

**CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN**

**Financial Statements and Supplemental Schedules  
December 31 2005 and 2004  
(With Independent Auditors' Report Thereon)**

CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN

Table of Contents

|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report                  | 1           |
| Statements of Plan Net Assets                 | 2           |
| Statements of Changes in Plan Net Assets      | 3           |
| Notes to Financial Statements                 | 4           |
| <b>Supplementary Information (Unaudited):</b> |             |
| Schedule of Funding Progress                  | 14          |
| Schedule of Employer Contributions            | 14          |

The Board of Trustees  
City of Atlanta, Georgia  
Police Officers' Pension Plan:

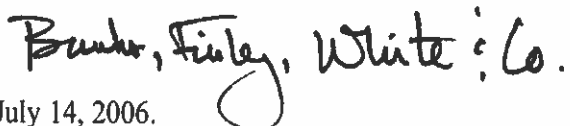
### Independent Auditors' Report

We have audited the accompanying financial statements of the City of Atlanta, Georgia Police Officers' Pension Plan (the "Plan") as of and for the years ended December 31, 2005 and 2004 as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the City of Atlanta, Georgia Police Officers' Pension Plan's net assets held in trust for pension benefits as of December 31, 2005 and 2004 and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The schedules of funding progress and employer contributions on page 14 are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding methods of measurement and presentation of the schedules.

  
July 14, 2006.

**CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN**

Statements of Plan Net Assets  
December 31, 2005 and 2004  
(Dollars in thousands)

|  | <u>2005</u>              | <u>2004</u>              |
|--|--------------------------|--------------------------|
| <b>ASSETS</b>  |                          |                          |
| Cash and cash equivalents  | \$ 22,549                | \$ 11,722                |
| Investments:   |                          |                          |
| Equities   | 298,157                  | 338,328                  |
| U.S. government and agency obligations   | 169,304                  | 89,166                   |
| Corporate bonds  | 25,612                   | 45,408                   |
| Collateralized mortgage obligations  | <u>5,039</u>             | <u>3,510</u>             |
| Total Investments  | <u>498,112</u>           | <u>476,412</u>           |
| Securities lending collateral investment pool  | 40,999                   | 58,872                   |
| Contributions receivable from employees  | 257                      | 189                      |
| Accrued interest receivable  | 1,237                    | 175                      |
| Due from other funds of the City of Atlanta  | <u>9,508</u>             | <u>2,600</u>             |
| Total Assets   | <u>572,662</u>           | <u>549,970</u>           |
| <b>LIABILITIES</b>   |                          |                          |
| Accounts payable   | 48                       | 45                       |
| Due to brokers for securities purchased  | 8,668                    | -                        |
| Due to Other funds of the City of Atlanta  | 79                       | 71                       |
| Liability for securities lending agreement   | <u>40,999</u>            | <u>58,872</u>            |
| Total Liabilities  | <u>49,794</u>            | <u>58,988</u>            |
| <b>NET ASSETS HELD IN TRUST FOR<br/>PENSION BENEFITS (See Schedule of<br/>Funding Progress on page 14)</b> | <b>\$ <u>522,868</u></b> | <b>\$ <u>490,982</u></b> |

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

**CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN**

Statements of Changes in Plan Net Assets  
Years ended December 31, 2005 and 2004  
(Dollars in thousands)

| <b>Additions to Plan net assets:</b>                      | <u>2005</u>              | <u>2004</u>              |
|---|--------------------------|--------------------------|
| <b>Investments Income:</b>                                |                          |                          |
| Net appreciation in fair value of investments             | \$ 22,416                | \$ 40,261                |
| Interest and dividends                                    | 8,379                    | 8,372                    |
| Securities lending income                                 | 112                      | 152                      |
| Less:   |                          |                          |
| Investment expenses                                       | (1,093)                  | -                        |
| Securities lending expenses                               | <u>(39)</u>              | <u>(53)</u>              |
| <b>Net Investment Income</b>                              | <b>29,775</b>            | <b>48,732</b>            |
| <br>  |                          |                          |
| Employee contributions                                    | 5,305                    | 3,629                    |
| Employer contributions                                    | 25,271                   | 20,246                   |
| Other income  | <u>142</u>               | <u>108</u>               |
| <b>Total Additions</b>                                    | <b><u>60,493</u></b>     | <b><u>72,715</u></b>     |
| <br><b>Deduction from Plan net assets:</b>                |                          |                          |
| <br>  |                          |                          |
| Benefit payments  | 27,824                   | 25,986                   |
| Refunds of contributions to terminated employees          | 423                      | 467                      |
| Administrative fees, management fees, and other expenses  | <u>360</u>               | <u>223</u>               |
| <b>Total Deductions</b>                                   | <b><u>28,607</u></b>     | <b><u>26,676</u></b>     |
| <br>  |                          |                          |
| <b>Net Increase</b>                                       | <b>31,886</b>            | <b>46,039</b>            |
| <br><b>Net Assets Held in Trust for Pension Benefits:</b> |                          |                          |
| Beginning of Year   | <u>490,982</u>           | <u>444,943</u>           |
| <br>  |                          |                          |
| <b>END OF YEAR</b>  | <b><u>\$ 522,868</u></b> | <b><u>\$ 490,982</u></b> |

