

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

Financial Statements and Required Supplemental Schedules

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

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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), a component unit of the City of Atlanta, Georgia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

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 the 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, a component unit of the City of Atlanta, Georgia, as of June 30, 2020 and 2019, and the changes in its fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 to 9 and the Schedule of Investment Returns on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 16, 2020, on our consideration of the Plan's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Plan's 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 16, 2020

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Management's Discussion and Analysis
June 30, 2020 and 2019
(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, 2020 and 2019. This overview compares the year ended June 30, 2020 with the year ended June 30, 2019 and the year ended June 30, 2019 with the year ended June 30, 2018. Readers are encouraged to read the Notes to the Financial Statements in conjunction with the financial statements presented, following this narrative.

In December 2017, the City of Atlanta (the City) adopted legislation to combine the management of its three separate pension plans and create one board of trustees to be known as the City of Atlanta Defined Benefit Pension Plan Investment Board (the Board) in order to improve administrative efficiency, governance and investment returns. The City consolidated and set minimum requirements for the Investment Board of Trustees of the three Pension Plans in order to optimize investment returns, establish national leadership in pension management best practices, and increase the City's revenues available for compensation of active employees.

The Plan is administered as an agent multiple-employer, defined-benefit plan by the Board, which includes the Chair who is an appointee of the Mayor, the Mayor or a designee serving as Vice Chair of the Investment Board, three city council members appointed by the Mayor, two city council members appointed by the President of the Atlanta City Council, one member appointed by the Atlanta Board of Education (School System), one member appointed by the Mayor who is a participant in any of the three Plans, the City's Chief Financial Officer, the Human Resources Commissioner, and four members elected by active and retired participants as follows: one from the City of Atlanta, Georgia General Employees Pension Fund, one from the Atlanta Public Schools General Employees Pension Fund, one from the City of Atlanta, Georgia Firefighters' Pension Fund and one from the City of Atlanta, Georgia Police Officers' Pension Fund. Each pension law modification must be adopted by at least two-thirds vote of the City Council and be approved by the Mayor.

Financial Highlights

- At June 30, 2020 and 2019, the assets of the Plan exceeded its liabilities by \$1.50 billion.
- The total net position decreased in 2020 by \$3.3 million or 0.2% compared with the net position at June 30, 2019. The total net position increased in 2019 by \$46.8 million or 3.2% compared with the net position at 2018.
- Net investment income decreased in 2020 by \$33.4 million or 38.8%. Net investment income decreased in 2019 by \$49.4 million or 36.5% compared to fiscal year 2018.
- Contributions received from employers and employees were lower in 2020 than 2019 at \$126.1 million and \$139.5 million, respectively, as compared to contributions received from employers and employees of \$127.5 million in fiscal year 2018.
- Benefit payments in 2020 totaled \$180.7 million, an increase of \$3.0 million or 1.7% when compared with fiscal year 2019. Benefit payments in 2019 totaled \$177.7 million, an increase of \$4.0 million or 2.3% when compared with fiscal year 2018.

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Fiduciary Funds

The Plan is considered a fiduciary fund of the City of Atlanta, Georgia (City). The City's Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2020 and 2019 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 city government, but over which the city 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 management discussion and analysis are the basic financial statements. The *basic financial statements* and required notes to the financial statements are prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

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 and related notes can be found following the notes in this report.

Financial Analysis

Net position may serve over time as a useful indicator of financial stability. In the case of the Plan, assets exceeded liabilities by approximately \$1.50 billion at the close of the years ended June 30, 2020 and 2019. 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, 2020 and 2019.

