CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

Financial Statements and Supplemental Schedules

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Atlanta, Georgia Police Officers' Pension Plan (the Plan), which comprise the statements of fiduciary net position as of June 30, 2017 and 2016, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Atlanta, Georgia Police Officers' Pension Plan as of June 30, 2017 and 2016, and the changes in its fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3–8 and Required Supplementary Information on pages 31–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
December 21, 2017

As management we offer readers of the Police Officers' Pension Plan (the Plan) financial statements, this narrative overview and analysis of the financial activities of the Plan for the year ended June 30, 2017. This overview compares the year ended June 30, 2017 with the year ended June 30, 2016 and the year ended June 30, 2016 with the year ended June 30, 2015. Readers are encouraged to read the notes to the financial statements in conjunction with the financial statements presented following this narrative.

The Plan is administered as 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, two representatives elected by the retired membership, and three representatives elected by active City membership.

Financial Highlights

- At June 30, 2017, the assets of the Plan exceeded its liabilities by $1,051.7 million. At June 30, 2016, the assets of the Plan exceeded its liabilities by $950.4 million. This amount represents the Plan's net position.
- The Plan's total net position increased in fiscal year 2017 by approximately $101.3 million or 10.7% as compared with net position at June 30, 2016. The Plan's total net position decreased in fiscal year 2016 by approximately $33.0 million or 3.4% over the net position at the beginning of the fiscal year.
- Net investment income increased by $136.1 million compared to fiscal year 2016. Net investment income decreased in 2016 by $18.9 million compared to fiscal year 2015.
- Contributions received from employer and employees totaled $38.3 million in fiscal year 2017 compared to $37.3 million in fiscal year 2016.
- Benefit payments in fiscal year 2017 totaled $62.5 million, an increase of $2.7 million or 4.4% when compared with fiscal year 2016. Benefit payments in fiscal year 2016 totaled $59.8 million, an increase of $3.6 million or 6.3% when compared with fiscal year 2015.

Fiduciary funds. The Plan is considered a fiduciary fund of the City of Atlanta, Georgia (City) and its financial statements are included in the City's Comprehensive Annual Financial Report (CAFR) as part of the Pension Trust Funds. The City's most recent CAFR for the years ended June 30, 2017 and 2016 should be read in conjunction with these financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government, but over which the government maintains a meaningful degree of ongoing responsibility. The financial statements of fiduciary funds are presented using the economic resources measurement focus, or full accrual basis of accounting, similar to private sector businesses.

Directly following this discussion are the *basic financial statements*. The *basic financial statements* and required disclosures are prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Bard (GASB).

Basic financial statements comprise:

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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Changes would include investment income, employee and employer contributions to the Plan, benefit payments to members, 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 changes in net pension liability, net pension liability, employer contributions, and the Plan's money-weighted rate of return. Required supplementary information can be found following the notes to the financial statements in this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial stability. In the case of the Plan, assets exceeded liabilities by $1,051.7 million and $950.4 million, respectively, at the close of the years ended June 30, 2017 and 2016. Table 1 summarizes the major categories of assets, liabilities, and net position. Table 2 summarizes the changes in the Plan's net position for the years ended June 30, 2017, 2016 and 2015.

Table 1. Police Officers' Pension Plan Net Position, as of June 30, 2017, 2016, and 2015 (dollars in thousands):

	June 30 2017	June 30 2016	Amount change	Percentage change
Assets:				
Cash and deposits	$ 12,226	7,852	4,374	55.7%
Receivables	6,002	5,595	407	7.3
Investments	1,042,611	943,779	98,832	10.5
Total assets	1,060,839	957,226	103,613	10.8
Liabilities:				
Due to brokers for investments purchased	8,378	6,368	2,010	31.6
Other	790	443	347	78.3
Total liabilities	9,168	6,811	2,357	34.6
Net position restricted for pensions	$ 1,051,671	950,415	101,256	10.7%

	June 30 2016	June 30 2015	Amount change	Percentage change
Assets:				
Cash and deposits	$ 7,852	4,729	3,123	66.0 %
Receivables	5,595	6,040	(445)	(7.4)
Investments	943,779	975,214	(31,435)	(3.2)
Total assets	957,226	985,983	(28,757)	(2.9)
Liabilities:				
Due to brokers for investments purchased	6,368	2,067	4,301	208.1
Other	443	531	(88)	(16.6)
Total liabilities	6,811	2,598	4,213	162.2
Net position restricted for pensions	$ 950,415	983,385	(32,970)	(3.4)%

The net position of the Plan increased by approximately $101.3 million or 10.7% when compared to 2016. This is mainly attributable to the increase in investments during fiscal year 2017. Total assets for the Plan increased by $103.6 million or 10.8% compared to 2016. Total cash and investments increased by $103.2 million offset by $2.0 million increase in amounts due to brokers for investments purchased. Investments represent 98.3% of total assets as of June 30, 2017 compared to 98.6% as of June 30, 2016.

