \$2,724,000, respectively, as of June 30, 2017 and 2016.

(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 \$700,000 and \$680,000, respectively, as of June 30, 2017 and 2016.

(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 July 11, 2017 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.

(7) Subsequent Event

In December 2017, the City of Atlanta passed legislation to combine the Boards of Trustees for its three separate pension plans in order to improve administrative efficiency, governance and investment returns.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

(See Accompanying Independent Auditors' Report)

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

Required Supplementary Information

Schedule of Investment Returns

June 30, 2017

(Unaudited)

| | <u>2017</u> | <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-weighted rate of return, net of investment expense | 13.32% | 1.24% | 4.64% | 19.26% | 17.55% | 0.93% | 19.69% | 12.92% | (9.56)% |

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

See accompanying independent auditors' report