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June 30, 2020 and 2019
(Unaudited)

Table 1. General Employees' Pension Plan Net Position as of June 30, 2020 and 2019 (dollars in thousands):

	June 30		Amount change	Percentage change
	2020	2019		
Assets:				
Cash and deposits	\$ 45,326	43,355	1,971	4.5 %
Securities lending collateral	—	13,259	(13,259)	(100.0)
Due from brokers for securities sold	1,038	4,172	(3,134)	(75.1)
Receivables	10,217	6,453	3,764	58.3
Investments	1,455,792	1,453,577	2,215	0.2
Total assets	<u>1,512,373</u>	<u>1,520,816</u>	<u>(8,443)</u>	<u>(0.6)</u>
Liabilities:				
Due to brokers for securities purchased	9,005	1,609	7,396	459.7
Liability for securities lending agreement	—	13,259	(13,259)	(100.0)
Accounts payable	3,765	3,090	675	21.8
Total liabilities	<u>12,770</u>	<u>17,958</u>	<u>(5,188)</u>	<u>(28.9)</u>
Net position restricted for pensions	<u>\$ 1,499,603</u>	<u>1,502,858</u>	<u>(3,255)</u>	<u>(0.2)%</u>

The net position of the Plan decreased by \$3.3 million or 0.2% when compared to a increase of \$46.8 million in fiscal year 2019. The decrease in net position can be primarily attributed to an increase in liabilities for the amount due to brokers for securities purchased of \$7.4 million an increase in cash and deposits of \$1.9 million and an increase in investments of \$2.2 million. Cash and deposits increased to \$45.3 million in fiscal year 2020 from \$43.4 million in fiscal year 2019. Investments increased to \$1.46 billion in fiscal year 2020 from \$1.45 billion in fiscal year 2019. Total assets for the Plan decreased by \$8.4 million or 0.6% compared to 2019. Total cash and investments increased by \$4.2 million. Cash and investments represent 99.3% of total assets as of June 30, 2020 and 98.4% as of June 30, 2019.

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Table 2. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2020 and 2019 (dollars in thousands):

	June 30		Amount change	Percentage change
	2020	2019		
Additions to plan net position:				
Investment income:				
Net appreciation				
in fair value of investments	\$ 41,779	70,744	(28,965)	(40.9)%
Interest, dividends and other, net	14,958	19,271	(4,313)	(22.4)
Less investment expenses	(4,164)	(4,042)	(122)	3.0
Net investment income	<u>52,573</u>	<u>85,973</u>	<u>(33,400)</u>	<u>(38.8)</u>
Employer contributions:				
City of Atlanta	48,219	47,220	999	2.1
Atlanta Board of Education	56,700	55,002	1,698	3.1
Employee contributions	21,140	37,325	(16,185)	(43.4)
Other income	267	5	262	5240
Total additions	<u>178,899</u>	<u>225,525</u>	<u>(46,626)</u>	<u>(20.7)</u>
Deductions from plan net position:				
Benefit payments	\$ 180,698	177,707	2,991	1.7
Administrative expense	1,456	1,059	397	37.4
Total deductions	<u>182,154</u>	<u>178,766</u>	<u>3,388</u>	<u>1.9</u>
(Decrease) Increase in net position				
restricted for pensions	<u>\$ (3,255)</u>	<u>46,759</u>	<u>(50,014)</u>	<u>(107.0)%</u>
Net position restricted for pensions:				
Beginning of year	\$1,502,858	1,456,099		
(Decrease) Increase in net position	<u>(3,255)</u>	<u>46,759</u>		
End of year	<u>\$1,499,603</u>	<u>1,502,858</u>		

Total additions to the fiduciary net position decreased by \$46.6 million or 20.7% compared to 2019. This decrease is primarily attributed to the decrease in net investment income resulting from a decline in unrealized gains in the investment portfolio during fiscal year 2020. Net investment income was \$52.6 million for 2020, a decrease of \$33.4 million, or 38.8% compared to fiscal year 2019. The investment portfolio primarily comprises 70.3% equities, 19.6% fixed income, alternative investments including real estate 4.4% and short term investments of cash and cash equivalents 5.7% as of June 30, 2020, compared to 72.3% equities, 21.3% fixed income investments, 4.8% alternative investments including real estate, and 1.6% short term investments of cash and cash equivalents as the investment mix as of June 30, 2019. The overall portfolio returned net 3.80% for the fiscal year ended 2020, compared with 6.10% for fiscal year 2019. The S&P 500 index was 7.50% and 10.40%, respectively, during the same time periods.