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The Plan's liabilities do not include future benefits payable to plan participants, but an actuarially determined estimate of this amount is included in the *Required Supplementary Information* section of this report.

Table 2. Police Officers' Pension Plan Changes in Net Position, years ended June 30, 2017, June 30, 2016, and June 30, 2015 (dollars in thousands):

	June 30		Amount	Percentage
	2017	**2016**	**change**	**change**
Additions to plan net position:				
Investment income (loss):				
Net appreciation (depreciation)				
in fair value of investments	$ 116,211	(24,251)	140,462	579.2%
Interest and dividends	13,378	17,196	(3,818)	(22.2)
Less investment expenses	(3,651)	(3,122)	(529)	16.9
Net investment income (loss)	125,938	(10,177)	136,115	1,337.5
Employee contributions	10,830	11,825	(995)	(8.4)
Employer contributions	27,493	25,441	2,052	8.1
Other income	—	193	(193)	(100.0)
Total additions	164,261	27,282	136,979	502.1
Deductions from plan net position:				
Benefit payments	62,484	59,823	2,661	4.4
Administrative expense	521	429	92	21.4
Total deductions	63,005	60,252	2,753	4.6
Increase (decrease) in net position restricted for pensions	$ 101,256	(32,970)	134,226	407.1%
Net position restricted for pensions:				
Beginning of year	$ 950,415	983,385		
Increase (decrease)	101,256	(32,970)		
End of year	$1,051,671	950,415		

(Continued)

	June 30 2016	June 30 2015	Amount change	Percentage change
Additions to plan net position:				
Investment (loss) income:				
Net (depreciation) appreciation in fair value of investments	$ (24,251)	(5,290)	(18,961)	358.4%
Interest and dividends	17,196	17,346	(150)	(0.9)
Less investment expenses	(3,122)	(3,322)	200	(6.0)
Net investment (loss) income	(10,177)	8,734	(18,911)	(216.5)
Employee contributions	11,825	11,224	601	5.4
Employer contributions	25,441	32,693	(7,252)	(22.2)
Other income	193	4	189	4,725.0
Total additions	27,282	52,655	(25,373)	(48.2)
Deductions from plan net position:				
Benefit payments	59,823	56,253	3,570	6.3
Administrative expense	429	524	(95)	(18.1)
Total deductions	60,252	56,777	3,475	6.1
Decrease in net position restricted for pensions	$ (32,970)	(4,122)	(28,848)	699.9%
Net position restricted for pensions:				
Beginning of year	$ 983,385	987,507		
Decrease	(32,970)	(4,122)		
End of year	$ 950,415	983,385		

Financial Analysis of June 30, 2017 to June 30, 2016

Total additions to the Plan's net position increased by $137.0 million, or 502.1%, compared to fiscal 2016. This increase is primarily attributed to the increase in net investment income. Net investment income was $125.9 million for 2017, an increase of $136.1 million compared to fiscal 2016. Employer contributions were $27,493 thousand for 2017, an increase of $2.1 million compared to fiscal 2016. The investment portfolio comprises 72.6% equities, 23.4% fixed income, 2.5% alternative investments and real estate, and 1.5% short term investments in cash and cash equivalents as of June 30, 2017, compared to 68.8% equities, 26.4% fixed income, 2.6% alternative investments including real estate and 2.2% short term investments in cash and cash equivalents as of June 30, 2016. The overall portfolio return was 13.52% net of fees, for the fiscal year ended June 30, 2017, compared with (0.18%), net of fees, for the fiscal year ended June 30, 2016. The S&P 50 index rose 17.92% and 3.99%, respectively, during the same time periods.

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Employee contributions to the Plan decrease slightly by 8.4% and 5.4%, respectively, during 2017 and 2016. Employer contributions increased by $2.1 million, or 8.1%, to $27.5 million due to a higher actuarially determined contribution (ADC) for fiscal 2017. Benefit payments increased by $2.7 million, or 4.4%, to 62.5 million in 2017. The increase in benefit payments is primarily the result of increased cost-of-living payments to members.

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

As noted earlier, net position may serve over time as a useful indicator of financial stability. In the case of the Plan, net assets decreased at the close of the year ended June 30, 2016. Table 1 summarizes the major categories of assets, liabilities, and net position. Table 2 summarizes the changes in the Plan's net position for the years ended June 30, 2016 and 2015.

The net position of the Plan decreased by $33.0 million or 3.4% when compared to 2015. This is mainly attributable to the decrease in net investment income, which was related to investment market performance during fiscal year 2016. Total assets for the Plan decreased by $28.8 million or 2.9% compared to 2015. Total cash and investments decreased by $28.3 million compared to fiscal 2015. Investments represent 98.6% of total assets as June 30, 2016, compared to 98.9% as of June 30, 2015. The Plan's liabilities do not include future benefits payable to plan participants, but an actuarially determined estimate of this amount is included in the Required Supplementary Information section of this report.

