REPORT TO THE SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

The Investment Decisionmaking Process In Two Georgia Public Employee Retirement Plans

This report is the second in a series of seven projected studies requested by the committee.

It contains case studies on the Employees' Retirement System of Georgia and the Atlanta General Employees' Pension Plan, giving details of the structure and operations of the plans.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the Chairman and
Ranking Minority Member
Committee on Labor and
Public Welfare
United States Senate

In response to your June 14, 1976, letter, we are making a series of case studies of fiduciary standards and conduct of public employee pension plans maintained by State and local governments in Georgia, New Jersey, New York, Tennessee, Colorado, Virginia, and Michigan.

In Georgia, we studied the Employees' Retirement System of Georgia and the City of Atlanta General Employees' Pension Plan. Case studies of these plans are included as appendixes I and II; case studies for New Jersey have previously been provided; and case studies for the other five States will be provided later.

Based on discussions with your office, we developed a framework for these case studies to provide the information needed to help the Committee fulfill its statutory obligations to study governmental retirement plans. The Employee Retirement Income Security Act of 1974 directed the Committee to undertake such studies and provided that the results should be reported to the Senate not later than December 31, 1976.

Because of time limitations, it was agreed that we would obtain information on the investment decisionmaking process from summary data and interviews with cognizant officials. We did not verify the information obtained, and we are not commenting on the adequacy of procedures and practices followed by the plans.

The Employees' Retirement System of Georgia is one of five State-level pension plans which are available to State and other employees and which are centrally administered by State of Georgia employees. As of June 30, 1976, this plan was the second largest State retirement plan, with about 48,300 active members (including general State employees and legislators) and assets totaling about $355 million. The other four centrally administered State-level plans had 110,918 members and assets of about $1 billion.

There are another eight separate State-level retirement plans available to State and other employees that are not centrally administered by State of Georgia employees. These plans, which are scattered throughout the State, are small in comparison to the five centrally administered plans. For example, one of the plans--the Peace Officers' Annuity and Benefit Fund, headquartered in Griffin, Georgia--is managed by a separate board of trustees which uses an investment counseling firm for advice in the investment decisionmaking process.

The Employees' Retirement System of Georgia, established pursuant to State legislation, is financed and managed without government assistance or control. An independent board of trustees is responsible for administration and proper operation of the plan. Legislation specifies how the trustees are to be selected. To help carry out its responsibilities, the board uses State employees to handle day-to-day administrative functions and investment activities.

The City of Atlanta General Employees' Pension Plan is the largest of the three pension plans for city employees. It covers about 14,400 active members and 2,836 pensioners, compared to about 2,500 active members and 800 pensioners covered by the other two plans. As of December 31, 1975, the plan had assets of about $71 million, compared to about $11 million for the other two plans.

The plan, which was authorized by State legislation, covers general city employees and teaching and nonteaching personnel of the city's board of education. A board of trustees is responsible for plan operations. The city's commissioner of finance, who serves as a member and secretary of the board, administers the plan, and the city's investment officer manages its investments.

The investment decisionmaking processes are discussed in detail in the case studies. As directed by your office, we have prepared this report without waiting for formal written comments from plan officials. However, we discussed the case studies with plan officials, who agreed with the facts presented. Where appropriate, their comments have been included in the case studies. We have requested formal written comments, which we will send to you when we receive them.

Elmer B. Staats

Comptroller General
of the United States

APPENDIX I

CASE STUDY

ON THE

EMPLOYEES' RETIREMENT SYSTEM

OF GEORGIA

Contents

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CHAPTER 1

BACKGROUND

The Employees' Retirement System of Georgia (hereafter referred to as the Plan) was established pursuant to Act 38, Georgia Laws of 1949. It is one of five State-level pension plans which are available to State and other employees and which are centrally administered by State of Georgia employees. As of June 30, 1976, the Plan was the second largest State retirement plan with about 46,300 active members (including general State employees and legislators) and assets totaling about 355 million. At that time the Plan was paying about $1,780,578 monthly to 6,602 retired members. The other four centrally administered State-level plans had 110,918 members and assets of about $1 billion.

There are another eight separate State-level retirement plans available to State and other employees that are not centrally administered by State of Georgia employees. These plans, which are scattered throughout the State, are small in comparison to the five centrally administered plans. For example, one of the plans--the Peace Officers' Annuity and Benefit Fund, headquartered in Griffin, Georgia--is managed by a separate board of trustees which uses an investment counseling firm for advice in the investment decisionmaking process.

The Plan's investment activities are combined with the following retirement plans, and the assets are managed as a single fund by the Division of Investment Services.

--Public School Employees' Retirement System, which has about 30,500 active members and assets of about $25 million.

--Trial Judges' and Solicitors' Retirement Fund, which has about 149 active members and assets of about $2 million.

--Legislative Retirement System, which has about 247 active members and assets of about $1 million.

In addition, the Division of Investment Services manages assets of the fifth plan--the Teachers' Retirement System--as a separate fund. This plan is the largest State-level retirement plan; as of June 30, 1976, it had about 80,000 active members and assets of about $1 billion.

MEMBERSHIP REQUIREMENTS

In accordance with the enabling legislation, any person employed after January 1, 1950 (the commencement date of the Plan), in any State department or local government operating under a merit system of personnel administration which elected to be covered by the Employees' Retirement System shall become a member of the Plan as a condition of employment. Persons employed before January 1, 1950, automatically became members of the Plan unless before that date they filed a prescribed form with the board of trustees waiving their entitlement to benefits.

The State has also required members of the Plan whose employment began after 1956 to be covered under the Federal Social Security program. Members employed before this date have had several opportunities to elect Social Security coverage.

FUNDING

Trustees obtain funds needed to finance the Plan from employee and employer contributions, earnings on investments, and receipts from the sale and redemption of securities. All Plan employees are required to contribute through payroll deductions. General State employees and legislators covered by the Plan who elected to participate in the Federal Social Security program currently contribute 3 percent of the first $350 of monthly earnings plus 5 percent of earnings over $350. Members who did not elect to be covered under the Federal Social Security program contribute 5 percent of their monthly earnings.

State employing units, such as the Department of Human Resources, contribute a specified percentage of their gross payroll (currently 7.5 percent) necessary to keep the Plan actuarially sound. The last actuarial study (June 30, 1973) included an amount for inflation.

BENEFITS

According to the Plan administrator, the retirement benefits are computed by a formula which the board of trustees adopted in 1964 in accordance with State law. The law provided that the benefits formula

--be based on an actuarial study,

--maintain the actuarial soundness of the plan,

--use an employee's highest average monthly salary during 8 consecutive calendar quarters, and

--apply to all members.

The formula also cannot reduce or impair allowances that members were eligible to receive based on benefit tables in effect before 1964.