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Employee contributions to the Plan decreased by \$16.2 million to \$21.1 million compared to \$37.3 million in fiscal year 2019. Employer contributions were \$104.9 million, an increase of \$2.7 million or 2.6% primarily due to a higher actuarially determined contribution (ADC) than fiscal year 2019. Benefit payments increased by \$3.0 million or 1.7% to \$180.7 million.

Financial Analysis of June 30, 2019 to June 30, 2018

Net position may serve over time as a useful indicator of financial stability. In the case of the Plan, assets exceeded liabilities by \$1.50 billion and \$1.46 billion in fiscal years 2019 and 2018, 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, 2019 and 2018.

Table 1-1. General Employees' Pension Plan Net Position, as of June 30, 2019 and 2018 (dollars in thousands):

	June 30		Amount change	Percentage change
	2019	2018		
Assets:				
Cash and cash equivalents	\$ 43,355	35,851	7,504	20.9 %
Investments	1,453,577	1,416,369	37,208	2.6
Securities lending collateral	13,259	24,701	(11,442)	(46.3)
Due from brokers for securities sold	4,172	833	3,339	400.8
Receivables	6,453	6,595	(142)	(2.2)
Total assets	<u>1,520,816</u>	<u>1,484,349</u>	<u>36,467</u>	<u>2.5</u>
Liabilities:				
Accounts payable	3,090	2,706	384	14.2
Due to brokers for securities purchased	1,609	843	766	90.9
Liability for securities lending agreement	13,259	24,701	(11,442)	(46.3)
Total liabilities	<u>17,958</u>	<u>28,250</u>	<u>(10,292)</u>	<u>(36.4)</u>
Net position restricted for pensions	<u>\$ 1,502,858</u>	<u>1,456,099</u>	<u>46,759</u>	<u>3.2 %</u>

The net position of the Plan increased by \$46.8 million or 3.2% in fiscal year 2019, compared to an increase of \$87.3 million in fiscal year 2018. The decrease in net position can be attributed to net investment income, which was \$86.0 million compared to \$135.4 million in fiscal years 2019 and 2018, respectively. Total assets for the Plan in fiscal year 2019 increased by \$36.5 million or 2.5% compared to 2018. Total cash and investments increased by \$44.7 million. Receivables increased by \$0.1 million and due from brokers for securities sold increased by \$3.3 million. Cash and investments represent 98.4% of total assets as of June 30, 2019 and 97.8% as of June 30, 2018.

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Management's Discussion and Analysis
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Table 2-1. General Employees' Pension Plan Changes in Net Position, Years ended June 30, 2019 and 2018 (dollars in thousands):

	June 30		Amount change	Percentage change
	2019	2018		
Additions to plan net position:				
Investment income:				
Net appreciation (depreciation)				
in fair value of investments	\$ 70,744	124,524	(53,780)	(43.2)%
Interest, dividends and other, net	19,271	15,095	4,176	27.7
Less investment expenses	(4,042)	(4,245)	203	(4.8)
Net investment income	<u>85,973</u>	<u>135,374</u>	<u>(49,401)</u>	<u>(36.5)</u>
Employer contributions:				
City of Atlanta	47,220	51,903	(4,683)	(9.0)
Atlanta Board of Education	55,002	53,400	1,602	3.0
Employee contributions	37,325	22,184	15,141	68.3
Other income	5	110	(105)	(95.5)
Total additions	<u>225,525</u>	<u>262,971</u>	<u>(37,446)</u>	<u>(14.2)</u>
Deductions from plan net position:				
Benefit payments	177,707	173,670	4,037	2.3
Administrative expense	1,059	2,018	(959)	(47.5)
Total deductions	<u>178,766</u>	<u>175,688</u>	<u>3,078</u>	<u>1.8</u>
(Decrease) increase in net position				
restricted for pensions	<u>\$ 46,759</u>	<u>87,283</u>	<u>(40,524)</u>	<u>(46.4)%</u>
	<u>2019</u>	<u>2018</u>		
Net position restricted for pensions:				
Beginning of year	1,456,099	1,368,816		
Increase	<u>46,759</u>	<u>87,283</u>		
End of year	<u><u>1,502,858</u></u>	<u><u>1,456,099</u></u>		