Total additions to the Plan's net position decreased by $25.4 million or 48.2% compared to fiscal 2015. As mentioned earlier this decrease is primarily attributed to the decrease in net investment income. Net investment loss was $10.2 million for 2016, a decrease of $18.9 million compared to fiscal 2015. The investment portfolio comprised of 68.8% equities, 26.4% fixed income, 2.6% alternative investments including real estate and 2.2% short term investments in cash and cash equivalents as of June 30, 2016, compared to 74.3% equities, 21.2% fixed income, 2.3% alternative investments including real estate and 2.2% short term investments in cash and cash equivalents as of June 30, 2015. The overall portfolio return was (0.18%), net of fees, for the fiscal year ended June 30, 2016, compared with 0.52%, net of fees, for the fiscal year ended June 30, 2015. The S&P 500 index rose 3.99% and 7.42%, respectively during the same time periods.

Employee contributions to the Plan remained relatively flat, increasing only $0.6 million or 5.4% in 2016 . Employer contributions decreased by $7.3 million or 22.2% to $25.4 million due to a lower actuarially determined required contribution (ADC) for fiscal 2016. Benefit payments increased by $3.6 million, or 6.3% to $59.8 million. The increase in benefit payments is primarily the result of increased payments to members.

The latest experience study was through June 30, 2011. In preparing the latest actuarial valuation the results of the experience study are reviewed against the actuarial valuation results.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Chief Financial Officer, 11100 City Hall Tower, 68 Mitchell St., SW, Atlanta, Georgia 30303.

CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

Statements of Fiduciary Net Position

June 30, 2017 and 2016

(Dollars in thousands)

	2017	2016
Assets		
Cash and deposits	$ 12,226	7,852
Receivables:		
Contributions receivable from employer	1,425	1,144
Contributions receivable from employees	411	418
Due from brokers for investments sold	2,748	2,477
Investment income	1,042	1,227
Other	376	329
Total receivables	6,002	5,595
Investments:		
Short term investments	15,588	20,437
Domestic fixed income securities	181,501	244,387
Domestic equities	647,769	600,262
International fixed income securities	62,194	4,403
International equities	108,841	49,329
Alternative investments:		
Real estate	5,011	4,646
Limited partnerships	21,707	20,315
Total investments	1,042,611	943,779
Total assets	1,060,839	957,226
Liabilities		
Due to brokers for investments purchased	8,378	6,368
Other	790	443
Total liabilities	9,168	6,811
Net position restricted for pensions	$ 1,051,671	950,415

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

June 30, 2017 and 2016

(Dollars in thousands)

	2017	2016
Additions:		
Contributions:		
Employer	$ 27,493	25,441
Employee	10,830	11,825
Total contributions	38,323	37,266
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	116,211	(24,251)
Interest and dividends	13,378	17,196
Less investment expenses	(3,651)	(3,122)
Net investment income (loss)	125,938	(10,177)
Other	—	193
Total additions	164,261	27,282
Deductions:		
Benefit payments, including refunds of member contributions	62,484	59,823
Administrative expense	521	429
Total deductions	63,005	60,252
Net increase (decrease) in net position	101,256	(32,970)
Net position restricted for pensions:		
Beginning of year	950,415	983,385
End of year	$ 1,051,671	950,415

See accompanying notes to financial statements.

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(1) 0Plan Description

City of Atlanta, Georgia Police Officers' Pension Plan (the Plan) was established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full-time sworn police officers 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 all aspects of the Plan transferred to the City under the principle of Home Rule. The types of benefits offered by the Plan are retirement, disability, and preretirement death benefits. The Plan is a single-employer defined benefit pension plan. Participants should refer to the Atlanta, Georgia, Code of Ordinances, Section 6 (Plan agreement) for more complete information. Under the principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board of Trustees (Board) has the authority to establish and amend benefit terms and contributions.

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 Funds. The City's most recent CAFR for the years ended June 30, 2017 and 2016 should be read in conjunction with these financial statements.

(a) Administration of the Plan

The Plan is administered as a single-employer defined-benefit plan by the Board of Trustees of the City of Atlanta, Georgia Police Officers' Pension Board (the Board), which includes an appointee of The Mayor or his designee, the City's Chief Financial Officer, a member of City Council, two active employee representatives and one retired employee representative. All modifications to the plan must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial Officer, and the Board of Trustees. 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

Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Pension Board has the authority to administer the Plan including establishing and amending contribution requirements. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Section 6 legislative acts creating the Plan, as amended, and in general, provide that funds are to be accumulated from employee contributions for defined contributions, City contributions, and income from the investment of accumulated funds.