<u>Normal retirement benefits</u>

Retirement benefits under the 1964 formula are computed based on two factors determined as follows:

1. A member's high average monthly salary over $350 has an actuarially determined service value of 1.18 percent for the first year of service. The service value increases at a rate of 0.03 percent per year for each additional year of service up to a maximum of 2.20 percent. This factor is multiplied by the member's years of service. For example, a member who retired after 20 years of service would have a service value factor of 1.75 percent for monthly earnings over $350 times his years of service.

2. The service value applied to the first $350 of a member's monthly earnings is 60 percent of the factor computed in step 1 times his years of service up to a maximum of 35 years. Using the example in step 1, the member's service value for the first $350 would be 1.05 percent times his years of service.

Assuming a high monthly salary of $800, the monthly retirement benefits for the example used above would be:

1. For average salary over $350: 35% (20 years x 1.75%) x $450 =	$157.50
2. For first $350 of salary: 21% (60% x 1.75% x 20 years) x $350 =	73.50
Monthly benefits	$231.00

Benefits differ somewhat for members who did not elect coverage under Social Security. Upon retirement, these members may use the extra 2 percent they contributed on the first $350 to purchase an additional annuity or receive a lump-sum payment for the difference.

Eligibility for retirement depends on the date the employee became a member. Employees who were members before July 1, 1968, may retire after completing 5 years of service and reaching age 60; employees who became members on or after that date must complete 10 years of service and reach age 60. Any member who completes 30 years of service may retire. The Plan reduces retirement benefits by 5 percent for each year the retiring member is under age 65, unless the employee has 35 or more years of service, in which case benefits are not reduced.

Disability retirement
and death benefits

The Plan provides that members becoming permanently disabled may retire if they have completed at least 13 years and 4 months of service. Members becoming disabled before having that much service receive a full refund of their contributions plus 4-percent interest. An exception to this service requirement is made for members suffering an on-the-job disabling injury in a hazardous duty job, such as an investigator in the Georgia Bureau of Investigations.

The Plan also provides for several death benefits. These benefits are available to the members' beneficiaries when death occurs before retirement only if the member had completed 13 years and 4 months of service or had reached age 60 with 10 years of creditable service (5 years for those who were members of the Plan before July 1, 1968). Otherwise, the Plan will refund contributions plus interest to beneficiaries. Benefits are also payable when the member's death occurs after retirement, depending on the retirement option selected.

Deferred retirement benefits

Members with 10 years of service who terminate employment may retain a vested right to retirement benefits by leaving their contributions in the fund. They could then begin receiving monthly ~~benefits after~~ reaching age 60. Members who terminate employment with less than 10 years of service are entitled to a refund of their contributions plus 4-percent interest.

Cost-of-living annuity increases

Currently, retired members age 62 and over are eligible for cost-of-living adjustments to monthly benefits. Officials make adjustments for cost-of-living increases not to exceed 1.5 percent semiannually based on the U.S. Department of Labor's Consumer Price Index. In addition, the board of trustees may authorize an annual supplemental adjustment to those members eligible for cost-of-living increases, based on the previous year's investment income experience. (If the Plan earns more than the amount computed by the actuary as needed to keep the Plan actuarially sound, up to 50 percent of the additional earnings can be used to fund up to a 2.5-percent supplemental adjustment.)

CHAPTER 2

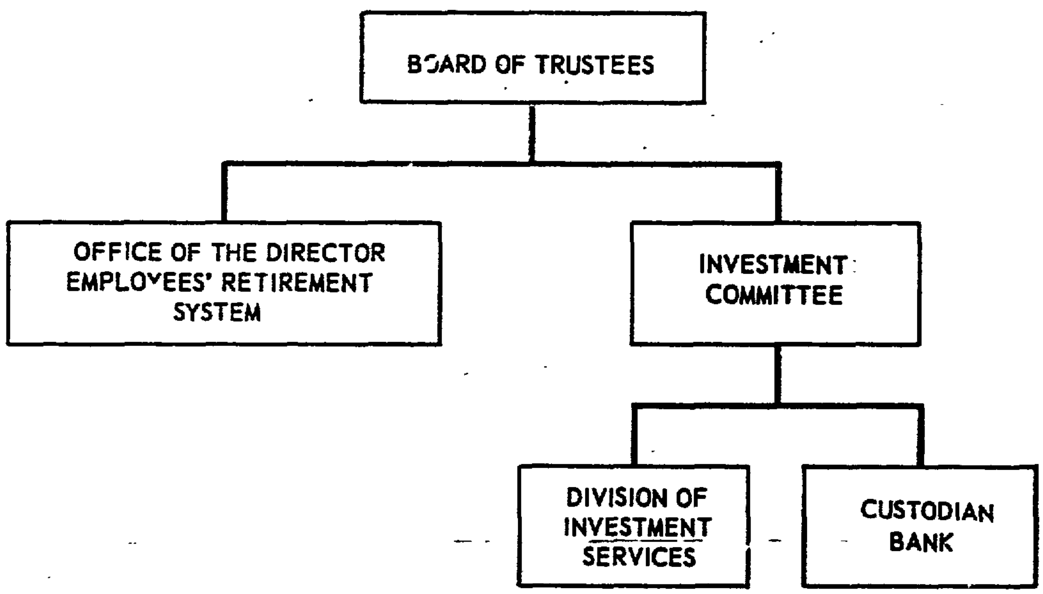
FRAMEWORK FOR MANAGING INVESTMENTS

The Plan, according to its administrator, is a true trusteeship in that it is financed and managed without State government assistance or control. The responsibility for administration and proper operation of the Plan is given to an independent board of trustees. Legislation specifies how the trustees are to be selected.

The board is authorized to employ agents to provide investment advice and recommendations necessary to fulfill its trustee responsibilities. To help carry out its responsibilities, the board uses State employees to handle day-to-day administrative functions and investment activities. The Plan does not hire outside money managers, advisors, or analysts, but the custodian bank is delegated responsibility to make bond swaps 1/ and authorized to make temporary investments.

ORGANIZATIONAL STRUCTURE

The following organizational structure is used to manage and control Plan activities.



1/Bond swapping is a process through which one security is sold and another of the same base value is purchased for such advantages as increased yield or improved quality.

Board of trustees

The members of the board are the trustees of funds in the Plan. Subject to conditions and limitations discussed under the investment policy section beginning on page 12, they have full power to hold, purchase, sell, assign, transfer, and dispose of the Plan's securities and investments.

The board's composition is specified in the legislation. The board consists of seven members, including the State auditor, the State insurance commissioner, and the State merit system director, who are named by the legislation. The State legislature appoints the State auditor, the State insurance commissioner is elected by statewide popular vote, and the State merit system board appoints the merit system director--each for a 4-year term. The other members are:

--One person whom the Governor appoints for a 4-year term and for whom the statutes do not specify any experience or other qualification requirements.

--Two persons who have at least 5 years of service with an agency in the Plan (the other trustees elect these members for 4-year terms).

--One person who is a Georgia citizen with at least 10 years of experience in investments and not a member of the Plan (the other trustees elect this member for a 4-year term).

Each member serves part time and is not compensated except for necessary expenses, such as travel.