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

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Financial Analysis as of June 30, 2019 to June 30, 2018

Total additions to the plan net position decreased by \$37.4 million or 14.2% compared to 2018. This decrease is primarily attributed to the decrease in net investment income and a downturn in market performance during fiscal year 2019. Net investment income was \$86.0 million for 2019, a decrease of \$49.4 million, or 36.5% compared to fiscal year 2018. Receivables decreased by \$0.14 million, while due from brokers for securities sold increased by \$3.3 million. The investment portfolio comprises 72.3% equities, 21.3% fixed income investments, 4.8% alternative investments including real estate, and 1.6% short term investments of cash and cash equivalents as the investment mix as of June 30, 2019 compared to 70.0% equities, 25.0% fixed income, 5.0% alternative investments including real estate, and 0.0% short term investments such as cash and cash equivalents as the investment mix as of June 30, 2018. The overall portfolio returned 6.10% for the fiscal year ended 2019, compared to 9.91% for fiscal year 2018. The S&P 500 index was 10.40% and 14.37% respectively, during the same time periods.

Employee contributions to the Plan increased by \$15.1 million to \$37.3 million compared to \$22.2 million in fiscal year 2018. Employer contributions were \$102.2 million, a decrease of \$3.1 million, or 2.9% primarily due to a lower actuarially determined contribution (ADC) for fiscal year 2018. Benefit payments increased by \$4.0 million or 2.3% to \$177.7 million. The increase in benefit payments is primarily the result of the increase in pension payments and increased cost of living adjustments.

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.

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CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN

Statements of Fiduciary Net Position

June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Assets		
Cash and deposits	\$ 45,326	43,355
Securities lending cash collateral	—	13,259
Total cash	45,326	56,614
Receivables:		
Contributions receivable from employer	5,271	1,609
Contributions receivable from employees	1,512	721
Due from brokers for investments sold	1,038	4,172
Accrued Investment income	1,495	1,396
Other	1,939	2,727
Total receivables	11,255	10,625
Investments:		
Short term investments	82,983	23,335
Domestic fixed income securities	282,431	307,581
Domestic equities	910,331	927,933
International fixed income securities	2,577	2,550
International equities	113,400	122,674
Alternative investments:		
Real estate	42,963	42,313
Limited partnerships	21,107	27,191
Total investments	1,455,792	1,453,577
Total assets	1,512,373	1,520,816
Liabilities		
Due to brokers for investments purchased	9,005	1,609
Collateral payable for securities lending	—	13,259
Accounts payable	3,765	3,090
Total liabilities	12,770	17,958
Net position restricted for pensions	\$ 1,499,603	1,502,858

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
GENERAL EMPLOYEES' PENSION PLAN
Statements of Changes in Fiduciary Net Position
June 30, 2020 and 2019
(Dollars in thousands)

	2020	2019
Additions:		
Contributions:		
Employer	\$ 104,919	\$ 102,222
Employee	21,140	37,325
Total contributions	126,059	139,547
Investment income:		
Net appreciation in fair value of investments	41,779	70,744
Interest and dividends	14,922	18,971
Investment expenses, other than from securities lending	(4,164)	(4,042)
Securities lending income, net	36	300
Net investment income	52,573	85,973
Other	267	5
Total additions	178,899	225,525
Deductions:		
Benefit payments, including refunds of member contributions	180,698	177,707
Administrative expense	1,456	1,059
Total deductions	182,154	178,766
(Decrease) Increase in net position	(3,255)	46,759
Net position restricted for pensions:		
Beginning of year	1,502,858	1,456,099
End of year	\$ 1,499,603	\$ 1,502,858

See accompanying notes to financial statements.