Sworn personnel employed by the Atlanta Police Department are required to contribute to the Plan. Employees must contribute either 8% of base pay, if hired after August 31, 2011, 12% of base pay, if hired before September 1, 2011 without an eligible beneficiary, or 13% of base pay, if hired before September 1, 2011 with an eligible beneficiary. Contribution requirements may be amended by City ordinance, but the employer contribution requirement is subject to State minimums.

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On November 1, 2011, the sworn personnel of the Police Department 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. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary). Where an Actuarial Valuation anticipates that the City's actuarially determined contribution (ADC) for the next fiscal year will exceed 35% of the total payroll, contributions may be increased, by no more than 5% of compensation, in order to fund the overage.

Employees hired on or after September 1, 2011 who are sworn members of the Police Department are required to participate in a hybrid defined benefit plan with a mandatory defined contribution component (see discussion below regarding Amendments to the Defined Contribution Plan). The defined benefit portions of this plan includes a mandatory 8% employee contributions and a 1% multiplier. The retirement age is increased to age 57 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 hires after September 1, 2011.

(c) Description of the Benefit Terms

In June 2011, the City Council approved changes for the City's three defined benefit plans, effective on September 1, 2011 for new hires, and November 1, 2011 for existing employees. Currently sworn personnel employed by the Atlanta Police Department are required to contribute to the Plan.

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. Below are the terms the Plan has established to receive benefits.

Normal retirement age:	Any age with at least 30 years of creditable service (participants who are covered by the '05 Amendment); or
	Age 55 with at least 10 years of creditable service (hired prior to July 1, 2010); or
	Age 55 with at least 15 years of creditable service; (hired prior to September 1, 2011); or
	Age 57 with at least 15 years of creditable service; or
	Age 65 with at least five years of creditable service

For early retirement there is a reduction of the retirement benefit by 0.5% for each month by which the participant's early retirement age precedes normal retirement age (for employees hired after August 31, 2011). The retirement benefit is reduced by 0.5% for each of the first 60 months and by 0.25% for each additional month by which the participant's early retirement age precedes the normal retirement age (for employees hired before September 1, 2011).

Early retirement age:	Any age with at least 10 years of creditable service (15 years of creditable service for participants who are hired after June 30, 2010);
	minimum age of 47 for participants hired after August 31,

For participants who incur a catastrophic injury in the line of duty, the basic pension formula is 100% of the top salary for the grade and position occupied by the participant at the time of disability.

For a service-connected disability for participants hired before January 1, 1986, the basic pension formula is the greater of 70% of the top salary for the employee's grade and position occupied by the participant at the time of disability or basic pension formula, offset by workers' compensation payments such that the combination of payments does not exceed 100% of the participant's salary at the time of disability.

For participants hired on or after January 1, 1986, the basic pension formula is the greater of 50% of average monthly earnings at the time of disability or basic pension formula, offset by workers' compensation payments such that the combination of payments does not exceed 75% of the participant's salary at the time of disability (payable until the earlier of recovery from disability or normal retirement age).

Preretirement death benefit:	75% of the basic pension formula (payable to the eligible beneficiary upon death not in the line-of-duty).
	100% of base pay offset by worker's compensation or other payments (payable to the eligible beneficiary for first two years after death in the line-of-duty).

75% of the larger of the basic pension formula or 70% of top salary for the employee's grade (payable to the eligible beneficiary beginning two years after death in the line-of-duty).

75% of the basic pension formula (payable to the eligible beneficiary beginning two years after death in the line-of-duty if the employee was covered by the 1986

Amendments to Defined Contribution Plan

Employees hired on or after September 1, 2011 who are either sworn members of the police department or fire department are required to participate in the mandatory defined contribution component. The defined contribution element is governed and accounted for separately, and includes a mandatory employee contribution of 3.75% of salary, which is matched 100% by the City. Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary, which is also matched 100% by the City. Employees vest in the amount of the City's contributions at a rate of 20% per year and become fully vested in the City's contribution after 5 years of participation.

(d) Plan Membership

As of the beginning of the fiscal years ended June 30, 2017 and 2016, participation in the Plan was as follows:

	2017	2016
Inactive plan members or beneficiaries currently receiving benefits	1,510	1,446
Inactive plan members entitled to, but not yet receiving benefits	13	55
Active plan members	1,962	2,023
	3,485	3,524

(e) Reclassification

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

(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 as additions to plan net position in the period in which withheld from the employees' salary and paid by the employer. Benefits and refunds are recognized as deductions from plan net position when due and payable.

(b) Cash and Cash Equivalents

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

(c) Investments

The Plan's investments are stated at fair value. Quoted market prices are used to value all investments in equities based on closing prices on the U.S. national securities exchange. Securities traded on the open market for which no sale was reported on that date are valued at the most recent quoted bid price.