Office of the Director, Employees' Retirement System

This office is responsible for day-to-day administrative operations, including computation and payment of benefits. It develops, subject to board approval, rules and regulations governing retirement plan operations. The office prepares operating budgets and maintains financial records, including records of individual members' contributions.

The director is secretary to the board and administrator of the Plan. He represents the board in contacts with system members; State departments; the general assembly; and county, city, and Federal authorities.

The office employs about 28 people, who are classified in accordance with Georgia merit system standards.

Investment Committee

To carry out legislative requirements in investment activities, the board uses an Investment Committee composed of five members of the board. These members are the (1) State auditor (ex officio member), (2) State insurance commissioner (ex officio member), (3) State superintendent of schools (regular member), (4) administrative deputy, Department of Revenue (regular member), and (5) executive vice president and trust officer of a bank (member with 10 years or more investment experience). The committee meets about once a month to approve investment recommendations, reevaluate current investment policies, and establish new policies as necessary.

Division of Investment Services

This division has about eight employees who serve the board, through the committee, as in-house investment advisors and analysts. The division's activities include providing the committee with investment advice and recommendations, monitoring investment execution and performance, and conducting investment research.

All employees in the Division of Investment Services, except the director, assistant director, and senior research analyst, are classified in accordance with Georgia merit system standards. According to the Plan administrator, those three positions are unclassified primarily to provide wider options for hiring individuals with needed expertise from outside the State government. The division's unclassified employees' salaries are set by a six-member committee consisting of three members from each of two boards of trustees they serve.

Custodian bank

The Plan contracts with an Atlanta bank for custodial services, which include holding and transferring securities and collecting interest and dividends on investments. The bank is also the depository bank for the Plan and physically holds and controls Plan assets. This bank may also perform other services delegated by the committee. (See p. 19.) The board has retained this bank for custodian ~~and~~ depository services since 1949.

MAKING AND IMPLEMENTING INVESTMENT POLICY

The board has full power to invest and reinvest retirement plan assets. According to the director of investment services, this includes responsibility for establishing and implementing investment policies. The board, however, may not invest more than 50 percent of Plan assets in equities--common and preferred stocks.

The board is required to comply with the terms, conditions, limitations, and restrictions imposed by State laws upon domestic life insurance companies in making and disposing of their investments.

The State insurance code provides that life insurance companies may invest in U.S. Government obligations, State and local government obligations, corporate bonds and debentures, corporate stocks, mortgage loans, and other securities. However, the insurance code requires that:

--No security or investment be purchased unless it bears or accrues interest or pays dividends or income.

--No investment be purchased at a price above its market value.

--Corporate stock purchases be limited to issues whose cash dividends have been paid out of current earnings in at least 3 of the last 5 years preceding the purchase.

--Corporate bond purchases be limited to issues which are not in default as to principal and interest and which are secured by collateral worth 50 percent more than par value.

--No mortgage loan be made which exceeds 80 percent of residential dwelling or 75 percent of the real property appraised value.

The board is limited further in its investment actions by "laws of trust investment" which, according to Plan officials, are accepted principles that have evolved over the years from court interpretation of investment laws. Briefly, these rules of trust investment require the board and its staff to

--exhibit caution,

--anticipate substantial market decline,

--spread the risks, and

--not take risks that would not ordinarily be taken by a prudent person in selecting investments.

The administrator added that, as a matter of practice, the Plan does not make loans to members, State officials, or State or local governments.

Investment policies

The committee, subject to confirmation by the board, establishes all investment policies and approves or disapproves Division of Investment Services' investment recommendations.

"Safety of Principal" is the Plan's first and most important investment objective. We were told that, although this policy does not preclude declines in value resulting from changes in economic and market conditions, it requires that unsound and unprofitable risk be avoided. If an error in judgment is to be made, this policy dictates that it be on the side of conservation and maintenance of principal.

The second most important objective is for investment income to equal or exceed the interest assumption used by the actuaries in determining the present and future soundness of the Plan. The last actuarial study, dated June 30, 1973, used an annual anticipated rate of return on investments of 4.5 percent.

The committee's current policy is to invest available new funds in fixed income securities until the goal is achieved.

The following table shows the committee's goals by investment categories and actual percentages of investments as of June 30, 1976.

	Percentages	
	Policy goal	Actual
Fixed income investments:		
Short-term investments	5	5
Corporate bonds	56	53
Real estate securities:		
U.S. Government guaranteed	7	4
Mortgages	2	4
Real estate	0	1
	70	67
Common stocks:		
Growth stocks	10	11
Moderate growth stocks	6	7
Special situation and high-grade cyclical stocks (See p. 16.)	14	15
	30	33
Total	100	100

The Plan has adopted the following guidelines to govern investments within the established goals.

Fixed income securities

1. Bonds--The Plan may invest in (a) bonds, notes, or other evidences of indebtedness issued by solvent corporations in the United States and Canada, (b) obligations of the United States, Canada, and State and local governments, and (c) revenue and public utility obligations. All corporate and Canadian provincial bond investments, however, are currently restricted to bonds with at least an "AA" rating from major rating agencies, such as Moodys and Dun and Bradstreet, and bonds which the issuer does not have the right to repurchase for 10 years. Such bond investments in an individual corporation are further limited to 5 percent of the Plan assets.

As a matter of practice, the Plan does not invest in State and municipal debt instruments, including those issued by the State of Georgia, even though such investments are permitted. The Plan's investment policy, however, does give a preference to investments in obligations of Georgia corporations or in corporate obligations whose proceeds are to be spent wholly in Georgia.

As of June 30, 1976, the Plan had about 53 percent of its investments in bonds.

2. Real estate mortgages--The Plan is permitted to invest in any indebtedness which is secured by first mortgages on income-producing real property in Georgia. About 9 percent of the Plan's assets are invested in such mortgages, including securities guaranteed by the Government National Mortgage Association which are backed by pools of mortgages.

3. Preferred stocks--The Plan investment policy permits the purchase of preferred stocks, but the Plan did not own any as of June 30, 1976.

Common stocks

Current policy of the Plan is to maintain about 30 percent of investments in common stocks. The Georgia insurance code limits investments to 10 percent of the voting stock in any company. The Plan limits its purchases of these stocks to corporations with 20 million or more shares outstanding and does not give preferential treatment to stocks of Georgia-based companies. The Plan strives to diversify its holdings into the following three classes.

1. High-quality growth stocks of well-known companies (a) whose compounded growth rate in earnings per share has been 10 percent for at least 5 years and (b) whose prospects for the coming year indicate that the growth rate will continue.

2. Stable growth stocks that are issues of well-known companies whose compound growth rate in earnings per share has been stable for a number of years and has equaled the growth of the American economy. Yield is considered when investing in this type of stock, but yield is secondary to earnings trend characteristics.

3. High-grade cyclical stocks and special situation stocks. Cyclical stocks are those whose earnings per share are likely to rise and fall with general economic conditions. Quality, rather than dividend rate or income, is emphasized when choosing this type of stock. Estimated earnings for the coming year should be significantly higher than those of the previous year. Special situation stocks are from companies whose earnings are expected to grow abnormally over a limited period because of special situations, such as the development of a new product or service.