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

**CITY OF ATLANTA, GEORGIA**  
**POLICE OFFICERS' PENSION PLAN**  
Notes to Financial Statements  
December 31, 2005 and 2004

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

a. *Overview of Plan and Related Government*

The City of Atlanta, Georgia Police Officers' Pension Plan (the "Plan"), a single employer defined benefit pension plan, was established by a 1933 Act of the State of Georgia Legislature to provide retirement benefits for sworn personnel of the City of Atlanta (the "City") Police Department. Until 1983, The Georgia Legislature established all requirements and policies of the Plan. By a constitutional amendment, effective July 1983, control over the Plan was transferred to the City under the principle of Home Rule.

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 contribution, City contributions, and income from the investment of accumulated funds.

The Plan is considered a fiduciary fund of the City and its financial statements are included in the City of Atlanta, Georgia's Comprehensive Annual Financial Report (CAFR) as part of the Pension Trust Fund. The CAFR as of and for the year ended December 31, 2005 should be read in conjunction with these financial statements.

b. *Basis of Accounting*

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

c. *Cash*

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

d. *Investments*

State of Georgia and City statutes authorize the Plan to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. Government and the Georgia Fund I (a local government investment pool maintained by the State of Georgia). Additionally, the Plan is authorized to invest in common stock provided that the cost basis of such investments do not exceed 55% of the net assets of the Plan. The Plan invests in repurchase agreements only when they are collateralized by U.S. Government or agency obligations.

**Notes to Financial Statements - Continued**

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

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.

Investments, other than repurchase agreements, are carried at fair value based on quoted market prices. Repurchase agreements are valued at their amortized cost.

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 balance sheet date. Investment income is recognized on the accrual basis as earned by the Plan.

*e. Use of Estimates*

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

## Notes to Financial Statements - Continued

### Note 2 - Plan Description

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Atlanta Code of Ordinances for more complete information.

#### a. *Benefit Provisions*

The Plan provides a monthly retirement benefit that initially represents 3% for each year of credited service times a participant's final average three-year earnings or the highest consecutive three-year earnings (limited to 80% of the average or consecutive earnings), whichever is the highest. The Plan was amended, effective January 1, 1986, to exclude overtime pay in the computation of benefits. Retirement benefits are adjusted annually based on the change in the consumer price index, limited to 3% per year. Upon the death of vested participant who has beneficiary coverage, his or her eligible beneficiary(ies) would be entitled to 3/4 of the amount the deceased participant was receiving or would have been entitled to receive.

Group A – Covered by the 1978 Plan and the participant have elected to be covered by the 1986 Amendments. Any police officer hired after 1985 is automatically included in this group.

Group B – Covered by the 1978 Plan and the participant has elected not to be covered by the 1986 Amendment

#### b. *Benefit Options*

- Normal Monthly Pension Benefit

An employee is eligible for a normal monthly pension benefit after 30 years of creditable service, at any age (\*) or when he or she reaches the normal retirement age of 55 with 10 (\*\*) years of creditable service.

(\*) The 30 and out provision was approved by Ordinance 05-O-1731, adopted by City Council on October 17, 2005 and approved by the Mayor on October 25, 2005.

Alternatively, a police officer is eligible for normal retirement at age 65 with at least 5 years of credited service.

- Early Monthly Pension Benefit

An employee is eligible for an early monthly pension benefit after 10 (\*\*) years of creditable service. The monthly benefit is reduced to allow for the fact that it will be paid over a longer period of time.



Notes to the Financial Statements, Continued

Note 2 - Plan Description, continued

**(\*\*) Decreased from 15 years of service by Ordinance 05-O-1232, adopted by City Council on September 6, 2005 and approved by the Mayor September 12, 2005.**

- **Reduced Monthly Pension Benefit**

Employees hired prior to April 1, 1978 are eligible for a reduced monthly pension benefit at age 50 with 25 years of service. The reduction for the reduced monthly pension benefit is less than the reduction for an early monthly pension benefit.