CITY OF ATLANTA, GEORGIA
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Notes to Financial Statements

June 30, 2020 and 2019

(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 pre-retirement death benefits. The Plan is an agent multiple-employer defined-benefit pension plan with two employers participating in the plan at June 30, 2020 and 2019. 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 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 Plan. Classified employees and certain nonclassified employees pay grade 18 and below not covered by either the City of Atlanta, Georgia Police Officers' or City of Atlanta, Georgia Firefighters' Pension Plans, hired after September 1, 2005 are required to become members of the 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 CAFR for the years ended June 30, 2020 and 2019 should be read in conjunction with these financial statements.

(a) Administration of the Plan

In December 2017, the City adopted legislation to combine the management of its three separate pension plans and create one board of trustees to be known as the City of Atlanta Defined Benefit Pension Plan Investment Board (the Board) in order to improve administrative efficiency, governance and investment returns. The City consolidated and set minimum requirements for the Investment Board of Trustees of the three Pension Plans in order to optimize investment returns, establish national leadership in pension management best practices, and increase the City revenues available for compensation of active employees.

The Plan is administered as an agent multiple-employer, defined-benefit plan by the Board, which includes the Chair who is an appointee of the Mayor, the Mayor or a designee serving as Vice Chair of the Investment Board, three city council members appointed by the Mayor, two city council members appointed by the President of the Atlanta City

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Council, one member appointed by the Atlanta Board of Education (School System), one member appointed by the Mayor who is a participant in any of the three Plans, the City's Chief Financial Officer, the Human Resources Commissioner, and four members elected by active and retired participants as follows: one from the City of Atlanta, Georgia General Employees' Pension Plan, one from the Atlanta Public Schools General Employees Pension Plan, one from the City of Atlanta, Georgia Firefighters' Pension Plan, and one from the City of Atlanta, Georgia Police Officers' Pension Plan. 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 payable were established by the Atlanta, Georgia, 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 pension plans. In the event that this 35% cap is reached, the City will fund any overage for the first 12-month period from its reserves. During that period, the City's management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12-month period, the City and the participants will equally split the cost of the overage, subject only to a provision that employee contributions may not increase more than 5%. Contribution requirements may be amended by the Board

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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. 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).

(d) Description of the benefit terms – The City

In June 2011, the City Council approved changes for the City's three defined-benefit pension 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.

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Normal Pension

Hired before July 1, 2010:

Age 60 after completing 10 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 60 after completing 15 years of service.

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

Hired after October 31, 2011:

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.

Early Pension

Hired before July 1, 2010:

10 years of credited service.

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

15 years of credited service.

Hired after October 31, 2011:

Age 52 and 15 years of 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 service. For employees hired after October 31, 2011, the monthly benefit amount is reduced by one-half of 1% per month before age 62.

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Disability

Service requirement:

5 years of credited service for non-job 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 60 after completing 10 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 10 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.

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

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(f) Plan Membership

As of the beginning of the fiscal year ended June 30, 2020, participation in the plan was as follows:

	The City	School System
Inactive plan members or beneficiaries currently receiving benefits	3,991	1,866
Inactive plan members entitled to, but not yet receiving benefits	884	199
Active plan members	3,674	758
	8,549	2,823

As of the beginning of the fiscal year ended June 30, 2019, participation in the plan was as follows:

	The City	School System
Inactive plan members or beneficiaries currently receiving benefits	3,920	1,926
Inactive plan members entitled to, but not yet receiving benefits	614	165
Active plan members	3,830	662
	8,364	2,753

(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 fiduciary 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.

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(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. 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 fiduciary 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.