As of June 30, 1976, the Plan had about 33 percent of its investments in common stocks.

Implementing investment policy

The Division of Investment Services, under the committee's supervision, is responsible for managing day-to-day investment activities in accordance with established policy. All the division's investment recommendations are subject to review and approval by the committee and confirmation by the board. Minutes of monthly meetings showed that the committee reviews the division's investment recommendations before they are implemented.

For example, the minutes of a January 21, 1976, committee meeting show that the director of the Division of Investment Services presented a common stock purchase program totaling $4.3 million and a common stock sales program totaling about $1.9 million. Concerning these transactions, the minutes state that:

> "After full discussion, a motion was made, seconded and adopted unanimously authorizing the custodian bank to sell the shares listed in the sales recommendation and purchase the shares listed in the purchase recommendations. * * *"

The committee, however, specified price limits for each stock within which the custodian bank could make purchases and sales.

We reviewed minutes of committee meetings for fiscal years 1975 and 1976 and did not note any disagreements on investment matters between the committee and its investment staff.

Experience of investment decisionmaking staff

The Division of Investment Services employs five professional staff members. Their qualifications and work experience are summarized below.

1. Division director--The incumbent has held this position for the last 12 years. He was previously employed for 14 years as a bond analyst and economist with a major Wall Street investment firm. His educational degrees include a bachelor's, an MBA, and a Ph.D. in finance.

2. Assistant director--The incumbent has held this position since 1971. Before that he served for about 1 year as the division's investment security supervisor. He was also employed by the Georgia State auditor's office for about 1 year as an auditor. He holds a bachelor's degree in industrial engineering and an MBA in finance.

3. Senior research investment officer--Before joining the division early in 1974, this person was employed as a research analyst in a securities firm. He holds a bachelor's degree in political science, an MBA in finance, and a master's in economics. He is a candidate for a Ph.D. in economics.

4. Mortgage supervisor--The incumbent has worked for the Division of Investment Services since 1971. Before that he worked as an assistant manager of a Wall Street general securities firm, vice president of a mortgage investment company, and president of a mortgage placement service. He holds a bachelor's degree in liberal arts with a minor in economics.

5. Security analyst--The incumbent assumed this position in July 1976. She previously worked for 6 months as an administrative assistant in the division and for about 9 years as an administrative assistant with the Georgia Finance and Investment Commission. She has a bachelor's degree and is working toward an MBA in finance.

6. Bond portfolio officer--The assistant director is performing the duties of this position, which is currently vacant.

Selection of brokers

Although the Plan's investment operations are managed internally, the board contracts with brokerage firms to handle investment transactions. Brokers are ranked based on size of firm, ability to handle large transactions, and research capability. The committee assigns brokerage firms a percentage of the total commission budget based on their ranking.

The director, Division of Investment Services, told us that the Plan attempts to place at least 80 percent of the brokerage business with firms having offices in Georgia. During fiscal year 1976, about $273,000 of its $323,000 commission budget was assigned to firms with offices in Georgia; the Plan actually paid out about $188,000 of the commission budget, of which about $164,000 was to such firms. During fiscal year 1976, the Plan did business with 19 firms having offices in Georgia (2 of which are headquartered in the State) and 4 firms having no offices in the State.

MANAGEMENT AND CONTROL OF PENSION PLAN ASSETS

Some of the controls devised to insure that Plan funds are invested promptly, that the investment portfolio meets actuarial return assumptions, and that investment executions are properly performed are presented below.

Money management techniques

The Plan's investment policy requires that all investment decisions be made to insure the safety of principal and achieve a return rate which meets or exceeds the actuarial assumption. Officials responsible for investments have devised an investment portfolio structure to help achieve these objectives.

Plan officials have also developed a procedure to assure that cash balances, other than operating cash, are invested immediately upon receipt. The Plan has established an investments account with the custodian bank for all income and contributions available for investment. The custodian bank is authorized to invest the account's balance daily in short-term obligations such as treasury bills until the committee decides on a permanent investment. Thus, the cash balances are constantly earning income. As of June 30, 1976, the Plan had about 5 percent of its investments in short-term obligations.

The Plan attempts to keep its bond portfolio current by swapping securities. The Plan's bond swaps are limited to transactions which will not result in a sizeable accounting loss. The committee has delegated authority to its custodian bank to swap bonds in accordance with established guidelines. The individual transactions, which are subject to the approval of the director of the Division of Investment Services, must be justified in writing by the bank, and the justification must be maintained on file by the division.

Monitoring investment performance

Monitoring, which is limited primarily to evaluating investment executions, is the responsibility of the Division of Investment Services. Monitoring is designed to insure that all the custodian bank's investment operations are timely and proper. The division's procedures include:

--Reviewing all investment buy-and-sell transactions to determine if they have been authorized and if they comply with committee instructions.

--Checking receivable reports against bank transaction statements to insure that mortgage, interest, and dividend payments have been properly credited.

--Analyzing broker commissions paid to insure that they were distributed according to established policy.

--Comparing portfolio printouts with custodian bank asset reports to check on the portfolio structure and the nature of assets held.

The committee has not established formal procedures for monitoring investment performance. The director, Division of Investment Services, told us however that, with the Plan's conservative portfolio structure, elaborate procedures are not required. In addition to the above checks, the division produces several internal reports designed to measure such things as portfolio yield and capital gains. For example, a critical price level report is prepared which shows stocks that have declined and warrant attention. The division also checks periodically with brokers and banks to evaluate investment performance.

Disclosure statements

The Plan does not require board members or Plan employees to file disclosure statements showing potential conflicts of interest. The director, Division of Investment Services, told us that he is developing a disclosure statement for his staff members similar to one the New Jersey Division of Investment is proposing to use. He expects to begin requiring disclosure soon.

Concerning conflicts of interest, the Plan's enabling legislation provides that:

--Each trustee shall, within 10 days after his appointment or election, take an oath of office stating that he will honestly and diligently administer affairs of the board of trustees and that he will not knowingly violate or willingly permit to be violated laws applicable to the Plan.

--No trustee or employee of the board shall, unless otherwise provided by the act, (1) have any personal interest in the gains or profits from any investment made by the board or (2) use, directly or indirectly, for himself or as an agent, the assets of the Plan, except to make payments authorized by the board.

The assistant attorney general, on July 21, 1976, reported to the board that--because of problems in other State agencies--the Law Department had made an extensive study on conflicts of interest and reported that one board member was an official of the Plan's custodian bank. It was emphasized that this member was not suspected of abusing his position or doing anything improper. After the potential conflict of interest was discussed at a board meeting, the member resigned effective July 22, 1976.