- **Total and Permanent Disability**

A participant will be considered to be totally and permanently disabled if:

Group A – The participant’s disability is determined to be a continuous state of incapacity due to illness or injury such that (a) the participant is prevented from performing their regular assigned or comparable duties during your first 12 months of disability, and (b) are thereafter prevented from engaging in any occupation for which they have become reasonably qualified by education, training or experience.

Group B – The participant’s disability is determined to be a total and permanent physical or mental injury to perform their regular assigned or comparable duties as a police officer with the City of Atlanta.

If a participant becomes totally and permanently disabled in the line of duty, they will be eligible to receive a monthly disability retirement benefit calculated as follows:

Group A – The greater of (a) their monthly accrued benefit determined as of the date of disability or (b) 50% of the average monthly earnings determined as of the date of the disability. The benefit will be recalculated when the participant reaches age 55. The recalculated amount will include credited service for your period of disability, but will not include any cost-of-living adjustments that were applied to the previous disability benefit.

Group B – The greater of (a) your monthly accrued benefit determined as of the date of the disability or (b) 70% of the top salary for the grade and position of the participant on the day before their date of disability.

## Notes to Financial Statements - Continued

### Note 2 - Plan Description, continued

#### c. *Membership*

The following schedule reflects membership for the Plan at January 1, 2005, the date of the most recent actuarial valuation.

Members:

|  |       |
|--|-------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 1,041 |
|--|-------|

Current active employees:

|                  |            |
|------------------|------------|
| Fully vested     | 576        |
| Partially vested | 531        |
| Nonvested        | <u>531</u> |

|                  |              |
|------------------|--------------|
| Total membership | <u>2,679</u> |
|------------------|--------------|

#### d. *Administration of Plan*

The Plan is administered as a single-employer plan by the Board of Trustees (the "Board") which includes an appointee of the Mayor, the City's Chief Financial Officer, a member of City Council, and three representatives elected by their membership (active and retired). All modifications to the plan must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial Officer, and the Board of Trustees. Each pension law modification must be adopted by at least two-thirds vote to the City Council and approved by the Mayor.

### Note 3 - Deposits and Investments

#### *Investments in Employee Retirement Plans*

The Board, as described in Note 2, is ultimately responsible for making all decisions with regard to the administration of the Plan, including the management of Plan assets, and for carrying out the investment policy on behalf of the Plan.

The Plan's investments are managed by various investment managers under contracts with the Plan who have discretionary authority over the assets managed by them, within the investment guidelines, established by the Board. The investments are held in trust by the Plan's custodian in the Plan's name. These assets are held exclusively for the purpose of providing benefits to members of the plan and their beneficiaries.

Identified below are the investment types that are authorized by the Board for the Plan. The investment policy also identifies certain provisions that address interest rate risk, credit risk and concentration of credit risk.

The Plan, by policy, is to invest their funds in domestic equities, domestic fixed income securities and cash equivalents. These instruments consist of common and preferred stock, obligations of the U.S. government and agencies (GNMA, FHLMC, and FNMA securities and

## Notes to Financial Statements - Continued

### Note 3 - Deposits, and Investments, continued

CMO's), corporate bonds, and certificates of deposit. The Plan has strict limitations on the amounts managers are allowed to invest in any one issuer in all classes of securities. The Plan also invests in repurchase agreements which must be fully collateralized by U.S. government or agency guaranteed securities.

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

#### *Investment Risk Disclosure*

**Interest Rate Risk.** Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations.

The Plan maintains cash to meet its immediate liquidity needs. Cash not immediately needed is invested in either short-term or long-term investment securities as directed by the Board.

**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 by a nationally recognized statistical rating organization.

As of December 31, 2005, the Plan had the following fixed income investments (in thousands), with the corresponding credit ratings and maturities.

| <u>Type of Investment</u>  | <u>Credit Rating</u> | <u>Under 1 Year</u> | <u>1 - 3 Years</u> | <u>3 - 5 Years</u> | <u>5 - 10 Years</u> | <u>Over 10 Years</u> | <u>Fair Value</u> |
|----------------------------|----------------------|---------------------|--------------------|--------------------|---------------------|----------------------|-------------------|
| FHLB                       | Aaa                  | \$ -                | \$ 5,995           | \$ -               | \$ -                | \$ -                 | \$ 5,995          |
| FHLMC                      | Aaa                  | -                   | 1,952              | -                  | 2,997               | -                    | 4,949             |
| FNMA                       | Aaa                  | -                   | 2,002              | 1,984              | 1,296               | 6,650                | 11,932            |
| US Gov. Obligations/Agency | Exempt               | -                   | 1,999              | -                  | 3,710               | 18,666               | 24,375            |
| US Treasury Securities     | Exempt               | 491                 | -                  | 9,831              | 9,255               | 7,750                | 27,327            |
| Government Bonds           | Aaa                  | -                   | -                  | -                  | 2,500               | 343                  | 2,843             |
| Corporate Bonds            | Baa2                 | 1,135               | 9,934              | 15,852             | 550                 | 2,817                | 30,288            |
| CMO's                      | AAA                  | -                   | -                  | -                  | 1,338               | -                    | 1,338             |
| CD's                       | A1+                  | 19,042              | -                  | -                  | -                   | -                    | 19,042            |
|                            |                      | <u>\$ 20,668</u>    | <u>\$ 21,882</u>   | <u>\$ 27,667</u>   | <u>\$ 21,646</u>    | <u>\$ 36,226</u>     | <u>\$ 128,089</u> |