(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

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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 investment 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.

There were no changes to the investment policy in fiscal year 2020. The policy may be amended by a majority vote of the Board members.

Below is the asset allocation target assets mix in effect during fiscal year June 2020:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic equity:			
Large cap	13.0 %	18.0 %	23.0 %
Mid cap	7.0 %	12.0 %	17.0 %
Small cap	7.0 %	12.0 %	17.0 %
International equity:			
Developed	8.0 %	13.0 %	18.0 %
Small cap	2.0 %	7.0 %	12.0 %
Emerging markets equity	3.0 %	8.0 %	13.0 %
Total equity	<u>40.0 %</u>	<u>70.0 %</u>	<u>100.0 %</u>
Alternative investments	<u>—%</u>	<u>5.0 %</u>	<u>— %</u>
Fixed income:			
Core	20.0 %	25.0 %	30.0 %
Total fixed income	<u>20.0 %</u>	<u>25.0 %</u>	<u>30.0 %</u>

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Below is the asset allocation target assets mix in effect during fiscal year June 2019:

	<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, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.56% and 6.09%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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(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, 2020 and 2019, 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, 2020					Fair value
		Under 1 year	1–3 years	3–5 years	5–10 years	Over 10 years	
U.S. treasury securities	Exempt	\$ —	11,110	537	11,432	7,518	30,597
U.S. government agencies	AAA/AA+	4,654	13,289	332	—	—	18,275
U.S. government agencies	AGY	—	7,762	—	1,518	21,693	30,973
Corporate bonds	AAA/AA+	—	190	1,753	—	—	1,943
Corporate bonds	AA/A-	1,501	3,471	11,571	43,694	10,816	71,053
Corporate bonds	B+/BBB	—	2,083	1,096	26,946	5,999	36,124
Bond exchange traded funds	NR	8,935	—	—	—	—	8,935
Commingled bond fund	NR	76,688	—	—	—	—	76,688
Asset-backed securities	AAA	—	—	1,356	—	—	1,356
Asset-backed securities	NR	—	—	1,707	—	—	1,707
CMOs	AAA	—	—	—	—	1,948	1,948
CMOs	NR	—	—	—	—	3,824	3,824
State and local obligations	A/A+/AA+/AAA	—	426	358	799	—	1,583
State and local obligations	BBB+	—	2	—	—	—	2
		<u>\$ 91,778</u>	<u>38,333</u>	<u>18,710</u>	<u>84,389</u>	<u>51,798</u>	<u>285,008</u>

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Type of investments	Credit rating	Maturity at June 30, 2019					Fair value
		Under 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	
U.S. treasury securities	Exempt	\$ —	8,882	—	1,872	22,461	33,215
U.S. government agencies	AAA	—	9,251	—	314	—	9,565
U.S. government agencies	NR	—	—	560	1,823	12,726	15,109
Corporate bonds	AA/A-	224	25,335	17,220	7,870	3,260	53,909
Corporate bonds	B+/BBB	80	336	6,481	13,645	2,472	23,014
Bond exchange traded funds	NR	20,388	—	—	—	—	20,388
Commingled bond fund	NR	144,089	—	—	—	—	144,089
Asset-backed securities	AAA/A	—	—	900	451	—	1,351
Asset-backed securities	NR	—	—	338	—	—	338
CMOs	AAA/A	—	—	—	—	2,038	2,038
CMOs	NR	—	—	—	—	4,688	4,688
State and local obligations	A/A+/AA+/AA-/AAA	—	—	534	1,886	5	2,425
State and local obligations	BBB/B+	—	2	—	—	—	2
		<u>\$ 164,781</u>	<u>43,806</u>	<u>26,033</u>	<u>27,861</u>	<u>47,650</u>	<u>310,131</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, 2020 and 2019.

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Concentration of Credit Risk.