Estimated fair values provided by third-party vendors are used to value U.S. government notes, corporate bonds, mutual funds, and U.S. government and agency guaranteed bonds, if not traded in an active market. Partnership investments and certain commingled vehicles are valued based on the net asset value (NAV) of the partnership, as reported by the investment managers. Because of the lag time in reporting, partnership investments are reported as of the end of the third fiscal quarter and with actual investment activity in the fourth fiscal quarter. Net asset value is based upon the fair value of the underlying investments. Information provided by partnerships regarding the methods they use to value the underlying investments of the partnership and any restrictions on or illiquidity of the interests of partnerships are considered in determining fair value.

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

 (Continued)

(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 deductions 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, and for carrying out the investment policy on behalf of the Plan.

The Plan's investments are managed under contracts by various investment managers who have discretionary authority over the assets managed by them and within the Plan's 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.

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 1 (a government investment pool maintained by the State of Georgia), and alternative investments. The Plan invests in repurchase agreements only when they are collateralized by U.S. government or agency obligations. The Plan is also authorized to invest in collateralized mortgage obligations (CMOs) to maximize yields. These securities are based on cash flows from interest payments on underlying mortgages. CMOs are sensitive to prepayment by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

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

The Police Officers' Pension Fund Investment Policy did not change during the fiscal year. The policy may be amended by the Board by a majority vote of its members. The below asset allocation target asset mix in effect for fiscal year 2016 remained in effect during fiscal year 2017.

	Fiscal year 2017 and 2016		
	Minimum	**Target**	**Maximum**
Domestic equity:			
All/Flex Cap	5%	7%	10%
Large Cap	25	30	35
Mid Cap	10	15	20
Small Cap	4	9	14
International equity	4	9	14
Total equity	48%	70%	93%
Alternative investments	—%	5%	5%
Fixed income:			
Core	10%	14%	19%
Intermediate	5	10	15
Cash equivalents	—	1	2
Total fixed income and equivalents	15%	25%	36%

Identified below are the investment types that are authorized by the Board for the Plan.

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

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

For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.19% and (0.71)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(a) Investment Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. The Plan has no specific policy to address interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each investment by a nationally recognized statistical rating organization. The Plan has no specific policy to address credit risk.

As of June 30, 2017 and 2016, the Plan had the following fixed income investments (dollars in thousands), with the corresponding credit ratings and maturities.

	June 30, 2017						
		Maturity					
Type of investments	Credit rating	Under 1 year	1–3 Years	3–5 Years	5–10 Years	Over 10 years	Fair value
U.S. treasury securities	NR	5,486	9,057	12,077	28,108	6,149	60,877
U.S. government agencies	AA+	9,482	6,844	3,874	5,281	355	25,836
U.S. government agencies	AGY	—	10	238	3,326	17,172	20,746
U.S. government agencies	NR	—	2,785	—	—	—	2,785
Corporate bonds	AAA/A-	2,223	10,058	7,672	16,096	6,265	42,314
Corporate bonds	BBB+/B-	1,934	2,641	4,256	4,415	2,481	15,727
Corporate bonds	NR	240	—	1,564	1,575	180	3,559
Asset-backed securities	AAA	—	2,048	4,026	—	—	6,074
Asset-backed securities	NR	—	441	—	—	—	441
CMOs	AAA/A	—	—	—	—	1,464	1,464
CMOs	NR	—	—	—	—	3,782	3,782
State and local obligations	AAA/A	—	—	—	660	—	660
State and local obligations	AA/AA+	—	—	147	278	1,215	1,640
Commingled bond fund	NR	57,790		—			57,790
		77,155	33,884	33,854	59,739	39,063	243,695

		June 30, 2016					
		Maturity					
Type of investments	Credit rating	Under 1 year	1–3 Years	3–5 Years	5–10 Years	Over 10 years	Fair value
U.S. treasury securities	NR	$ 1,472	12,827	10,074	19,473	6,966	50,812
U.S. government agencies	AA+	—	18,357	4,140	1,737	3,483	27,717
U.S. government agencies	AGY		—	26	7,626	25,328	32,980
Corporate bonds	AAA/A-	1,489	10,383	6,871	17,030	5,472	41,245
Corporate bonds	BBB+/B+	698	5,864	1,097	7,521	4,000	19,180
Corporate bonds	NR	—	683	1,248	275	184	2,390
Asset-backed securities	AAA	—	1,781	4,484	294	—	6,559
Asset-backed securities	NR	—	354	934	—	—	1,288
CMO's	AAA/A	—	—	—	—	2,591	2,591
CMO's	NR	—	—	—	—	3,045	3,045
State and local	AAA/A	—	—	—	697	—	697
State and local	AA/AA+	—	—	—	323	474	797
State and local	AA-/A-	—	—	—	—	858	858
State and local	BBB+	—	—	—	106	—	106
Commingled bond fund	NR	58,525	—	—	—	—	58,525
		$ 62,184	50,249	28,874	55,082	52,401	248,790

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 investment is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City requires that uninsured collected balances held in trust by the City for the Plan plus accrued interest in depository accounts be collateralized and that the market value of collateralized pledged securities must be at least 110% of the deposit balances, and 102% of collateral value for repurchase agreements.