#### *Securities Lending*

State statutes and Board policies permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodians lend securities of the type on loan at year-end for collateral in the

## Notes to Financial Statements - Continued

### Note 3 - Deposits and Investments, continued

form of cash or other securities of 102%. Cash collateral is invested in overnight investments. At year-end, the Plan has no significant credit risk exposure to borrowers because the amounts the Plan owes the borrower exceed the amounts the borrowers owe the Plan. The contract with the Plan's custodian requires it to indemnify the Plan if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities or fail to pay the Plan for income distributions by the securities issuers while the securities are on loan.

There were no violations of legal or contractual provisions, borrower or lending agent default losses, and no recoveries of prior period losses during the year. There are income distributions owed on the securities loaned. The Plan records the cash received as collateral under securities lending agreements and the investments purchased with that cash as securities lending short-term collateral investment pool with a corresponding amount recorded as a liability.

All securities loans can be terminated on demand by either the Plan or the borrower, with the borrower returning equivalent securities to the Plans within a specified period of time.

**Custodial Credit Risk.** Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risks for *investments*, is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Plan requires that all uninsured collected balances 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% for repurchase agreements. As a result, the Plan had no deposits or investments with custodial risks as of December 31, 2005

**Concentration Credit Risk.** Investments in any one issuer representing 5% or more of the net assets held in trust for pension benefits at December 31, 2005 are as follows:

| Issuer                  | Investment Type | % of Total Investments |
|-------------------------|-----------------|------------------------|
| Europac Growth Fund     | Equities        | 5.818 %                |
| Northern Trust Bank N.A | Equities        | 29.128 %               |
| NTGI                    | Equities        | 9.049 %                |

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments, continued**

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposit's fair value. The Plan's policy states that the portfolio will consist of domestic equities, domestic fixed income and cash equivalents. At December 31, 2005, the Plan was not in compliance with the provisions of its policy requirements for authorized investment purchases. As of year-end, the Plan had investments in foreign fixed income securities totaling \$371,000 and investments in foreign equity securities totaling \$51,591,000.

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

The following table provides the value in U.S. dollars by foreign currency denominations and investment type for the Plan investments denominated in foreign currencies (in thousands).

| <u>Currency</u>  | <u>Debt</u>   | <u>Equity</u>    | <u>Total</u>     |
|--|---------------|------------------|------------------|
| Total International Region                               | \$ -          | \$ 22,540        | \$ 22,540        |
| Total Multi-National Agencies                            | -             | 29,051           | 29,051           |
| Canada   | 106           | -                | 106              |
| United Kingdom   | <u>265</u>    | <u>-</u>         | <u>265</u>       |
| <i>Total Securities subject to Foreign Currency Risk</i> | <u>\$ 371</u> | <u>\$ 51,591</u> | <u>\$ 51,962</u> |

**Note 4 - Funding Policy**

The City's funding policy is to contribute a percentage of the Plan's covered employee payroll as developed in the actuarial valuation for the Plan. Active participants are required to contribute 7% of base pay (or 8% if participant has covered beneficiary). The City's contribution percentage is the actuarially determined amount necessary to fund Plan benefits after consideration of employee contributions. The City makes an additional contribution of 1% of payroll, which effectively decreases the employee's required contribution percentage to 6% (or 7% if participant has a covered beneficiary), but has no effect on the overall required contribution. The City is not obligated to continue the 1% supplemental contribution for any specified period of time.

The actuarially determined contribution amount is the sum of the annual normal cost and the amortization of the unfunded actuarial accrued liability as a level percentage of future payrolls (over 40 years from January 1, 1979). The actuarial cost method used for funding purposes is the Entry Age Normal Cost Method. This method is one of the approved methods for such plans in the State of Georgia, and provides for contributions based on a level percentage of future payroll. The unfunded actuarial accrued liability for funding purposes is amortized on a closed basis over a period established by State of Georgia guidelines. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the actuarial accrued liability.