AUDIT AND DISCLOSURE OF INVESTMENT ACTIVITIES

The Plan uses independent certified public accountants to audit its activities annually. According to Plan officials, outside auditors are used primarily because the State auditor is, by law, on the board and an audit by his office might be a conflict of interest. A national certified public accounting firm has done the annual audit for the last 6 years. The last report completed was for the period ended June 30, 1974.

Scope of annual audits

A review of audit reports for 1970-74 showed that the audits included an examination of the Plan's (1) asset and liability statements and (2) statements related to fund transactions and changes in fund balances. The audits were basically financial in scope and included:

--Confirming the amount of cash in banks, investments in stocks and bonds, and the outstanding mortgages received.

--Reviewing internal control systems for contribution withdrawals and retirement allowance payments.

--Testing sample transactions related to employer and employee contributions, interest, dividends, investments, expenditures, payrolls, and other revenue and expense items.

The audit reports also disclosed the results of the latest actuarial valuation funding requirements.

Reports issued on retirement plan activities

The board is required by legislation to publish annually a report of Plan operations. This report must show the fiscal transactions for the preceding year, the amount of accumulated cash and securities, and the last balance sheet reflecting the Plan's financial condition. A review of annual reports available for fiscal years 1970-74 showed that the legislative requirements were satisfied. The Plan's annual report is essentially a summary of financial data from the reports prepared annually by the certified public accounting firm. The Plan's annual report is routinely provided to each member of of the Plan and upon request to the public.

The board and its committee are also required to record the proceedings of all their meetings. These records are important because the committee makes investment policy, recommends and approves all investment buy-and-sell decisions, and selects and assigns brokerage firm business and commissions. The full board must confirm these investment activities. Minutes of board meetings, by law, must be available for public inspection.

CHAPTER 3

INVESTMENT EXPERIENCE

ANNUAL RATE OF RETURN

Plan officials said their normal method for computing return rates recognizes gains and losses from the sale of investments but excludes amounts paid for brokerage commissions and servicing agents' fees. Annual rates of return for fiscal years 1970-74 computed by the Plan's fiscal officer are listed in the table below. Also listed are annual rates of return we computed, showing rates both excluding and including gains and losses on sales, brokerage commissions, and servicing agents' fees. In computing the rates, we used the data on which the fiscal officer based his computations.

	Percent return		
		Adjusted by GAO	
Fiscal year	Computed by fiscal officer	Excluding gains and losses, commissions, and fees	Including gains and losses, commissions, and fees
1970	1.90	4.70	1.88
1971	4.07	4.96	4.01
1972	5.73	5.46	5.52
1973	4.90	5.50	4.70
1974	5.79	5.59	5.63

PENSION PLAN ASSETS

The value of Plan assets shown in audited financial statements for fiscal years 1970-74 is as follows:

1970	$153,323,088
1971	179,311,484
1972	208,741,203
1973	242,843,559
1974	280,829,419

A comparison of the Plan's assets by category for the 5-year period is shown in the schedule on page 26. During the 5-year period, about 91 to 96 percent of the Plan's assets were invested in long-term securities, such as bonds, stocks, notes, and mortgages.

The Plan does not invest in State and local government securities, but does buy some obligations of Georgia-based corporations. The 1974 corporate bond and note totals include about $25.5 million in obligations of corporations with offices located only in Georgia. Mortgage investments include first mortgage loans secured by real property. In addition, about $16.4 million of the mortgage investments as of June 30, 1976, were guaranteed by U.S. Government agencies. The director, Division of Investment Services, told us that the common stock investments consist of a mix of stocks generally selected according to criteria described on page 15. The Plan does not give preferential treatment to stocks of Georgia-based companies. Therefore, the Plan does not disclose its Georgia-based corporate stockholdings.

FUNDS IN NON-INTEREST-BEARING ACCOUNTS

The Plan maintains two non-interest-bearing commercial checking accounts consisting of (1) a new moneys account for cash receipts from contributions, interest, and dividends and (2) a benefits account which is used to pay monthly benefits to retirees.

The following table shows, for the last 6 months of fiscal year 1976, the average daily balances and monthly expenditures from these accounts.

	New moneys account		Benefit payments account	
Month	Average daily balance	Monthly expenditures	Average daily balance	Monthly expenditures
January	$392,315	$6,004,966	(a)	(a)
February	172,070	5,189,719	$400,285	$1,661,749
March	159,652	3,417,295	235,587	1,643,904
April	148,205	6,381,827	319,741	1,661,286
May	356,935	4,070,746	468,240	1,644,986
June	174,997	5,066,892	252,715	1,705,833
6-month average	$235,506	$5,021,907	$352,684	$1,386,293

a/The benefit payments account was established on January 30, 1976. Benefit payments had previously been made from the new moneys account.

We computed the average daily balance for each account by totaling the daily bank balances for each month and dividing by the number of days in the month, including weekends and holidays. The bank balance for weekends and holidays is the account balance shown at the close of business for the previous workday.

According to the Plan fiscal officer, both of the above account balances were due, in part, to checks outstanding. The State auditor has ruled that State departments must maintain sufficient funds in accounts to cover any checks outstanding.

The Plan fiscal officer said that the balances in the new moneys account were also due to cash being received at the bank after temporary investments had been made. Plan officials transfer excess cash daily from the new moneys account to an investment trust account. The custodian bank uses these funds to purchase temporary investments, such as treasury bills, authorized by the board. Fiscal office personnel compute excess cash by subtracting estimated amounts to cover the retirement payroll and expenses from the prior day's balance. Each morning the officials notify the custodian bank of the amount of cash available for temporary investments. Any moneys received at the bank after temporary investments have been made are credited to the checking account.

The large balances in the benefit payments account, according to the fiscal officer, were due to a large amount being credited on the last business day of each month to cover the current month's benefit checks, which would clear the bank in succeeding months. The benefit payments account is composed of funds transferred from the new moneys account.

The fiscal officer does not believe the account balances are unreasonable, considering the size of the Plan and the number of daily transactions.

OPERATING COSTS

The Plan established an expense fund as provided by enabling legislation to pay its administrative expenses. Administrative expenses include personal services expenses, such as salaries; operating expenses, such as travel, supplies, and communications; and other contractual services.

Administrative expenses do not include broker commissions and other servicing agents' fees. These costs are charged directly to investment income.

The following table shows the Plan's administrative expenses for fiscal years 1970-75. It also compares the administrative expenses to the net contributions for providing retirement benefits.