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 credit risk as of June 30, 2017 and 2016.

Concentration Credit Risk

The Plan does not have a policy regarding the concentration of credit risk. Investments in any one issuer representing 5% or more of the net position restricted for pensions at June 30, 2017 and 2016 are as follows (dollars in thousands):

Issuer	Investment type	Fair value 2017	Fair value 2016
Colchester	Commingled Bond Fund	$ 57,790	58,525
BlackRock Value Index Fund	Commingled Equity Fund	289,160	104,899
Ishares Russell Value ETF	Domestic Equity Fund	82,825	—
BlackRock Growth Index Fund	Commingled Equity Fund	—	149,394

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 does not have a policy regarding foreign currency risk.

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 tables provide the value in U.S. dollars by foreign currency denominations and investment type for the Plan investments denominated in foreign currencies as of June 30, 2017 and 2016 (dollars in thousands):

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		June 30, 2017		
		Fixed income	Equities	Total
Currency:	Country:			
Euro	Belgium	$ 1,325	—	1,325
Euro	Germany	600	—	600
Euro	Ireland	—	1,074	1,074
Euro	Netherlands	156	296	452
Pound Sterling	United Kingdom	534	—	534
Canadian Dollar	Canada	1,009	369	1,378
Chinese Yuan Renminbi	China	—	910	910
Various foreign currencies	International Region	57,789	106,192	163,981
New Zealand Dollar	New Zeland	202	—	202
Norwegian Krone	Norway	178	—	178
Saudi Arabian Riyal	Saudi Arabia	198	—	198
Swedish Krona	Sweden	203	—	203
		$ 62,194	108,841	171,035

		June 30, 2016		
		Fixed income	Equities	Total
Currency:	Country:			
Euro	Belgium	1,375	—	1,375
Euro	France	242	—	242
Euro	Germany	603	—	603
Euro	Ireland	—	776	776
Euro	Netherlands	160	496	656
Pound Sterling	United Kingdom	765	—	765
Australian Dollar	Australia	$ 166	—	166
Canadian Dollar	Canada	1,092	—	1,092
Chinese Yuan Renminbi	China	—	603	603
Various foreign currencies	Europe/Far East Region	—	346	346
Various foreign currencies	International Region	—	47,108	47,108
		$ 4,403	49,329	53,732

(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;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

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

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

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017 and 2016 (in thousands):

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Short term investments:				
Cash and cash equivalents	$ 15,588	—	—	15,588
Debt securities:				
Asset backed securities	—	11,761	—	11,761
Corporate and municipal bonds	—	63,900	—	63,900
U. S. Agency securities	—	49,367	—	49,367
U. S. Treasury securities	60,877	—	—	60,877
Total debt securities	60,877	125,028	—	185,905
Equity securities:				
Commingled equity fund	—	336,801	—	336,801
Common stock	172,084	—	—	172,084
Exchange traded funds	198,072	—	—	198,072
Total equity securities	370,156	336,801	—	706,957
Total investments at fair value	$ 446,621	461,829	—	908,450
Investments measured at NAV:				
Commingled bond funds				57,790
Commingled equity funds				49,653
Private equity funds				21,707
Real estate fund				5,011
Total investments measured at NAV				134,161
Total investments				$1,042,611

	2016			
	Level 1	Level 2	Level 3	Total
Short term investments:				
Cash and cash equivalents	$ 20,437	—	—	20,437
Debt securities:				
Asset backed securities	—	13,483	—	13,483
Corporate and municipal bonds	—	65,273	—	65,273
U. S. agency Securities	—	60,697	—	60,697
U. S. treasury Securities	50,812	—	—	50,812
Total debt securities	50,812	139,453	—	190,265
Equity securities:				
Commingled equity fund		254,292		254,292
Common stock	251,725	—	—	251,725
Exchange traded funds	104,446	—	—	104,446
Total equity securities	356,171	254,292	—	610,463
Total investments at fair value	$ 427,420	393,745	—	821,165
Investments measured at NAV:				
Commingled bond funds				58,525
Commingled equity funds				39,128
Private equity funds				20,315
Real estate fund				4,646
Total investments measured at NAV				122,614
Total investments				$ 943,779

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

Debt securities classified in Level 1 are valued using prices quoted in active markets. 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 investment types and the readily determinable fair value per share (unit) which is determined based on the publication of the price or on the basis of current transactions.

Investments in privately held limited partnerships and commingled vehicles which do not have a readily determined fair value are valued using the NAV provided by the general partner/investment manager as of the end of the fiscal year. 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 Board of Trustees 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, 2017 and 2016, the Plan has no credit risk exposure to securities lending.

(d) Alternative Investments

The Board has authorized the Plan to invest in alternative investments. As of June 30, 2017 and 2016, a total of $21,707,000 and $20,315,000 respectively, are included in alternative investments as part of the partnership agreement. The Plan may not voluntarily withdraw from the partnership prior to its dissolution, and no limited partnership interest is redeemable or repurchasable by the partnership at the option of the Plan.