**Notes to Financial Statements - Continued**

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

The required contribution percentages developed in the most recent actuarial valuation for the Plan for 2005 and 2004 and the actual contributions made are as follows (dollars in thousands):

|   | <u>2005</u>       | <u>2004</u>       |
|---|-------------------|-------------------|
| Normal cost   | 21.4 %            | 21.2 %            |
| Amortization of the unfunded actuarial accrued liability    | <u>26.8</u>       | <u>23.7</u>       |
| <br>Total required contributions as a percentage of payroll | <br><u>48.2 %</u> | <br><u>44.9 %</u> |
| <br>Actual employee contributions:                          |                   |                   |
| Dollar amount   | \$ 5,305          | \$ 3,629          |
| Percent of covered payroll                                  | 7.5 %             | 4.8 %             |
| <br>Actual employer contributions:                          |                   |                   |
| Dollar amount   | \$ 25,271         | \$ 20,246         |
| Percent of covered payroll                                  | 35.6 %            | 26.8 %            |

The annual covered payroll for the City was \$70,973,000 and \$75,611,000 for the years ended December 31, 2005 and 2004 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.

**Note 6 - Contributions Receivable from Employees**

Employees may receive credit for service for previous employment with certain state and local governmental agencies including previous employment with the City, upon payment to the Plan of an amount, as defined in the 1933 Act, as amended, representing contributions applicable to such service period. These contributions may be paid over a future period, even after retirement. In addition, 1964 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 1964 and 1978 amendments. These "back contributions" may also be paid over a future period.

Contributions receivable from employees for these back contributions were \$257,000 and \$189,000 at December 31, 2005 and 2004, respectively.

**Notes to the Financial Statements - Continued**

**Note 7 - Contingencies**

The Internal Revenue Service (IRS) has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is therefore not subject to tax under present federal income tax laws. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualifications. The Plan obtained a determination letter on May 19, 1998, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended as well as there have been changes in the IRC subsequent to receiving this determination letter. The Plan obtained a determination letter on August 17, 2004, in which the IRS ruled that the amendments do not affect the qualified status of the Plan. The City and the Plan's tax counsel believe the Plan is currently designed and being operated in material compliance with the applicable tax requirements.

**CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN  
Required Supplementary Information**

**Schedule of Funding Progress  
(Unaudited)  
(Dollars in thousands)**

| Actuarial<br>valuation<br>date | Actuarial<br>value of<br>assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>ratio<br>(a/b) | Covered<br>payroll<br>(c) | UAAL as a<br>percentage of<br>covered<br>payroll<br>(b-a)/c |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| January 1, 2000                | \$ 384,083                             | \$ 419,439  | \$ 35,356                          | 91.6 %                   | \$ 67,330                 | 52.5 %  |
| January 1, 2002                | \$ 448,676                             | \$ 541,209  | \$ 92,533                          | 82.9 %                   | \$ 67,320                 | 137.5 %   |
| January 1, 2004                | \$ 440,212                             | \$ 617,501  | \$ 177,289                         | 71.3 %                   | \$ 63,274                 | 280.2 %   |

**Schedule of Employer Contributions  
(Unaudited)  
(Dollars in thousands)**

| Year | Annual<br>Required<br>Contribution | Actual<br>Employer<br>contribution | Percentage<br>contributed |
|------|------------------------------------|------------------------------------|---------------------------|
| 2000 | \$ 13,816                          | \$ 13,816                          | 100.0 %                   |
| 2002 | \$ 15,068                          | \$ 15,595                          | 103.5 %                   |
| 2004 | \$ 25,271                          | \$ 25,271                          | 100.0 %                   |



**CITY OF ATLANTA, GEORGIA  
POLICE OFFICERS' PENSION PLAN**

**Required Supplementary Information**

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

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

The actuarial accrued liability is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employee compensation. The accumulated plan benefits for active employee are based on their average compensation and credited service ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

Additional information as of the latest actuarial valuation follows:

|                                  |   |
|----------------------------------|---|
| Actuarial cost method            | Entry age normal  |
| Amortization method              | Level percentage closed<br>Over a closed period of 40 years from January 1, 1979<br>as a level percentage of estimated future payroll |
| Remaining amortization period    | 15 years  |
| Asset valuation period           | Smoothed 5 year averaged market   |
| Investment rate of return        | 8.0%  |
| Projected salary increases       | 2.3% due to inflation 4.5% for merit or seniority   |
| Postretirement benefit increases | 3%  |