Fiscal year	Administrative expenses	Net contributions	Expenses as a percent of net contributions
1970	$128,544	$19,001,961	0.68
1971	228,067	25,074,527	.91
1972	315,817	25,198,891	[illegible] 25
1973	336,149	29,136,310	[illegible]5
1974	238,096	54,690,485	[illegible]
1975	413,191	53,821,360	.[illegible]7

The Plan administrator said all administrative expenses are paid from a portion of pension plan contributions made by the employers. According to the independent audit reports, these expenses are charged to the pension accumulation fund, which contains the contributions remitted by the employing departments.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

COMPARATIVE STATEMENT OF ASSETS AS OF

JUNE 30, 1970, 1971, 1972, 1973, AND 1974 (note a)

Assets	1970 Amount	1970 Percent	1971 Amount	1971 Percent	1972 Amount	1972 Percent	1973 Amount	1973 Percent	1974 Amount	1974 Percent
Cash	$ 406,242	0.26	$ 25,090	0.01	$ 17,261	0.01	$ 21,932	0.01	$ 37,608	0.01
Temporary investments	12,411,570	8.09	3,539,327	1.97	12,890,011	6.18	9,455,229	3.89	11,250,302	4.01
Accounts receivable	454,713	.30	2,745,543	1.53	3,568,887	1.71	7,069,241	2.91	7,695,680	2.74
U.S. Government bonds	5,290,572	3.45	1,215,625	.68	1,232,813	.59	500,000	.21	500,000	.18
Corporate bonds	68,568,020	44.72	71,346,160	39.79	74,371,470	35.63	84,089,141	34.62	99,464,463	35.42
Common stocks	46,652,625	30.43	61,061,626	34.06	65,382,488	31.32	89,684,947	36.93	99,299,837	35.36
Mortgages	19,165,487	12.50	32,991,422	18.40	38,682,315	18.53	39,025,192	16.07	35,525,605	12.65
Other (note b)	373,859	.25	6,386,691	3.56	12,595,958	6.03	12,997,877	5.36	27,055,924	9.63
Total	$153,323,088	100.00	$179,311,484	100.00	$208,741,203	100.00	$242,843,559	100.00	$280,829,419	100.00

a/This data was obtained from Georgia Plan independent audit reports and investment portfolios.

b/This category consists primarily of other long-term obligations, such as capital notes, which are similar to bonds.

SCHEDULE 1

APPENDIX II

CASE STUDY

ON THE

ATLANTA GENERAL EMPLOYEES'

PENSION PLAN

Contents

CHAPTER 1

BACKGROUND

The City of Atlanta General Employees' Pension Plan (hereafter referred to as the Plan) was established pursuant to Act 318, Georgia General Assembly of 1927. This act required cities with populations over 150,000 to provide pension plans for their employees. The act was amended in 1972, raising the population requirement to 300,000.

The Plan is one of three pension plans for city employees. As of December 31, 1975, the Plan was the largest of the three plans, with about 14,400 active members and cash and securities of about $71 million. At that time, the Plan was paying about $841,322 monthly to 2,836 retired members and beneficiaries. The other city pension plans are the

--Firemen's Pension Fund, with about 920 active members and cash and securities of about $6 million, and

--Policemen's Pension Fund, with about 1,573 active members and cash and securities of about $5 million.

The city commissioner of finance handles management and investment activities for all three pension plans.

MEMBERSHIP REQUIREMENTS

Except for casual employees and uniformed firemen and policemen eligible for participation in the other plans, all persons employed by the city or elected to office after April 1, 1962, including general city employees and teaching and nonteaching personnel of the Atlanta Board of Education, are required to become members of the Plan.

FUNDING

Funds needed to finance the Plan are obtained from

--employee and employer contributions,

--contributions from the Georgia Teachers' Retirement System to participate in pensions paid to the city's retired teachers whose salaries were paid with funds from the Georgia Department of Education, and

--earnings on investments.

The city is required by legislation to make supplemental appropriations, based on its taxing authority, to meet any retirement liabilities that cannot be paid from current funds. The Plan administrator told us that the Plan has been able to pay all its liabilities without special appropriations.

Employees are required by legislation to contribute to the Plan through payroll deductions. Employees contribute 6 percent of their gross salary if they designate a beneficiary to receive pension benefits after their death; otherwise, they contribute 5 percent. Married members are required to designate their spouses or children as beneficiaries. Employers match the employee's contributions.

BENEFITS

The Plan computes retirement benefits in accordance with a 1962 amendment to the enabling legislation which requires members employed on or after April 1, 1962, to be covered under its benefit provisions. Members employed before then must submit a written request to obtain coverage under the amendment.

Normal retirement benefits

The amount of an employee's retirement pension is based on several factors, including (1) number of years of service, (2) average monthly salary for the 3 years of service with the highest earnings, (3) age at retirement, and (4) type of retirement.

The retirement benefits are computed by multiplying the first $300 of average monthly earnings by 2 percent and the monthly earnings exceeding $300 by 1.5 percent. The totals of these two amounts are then multiplied by the years of service. Assuming a high monthly salary of $891 and 30 years service, the monthly retirement benefit would be:

1. Average monthly earnings over $300: 1.5% x $591 =	$ 8.87
2. First $300 of monthly earnings: 2% x $300 =	6.00
	$ 14.87
3. Years of service x (1) + (2)	x 30
Monthly benefit	$446.10

The total retirement benefit cannot exceed 75 percent of the high average monthly salary.

According to the Plan administrator, the 1962 amendment covers about 95 percent of the members. The other members, who are covered by benefit provisions in legislation before 1962, receive a flat-rate monthly pension ranging from about $150 to $225.

Plan members covered by the 1962 amendment are eligible for regular retirement after completing 25 years of service and attaining age 60. Teachers are required to retire at age 65; all other city employees must retire at age 70. A member with 25 years of service may elect early retirement at age 55 at a reduced pension. The reduction is 2 percent a year for each year under age 60.

Disability retirement and death benefits

The Plan allows members becoming totally and permanently disabled from on-the-job injuries or illnesses to retire, regardless of age and service, as if they had completed 35 years of service. Related disability benefits are based on the greater of their highest 3-year average salary or the highest salary in the employee's classification. Disabled members whose injuries or illnesses are not job-related must complete 5 years of creditable service for disability retirement, which is based on the number of years of service. Otherwise, disabled members receive a refund of their contributions without interest.

The Plan also provides for death benefits to active and retired members' beneficiaries. The beneficiaries are entitled to receive 50 percent of the pension payments the member was receiving or eligible to receive at the time of death. Death benefits are reduced by one-twelfth of 2 percent a month for each month the beneficiary is more than 5 years younger than the pensioner. This reduction, however, does not apply if the beneficiary is 60 years old or more at the time he or she becomes eligible for benefits.

Deferred retirement benefits

Members with 20 years of service who terminate employment may leave their contributions in the fund and begin receiving monthly benefits at age 65. Members who terminate their employment before completing 20 years of service are entitled to a refund of their contributions without interest.

Cost-of-living annuity increases

The Plan does not provide cost-of-living increases to its retired members.