As of June 30, 2017, the related unfunded commitments of the Plan's alternative investments and limitations and restrictions on the Plan's ability to redeem or sell are summarized as follows (in thousands):

	Unfunded commitments	Redemptions frequency (if currently eligible)	Redemptions notice period
Private equity fund	$ 4,275	not eligible	not eligible

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

(e) Real Estate Investments

Real estate investments may include joint ventures, partnerships and other participation interests with real estate owners, developers and others for the purpose of owning and operating any particular investment. As of June 30, 2017 and 2016, a total of $5,011,000 and $4,646,000, respectively, are included in real estate investments as part of the partnership agreement.

(Continued)

(4) Contributions Required and Contributions Made

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

	2017
Service cost	23.75%
Amortization of the unfunded actuarial accrued liability	20.96
Total required contributions as a percentage of covered payroll	44.71%
Actual employee contributions:	
Dollar amount	$ 10,830
Percent of covered payroll	10.34%
Actual employer contributions:	
Dollar amount	$ 27,493
Percent of covered payroll	26.24%

	2016
Service cost	23.21%
Amortization of the unfunded actuarial accrued liability	21.81
Total required contributions as a percentage of covered payroll	45.02%
Actual employee contributions:	
Dollar amount	$ 11,825
Percent of covered payroll	12.72%
Actual employer contributions:	
Dollar amount	$ 25,441
Percent of covered payroll	27.37%

The annual covered payroll for the City Police was $104,788,000 and $92,965,000, respectively, for the years ended June 30, 2017 and 2016. 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.

(5) Contributions Receivable

(a) Employer

Employer contributions receivable represents Actual Determined Contributions owed, but not yet remitted to the Plan by the City. Total contributions receivable from the employer was $1,425,000 and $1,144,000, respectively, as of June 30, 2017 and 2016.

(b) Employees

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, upon payment to the Plan of an amount, as defined in the 1927 Act, as amended, representing contributions applicable to such service period. These contributions may be paid over a future period, even after retirement. In addition, 1962 and 1978 amendments to the Plan increased pension benefits and the related employee contribution rates. Active employees may retroactively increase their contribution rates from the date of employment in order to receive the maximum increased benefits available under the 1962 and 1978 amendments. These "back contributions" may also be paid over a future period. Contributions from employees include amounts withheld from employees' pay but not yet remitted to the Plan. Total contributions receivable from employees were $411,000 and $418,000, respectively, as of June 30, 2017 and 2016.

(6) Tax Status

The Plan and its trust are intended to be qualified under Sections 401(a) and 501(c) of the Internal Revenue Code (IRC) such that they are not subject to tax under federal income tax laws. The Internal Revenue Service (IRS) issued a favorable determination letter on 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) Net Pension Liability of the Plan

The components of the net pension liability at June 30, 2017 and 2016 were as follows:

	2017	2016
Total pension liability	$ 1,394,135	1,317,840
Fiduciary net position	1,051,671	950,415
Net pension liability	$ 342,464	367,425
Fiduciary net position as a percentage of total pension liability	75.44%	72.12%

(a) Actuarial Assumptions

The total pension liability was determined by the actuarial valuation as of July 1, 2016 for 2017 and as of July 1, 2015 for 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.25%
Salary increases	4%
Investment rate of return	7.41%, net of pension plan investment expense, including inflation

Mortality rates were based on the sex-distinct rates set forth in the RP-2000 Mortality Table projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) Section 430; future generational improvements in mortality have not been reflected.

The Plan provides for an annual cost-of-living adjustment based on the CPI limited to 1% per year for employees hired after August 31, 2011, or 3% per year for employees hired before September 1, 2011.

The latest experience study was through June 30, 2011. In preparing the latest actuarial valuation the results of the experience study are reviewed against the actuarial valuation results.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2017 and 2016 are summarized in the following tables:

	2017	
Asset class	**Target allocation**	**Expected long-term real rate of return**
Domestic equity	7.00%	6.01%
Domestic large-cap equity	30.00	6.91
Domestic mid-cap equity	15.00	8.91
Domestic small-cap equity	9.00	5.01
International equity	9.00	3.31
Fixed income and cash equivalents	25.00	0.81
Alternative investments	5.00	7.51
	100.00%	

(Continued)

	2016	
Asset class	Target allocation	Expected long-term real rate of return
Domestic equity	7.00%	6.01%
Domestic large-cap equity	30.00	6.91
Domestic mid-cap equity	15.00	8.91
Domestic small-cap equity	9.00	5.01
International equity	9.00	3.31
Fixed income and cash equivalents	25.00	0.81
Alternative investments	5.00	7.51
	100.00%	