The Plan does not have a policy regarding the concentration of credit risk. Investments in any one issuer, excluding US treasuries and government agencies, representing 5% or more of the net position restricted for pensions at June 30, 2020 and 2019 are as follows (in thousands):

Issuer	Investment type	June 30,	
		2020	2019
BlackRock Equity Index Fund	Domestic Equities	267,541	314,602
Artisan Funds	Equity Exchange Traded Fund	90,002	97,653
BlackRock Equity Index Fund	Commingled Equity Fund	98,497	—
Johnston International Equity Group	Commingled Equity Fund	124,598	112,540
SSGA U.S. Aggregate Bond Index	Commingled Bond Fund	76,688	—

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 for the plan investments denominated in foreign currencies at June 30, 2020 and 2019 (dollars in thousands):

		June 30	
		2020	2019
Currency:	Country:		
Euro	Germany	813	—
Euro	Ireland	5,724	6,595
Euro	Luxembourg	—	45
Euro	United Kingdom	3,207	2,563
Total Euro		<u>9,744</u>	<u>9,203</u>
Bahamian Dollar	Bahamas	—	275
Bermudian Dollar	Bermuda	—	2,225
Canadian Dollar	Canada	1,214	1,318
Cayman Islands Dollar	Cayman Islands	118	105
Guernsey Pound	Guernsey, CI	—	328
Denmark Kroner	Denmark	1,048	—
Israeli New Shekel	Israel	355	261
Jersey Pound	Jersey, C.I.	142	319
Liberian Dollar	Liberia	—	315
Swiss Franc	Switzerland	823	299
United States Dollar	Virgin Islands - British	294	111
Various foreign currencies	International Region	102,239	107,915
Fixed income securities	Luxembourg	—	98
Fixed income securities	Switzerland	—	804
Fixed income securities	United Kingdom	\$ —	1,648
Total securities subject to foreign currency risk		<u>\$ 115,977</u>	<u>125,224</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:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;

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- 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 Net Asset Value (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.

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The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2020 and 2019 (in thousands):

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Short term investments:				
Cash and cash equivalents	\$ 82,983	—	—	82,983
Debt securities:				
Asset backed securities	—	8,835	—	8,835
Commingled bond fund	—	76,688	—	76,688
Corporate and municipal bonds	—	110,705	—	110,705
Bond exchange traded funds	8,935	—	—	8,935
U. S. Agency securities	—	49,248	—	49,248
U. S. Treasury securities	30,597	—	—	30,597
Total debt securities	39,532	245,476	—	285,008
Equity securities:				
Commingled equity fund	—	377,032	—	377,032
Common stock	273,897	10,348	—	284,245
Exchange traded funds	190,766	—	—	190,766
Total equity securities	464,663	387,380	—	852,043
Total investments at fair value	\$587,178	632,856	—	1,220,034
Investments measured at NAV:				
Commingled equity funds				171,688
Limited partnerships				21,107
Real estate fund				42,963
Total investments measured at NAV				235,758
Total investments				\$ 1,455,792

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	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Short term investments:				
Cash and cash equivalents	\$ 23,335	—	—	23,335
Debt securities:				
Asset backed securities	—	8,415	—	8,415
Commingled bond fund	—	70,504	—	70,504
Corporate and municipal bonds	—	79,350	—	79,350
Bond exchange traded funds	20,388	—	—	20,388
U.S. Agency securities	—	24,674	—	24,674
U.S. Treasury securities	33,215	—	—	33,215
Total debt securities	53,603	182,943	—	236,546
Equity securities:				
Commingled equity fund	—	314,602	—	314,602
Common stock	370,397	14,758	—	385,155
Exchange traded funds	185,114	—	—	185,114
Total equity securities	555,511	329,360	—	884,871
Total investments fair value	\$ 632,449	512,303	—	1,144,752
Investments measured at NAV:				
Commingled bond funds				73,585
Commingled equity funds				165,736
Limited partnerships				27,191
Real estate fund				42,313
Total investments measured at NAV				308,825
Total investments				\$ 1,453,577
Securities lending cash collateral	\$ 13,259			\$ 13,259