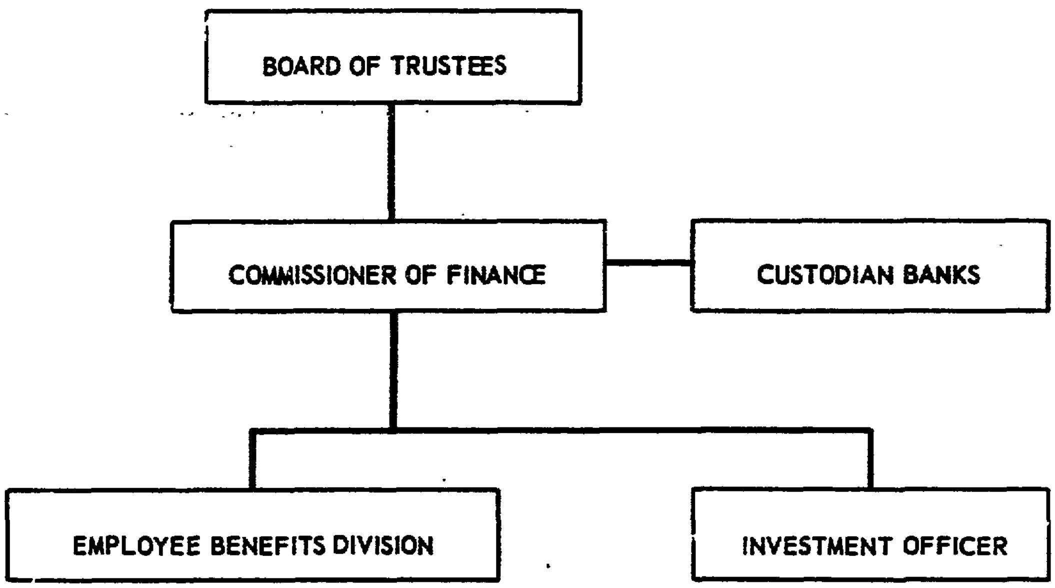
CHAPTER 2

FRAMEWORK FOR MANAGING INVESTMENTS

The responsibility for administering the Plan is placed by legislation on a board of trustees. To help carry out its responsibilities, the board uses employees of the city's Department of Finance to handle day-to-day administrative functions and investment activities. The board does not hire outside money managers, advisors, or analysts.

ORGANIZATIONAL STRUCTURE

The following organizational structure is used to manage and control Plan activities.



Board of trustees

The board is charged with making rules necessary to carry out provisions of the pension laws and is authorized to resolve any matters not specifically covered by legislation. The board also reviews and approves all pension applications and payments. In addition, it is empowered to invest excess retirement funds in authorized securities, as described on page 37.

The board, by law, consists of 10 members, including the mayor, or his designated assistant, and the commissioner of finance. The mayor is elected by popular vote and appoints the commissioner of finance, with confirmation by the City Council, for a 4-year term.

The other members include:

--One member of the elected City Council, whom the mayor appoints annually.

--One member of the board of education, whom the board of education elects annually.

--Two members elected for 4-year terms by participating school members.

--Two members elected for 4-year terms by nonschool members.

--One member elected for a 4-year term by retired school members.

--One member elected for a 4-year term by retired nonschool members.

Each member serves without compensation except the secretary to the board, who is paid $50 a month by the Plan. According to the Plan administrator, this amount is paid to cover the secretary's time and expenses incurred in carrying out the board's business.

<u>City commissioner of finance</u>

The board has delegated overall authority for Plan administrative and investment activities to the commissioner of finance. The commissioner is a member of the board and also serves as its secretary. The commissioner has further delegated administrative authority to the Employee Benefits Division and investment activities to the investment officer. As secretary, the commissioner cosigns pension checks and vouchers with the mayor, signs board correspondence, maintains minutes of board meetings, and prepares monthly and yearly financial statements.

The commissioner is also a board member and board secretary of the Firemen's Pension Fund and the Policemen's Pension Fund.

Employee Benefits Division

The Employee Benefits Division, part of the Finance Department's Bureau of Treasury, Licensing, and Employee Benefits, is responsible for day-to-day administrative operations, including paying benefits. It also prepares staff reports and annual budgets for the board and reviews management procedures, pension laws, and related legal codes which must be maintained and updated regularly. The division maintains the Plan's records related to employee payments and payroll deductions. The division also handles the above duties for the Firemen's Pension Fund and the Policemen's Pension Fund.

Investment officer

The investment officer, by direction of the commissioner of finance, is responsible for investing the Plan's excess funds in securities as prescribed by law. He is also responsible for investing other city moneys, including those of the other two pension funds.

Custodian banks

The Plan maintains a permanent commercial checking account with a local bank. The city of Atlanta, however, has an agreement to rotate several of its accounts annually among five local banks. In return, the city receives at no cost

--vaulting privileges, which include holding securities purchased through the respective bank, and

--investment advice, market research, and use of the bank's wire services to transfer investment moneys from one financial institution to another.

The banks also provide loans to operate the city's school system at an interest rate of one-half the prime rate plus 0.75 percent.

MAKING AND IMPLEMENTING INVESTMENT POLICY

The board has been given legislative authority to invest any pension funds not needed immediately. The legislation, as amended in 1957, further designates those securities in which the Plan may invest or which it may use as collateral. These legal investments include:

--Direct obligations of the U.S. Government, such as treasury bills, bonds, and notes.

--General obligations of the U.S. Government, such as Federal agency securities, backed as to principal and interest by the Government.

--Guaranteed securities, which are public indebtedness backed as to principal and interest by the U.S. Government.

--Obligations of the State of Georgia or any of the State's instrumentalities.

--City of Atlanta obligations or general obligations of any municipality in the State.

Investment policy

The Plan's investment policy, according to the investment officer, is to invest available funds in securities authorized in the legislation. The commissioner of finance said that the Plan does not invest in State of Georgia obligations or instrumentalities even though such investments are permitted by State law.

The investment officer said the Plan invests in securities, such as certificates of deposit, that are not specifically identified in the legislation. The Plan requires banks to fully back these investments with securities of the type specified in the legislation.

Implementing investment policy

According to the investment officer, no outside investment assistance is received except for routine investment research and advice from local banks and brokerage firms which do business with the city. He also said that the Plan's funds are invested in accordance with established policy.

Experience of the
investment officer

The incumbent has held this position for about 1 year. He was previously employed for 3 years as a consumer loans officer and corporate credit analyst with an Atlanta bank. He has a bachelor's degree in business administration with a minor in economics and an MBA in finance.

Selection of brokers

Even though Plan investments are managed internally, brokerage firms are used to handle investment transactions. These firms are selected primarily on their ability to provide a particular service, such as handling U.S. Treasury and municipal obligations or offering superior investment research. The investment officer told us that the city does not pay brokerage firms a commission for their services, but firms may make a small profit on the "market spread" which results when brokerage firms buy securities and sell them to clients at a higher price. During the fiscal year ended December 31, 1975, the investment officer used the Atlanta offices of five brokerage firms to handle Plan transactions.

MANAGEMENT AND CONTROL OF PENSION PLAN ASSETS

Procedures devised to insure that Plan assets are properly and fully invested and protected are presented below.

Money management techniques

According to the investment officer, since the Plan's investment options are limited by law, there is little need for formal money management techniques other than keeping track of market trends.