(b) Discount Rate

A discount rate of 7.41% was applied in the measurement of the total pension liability as of June 30, 2017 and June 30, 2016. The rate reflects current economic conditions. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of June 30, 2017 and 2016, calculated using the discount rate of 7.41%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.41%) or 1-percentage-point higher (8.41%) than the current rate (dollars in thousands):

		2017	
	1% Decrease 6.41%	Current discount rate 7.41%	1% Increase 8.41%
Total pension liability	$ 1,582,440	1,394,135	1,240,176
Less fiduciary net position	1,051,671	1,051,671	1,051,671
Net pension liability	$ 530,769	342,464	188,505

	2016		
	1% Decrease 6.41%	Current discount rate 7.41%	1% Increase 8.41%
Total pension liability	$ 1,497,648	1,317,840	1,171,130
Less fiduciary net position	950,415	950,415	950,415
Net pension liability	$ 547,233	367,425	220,715

(d) Actual Valuation Date

The total pension liability at June 30, 2017 is based on July 1, 2016 actuarial valuation and the pension liability at June 30, 2016 is based on the July 1, 2015 actuarial valuation. The expected total pension liabilities were determined as of June 30, 2017 and 2016 using standard roll-forward techniques. The roll-forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments, and refunds for the plan year, and then applies the expected investment rate of return for the year.

(8) Subsequent Event

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

(See Accompanying Independent Auditors' Report)

CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

Required Supplementary Information

Schedule of Changes in Net Pension Liability

Year ended June 30, 2017

(Dollars in thousands)

(Unaudited)

	2017	2016	2015
Total pension liability:			
Service cost	$ 24,887	21,573	22,387
Interest	97,265	95,436	91,326
Demographic experience	16,627	(34,253)	(33,047)
Benefit payments, including refunds of member contributions	(62,484)	(59,823)	(56,253)
Net change in total pension liability	76,295	22,933	24,413
Total pension liability – beginning	1,317,840	1,294,907	1,270,494
Total pension liability – ending	1,394,135	1,317,840	1,294,907
Plan fiduciary net position:			
Contributions – employer	27,493	25,441	32,693
Contributions – employee	10,830	11,825	11,224
Net investment income	125,938	(10,177)	8,734
Other income	—	193	4
Benefit payments, including member refunds	(62,484)	(59,823)	(56,253)
Administrative expenses	(521)	(429)	(524)
Net change in plan fiduciary net position	101,256	(32,970)	(4,122)
Plan fiduciary net position – beginning	950,415	983,385	987,507
Plan fiduciary net position – ending	1,051,671	950,415	983,385
Plan net pension liability – ending	$ 342,464	367,425	311,522

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

See accompanying independent auditors' report.

(Continued)

CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

Required Supplementary Information

Schedule of Net Pension Liability and Related Ratios

Year ended June 30, 2017

(Dollars in thousands)

(Unaudited)

	2017	2016	2015
Total pension liability	$ 1,394,135	1,317,840	1,294,907
Plan fiduciary net position	1,051,671	950,415	983,385
Net pension liability	$ 342,464	367,425	311,522
Plan fiduciary net position as a percentage of the total pension liability	75.44%	72.12%	75.94%
Covered-employee payroll	$ 104,788	92,965	93,836
Net pension liability as a percentage of covered-employee payroll	326.82%	395.23%	331.99%

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

See accompanying independent auditors' report.

CITY OF ATLANTA, GEORGIA
POLICE OFFICERS' PENSION PLAN

Required Supplementary Information

Schedule of Employer Contributions

Year ended June 30, 2017

(Dollars in thousands)

(Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 27,493	25,441	32,693	30,197	26,525	33,748	19,568	40,422	41,213	44,434
Contributions in relation to the actuarially determined contribution	27,493	25,441	32,693	30,197	26,525	33,748	19,568	40,422	41,213	44,434
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$ 104,788	92,965	93,836	91,840	88,297	73,688	83,551	78,519	82,030	84,015
Contributions as a percentage of covered-employee payroll	26.24%	27.37%	34.84%	32.88%	30.04%	45.80%	23.42%	51.48%	50.24%	52.89%

See accompanying independent auditors' report

Required Supplementary Information

Schedule of Investment Returns

Year ended June 30, 2017

(Dollars in thousands)

(Unaudited)

	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Annual money-weighted rate of return, net of investment expense	14.19%	(0.71)%	1.22%	21.37%	15.73%	0.99%	21.30%	12.07%	(13.15)%

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

See accompanying independent auditors' report

(Continued)

(1) Schedule of Changes in Net Pension Liability

The total pension liability contained in this schedule was provided by the Plan's actuary, Southern Actuarial Services. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Plan.

(2) Schedule of Employer Contributions

The actuarially determined contributions and comparison to those contributions actually made are presented in the schedule.

(3) Actuarial Methods and Assumptions

Changes of assumptions: No assumptions were changed since the last measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation rate	2.25%
Salary increases	4.00%
Investment rate of return	7.41%