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 non-proprietary 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)

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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, 2020 and 2019. 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. As of June 30, 2020 the Plan did not have any funds under a securities lending agreement. At June 30, 2019, the Plan had funds under a securities lending agreement with a market value of outstanding loans of \$24,067,000 and collateral of \$13,259,000, which consisted of cash, collateral investments, and noncash loans. On November 20, 2019 the Board voted to terminate the Citbank Security Lending Agreement effective December 31, 2019 between the City of Atlanta and Citybank N.A. for the General Plan.

(d) *Alternative Investments*

In fiscal year 2013, the Board authorized the Plan to invest in alternative investments. As of June 30, 2020 and 2019, the Plan had alternative investments totaling \$64,069,725 and \$69,504,000 respectively, in the form of real estate and limited partnerships.

As of June 30, 2020, 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	\$ 3,582,424	Not eligible	Not eligible

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

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(4) Contributions Required and Contributions Made

The required contribution percentages developed in the actuarial valuations for the Plan for the years ended June 30, 2020 and 2019, and the actual contributions made are as follows (dollars in thousands):

	June 30, 2020	
	The City	School System
Service cost	14.15 %	16.99 %
Amortization of the unfunded actuarial accrued liability	22.72	263.04
Total required contributions as a percentage of covered payroll	36.87 %	280.03 %
2020 actual employee contributions:		
Dollar amount	\$ 19,599	1,541
Percent of covered payroll	11.11 %	7.71 %
2020 actual employer contributions:		
Dollar amount	\$ 48,219	56,700
Percent of covered payroll	27.32 %	283.66 %
	June 30, 2019	
	The City	School System
Service cost	11.20 %	18.37 %
Amortization of the unfunded actuarial accrued liability	22.20	254.44
Total required contributions as a percentage of covered payroll	33.40 %	272.81 %
2019 actual employee contributions:		
Dollar amount	\$ 35,639	1,686
Percent of covered payroll	19.74 %	8.37 %
2019 actual employer contributions:		
Dollar amount	\$ 47,220	55,002
Percent of covered payroll	26.15 %	273.15 %

The annual covered payroll for the City was \$176,470,000 and \$180,549,000 for the years ended June 30, 2020 and 2019, respectively. The annual covered payroll for the School System was \$19,989,000 and \$20,136,000 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

(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 \$5,270,537 and \$1,609,000, respectively, as of June 30, 2020 and 2019.

(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 \$1,512,014 and \$721,000, respectively, as of June 30, 2020 and 2019.

(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 May 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) Covid-19 Pandemic

The COVID-19 pandemic has significantly disrupted financial markets, economies, and other events subsequent to June 30, 2020. As noted in the investment risk disclosure, investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would affect the amounts reported in the statements of fiduciary net position and statements of changes in fiduciary net position.

The actuarial valuation of the General Pension Plan is based on certain assumptions pertaining to interest rates and employee demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions will occur in the near term and, due to the uncertainties inherent in setting assumptions, such changes could affect the valuation.

CITY OF ATLANTA, GEORGIA
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Subsequent to June 30, 2020, the impact to the Plan of the COVID-19 pandemic has resulted in reductions in values to investments of the Plan. It has also decreased interest rates and could impact employee demographics which could change assumptions utilized in the future for the actuarial valuation. While management of the Plan currently expects to be able to continue to meet immediate contribution requirements, the long-term impact of the effects of the COVID-19 pandemic to the Plan are currently not known. The extent of the adverse impact of the COVID-19 pandemic on the Plan's net position and actuarial valuation of the Plan cannot be reasonably estimated at this time.

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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, 2020
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual money-weighted rate of return, net of investment expense	3.56 %	6.09 %	10.27 %	13.32 %	1.24 %	4.64 %	19.26 %	17.55 %	0.93 %	19.69 %

See accompanying independent auditors' report