The Plan, however, has developed a procedure designed to identify daily excess cash available for investment. The accounting department prepares a daily statement of the Plan's cash balance which identifies excess funds. The investment officer explained that excess funds are invested in securities authorized by law. As a general rule excess balances are allowed to accumulate to about $300,000 or $400,000 before investment. A review of investment transactions for January through June 1976 showed that the Plan, on the average, invested about $1.3 million about every 3 business days.

Monitoring investment performance

The Plan has not established formal procedures for monitoring investment performance. The investment officer said he is drafting guidelines to measure and evaluate portfolio performance. Since the Plan does not hire outside money managers, the proposed monitoring procedures are aimed primarily at assessing market trends.

Monitoring activities are currently limited to examining bank transactions. This includes assuring that the Plan's account is credited for interest and proceeds from sales and redemption of securities.

Disclosure statements

The Plan does not require the board members or the employees handling day-to-day administrative and investment activities to file disclosure statements showing potential conflicts of interest. The Plan administrator told us that opportunities for conflicts of interest are limited because the Plan's investments are prescribed by law.

AUDIT AND DISCLOSURE OF INVESTMENT ACTIVITIES

In accordance with a city ordinance, Atlanta is required to have an annual audit of its accounts--including accounts in which the city has a financial interest--by an independent certified public accounting firm. The ordinance specifies that the city's Finance Committee will be responsible for selecting the accounting firm using such criteria as professional standing, record of efficiency, thoroughness and competency, and contract price.

Plan officials said the required annual audits include the Plan. The last audit of these activities, covering the year ended December 31, 1974, was performed by a certified public accounting firm with offices in Atlanta.

Scope of annual audits

A review of the Plan's audit reports for 1970-74 showed that the audits were basically financial in scope and included:

--Examining statements of assets and liabilities and changes in net assets.

--Verifying cash receipts, disbursements, and proceeds from selling or redeeming securities.

--Testing sample transactions related to employee and employer contributions.

In addition, the contract for 1975 requires the auditors to review investments to insure that they are properly authorized and recorded.

Reports on pension plan activities

The Plan is not required to issue periodic reports to members on Plan operations. According to the Plan administrator, monthly and yearly financial statements showing the types of investments made and interest earned are submitted to the board. These statements are available to Plan members upon request.

CHAPTER 3

INVESTMENT EXPERIENCE

ANNUAL RATE OF RETURN

The Plan's normal computation of return on investments includes gains and losses on investment sales. The Plan does not normally pay brokerage commissions due to the nature of its investments. The rates of return on investments which the investment officer computed for calendar years 1971-75 are shown in the following table.

Calendar year	Percent return
1971	4.44
1972	5.45
1973	7.53
1974	8.24
1975	7.37

The investment officer told us that records were not available to accurately determine the gains and losses on investment rates for 1971-74. Thus, we were not able to compute the rate of return on investment rates excluding gains and losses during the 4-year period. However, during 1975 the rate of return was 7.21 percent excluding gains and losses compared to 7.37 percent including gains and losses.

PENSION PLAN ASSETS

The value of Plan assets as reported in financial statements prepared for the board for calendar years 1971-75 is as follows:

Calendar year	Plan assets
1971	$31,098,314
1972	38,557,994
1973	47,836,397
1974	61,173,660
1975	71,366,217

A comparison of the Plan's assets by category for the 5-year period is shown in the schedule on page 45. During the 5-year period, about 92 to 97 percent of the Plan's assets were invested in certificates of deposit and U.S. Government securities.

At the end of fiscal year 1975:

--About 68 percent of the Plan's assets were invested in U.S. Government securities, including treasury bills, notes, and bonds.

--About 30 percent of the assets were invested in short-term bank certificates, including repurchase agreements and certificates of deposit.

--About 2 percent of the assets were invested in the State and local government securities, consisting entirely of City of Atlanta Airport Revenue Bonds.

FUNDS IN NON-INTEREST-BEARING ACCOUNTS

The Plan maintains one non-interest-bearing commercial checking account. The account is used to deposit receipts from contributions and interest from investments and to pay administrative expenses, refund contributions, and purchase investments. The average daily balance and monthly expenditures for this account for January through June 1976 are shown in the following table.

Month	Average daily balance	Monthly expenditures
January	$215,829	$ 6,654,849
February	283,051	5,181,290
March	176,734	4,788,977
April	279,894	13,151,358
May	341,337	17,112,865
June	637,273	15,189,282
6-month average	321,287	10,346,437

We computed the average daily balance by totaling the daily bank balances for each month and dividing by the number of days in the month, including weekends and holidays. The bank balance for weekends and holidays is the account balance shown at the close of business for the previous workday.

The Plan's accounting officer told us that the above account balances were due in part to checks outstanding. He also said that the Plan, as part of its banking agreement, must maintain sufficient funds in the account to cover outstanding checks. We were also told that the balances were due to deposits credited to the account after daily investment decisions.

The city maintains a separate joint account with the other city pension funds. This account, called the pension paymaster account, is used to pay all retirement and disability benefits. According to the Plan administrator, the Plan makes monthly transfers to the pension paymaster account to cover benefit payments to its members.

OPERATING COSTS

The board is authorized by law to pay its necessary operating costs out of the pension fund. Operating costs include such expenses as office supplies, printing and reproduction, medical examination service, actuarial services, and the administrative salary of the board's secretary.

Operating expenses for calendar years 1970-75 are shown in the following table. The table also compares operating costs to the net contributions for providing retirement benefits:

Calendar year	Operating expenses	Net contributions	Expenses as a percent of net contributions
1970	$20,045	$ 8,862,529	0.23
1971	6,051	10,822,128	.06
1972	19,031	11,748,787	.16
1973	31,970	13,159,975	.24
1974	24,397	14,310,038	.17
1975	17,440	17,040,865	.10

Salaries applicable to administering the Plan by Finance Department employees are paid by the city from general revenues. For calendar years 1970-75, salaries amounted to $40,292, $43,649, $44,505, $50,843, $55,483, and $58,570, respectively.

THE ATLANTA GENERAL EMPLOYEES' PENSION PLAN

COMPARATIVE STATEMENT OF ASSETS AS OF

DECEMBER 31, 1971, 1972, 1973, 1974, AND 1975 (note a)

Assets	1971 Amount	1971 Percent	1972 Amount	1972 Percent	1973 Amount	1973 Percent	1974 Amount	1974 Percent	1975 Amount	1975 Percent
Cash	$ 45,629	0.15	$ -18,614	-0.05	$ 617,208	1.29	$ 1,101,160	1.80	$ 108,500	0.15
Repurchase agreements	0	-	0	-	0	-	0	-	3,325,000	4.66
Certificates of deposit	19,095,000	61.40	25,950,000	67.30	35,220,000	73.63	23,811,386	38.92	17,965,000	25.17
Accounts receivable	0	-	0	-	124	-	2,177,196	3.56	0	-
U.S. Government securities	10,967,245	35.26	11,400,376	29.57	10,578,972	22.11	32,505,035	53.14	48,543,365	68.02
State and local government securities	990,440	3.19	1,226,232	3.18	1,420,093	2.97	1,569,494	2.56	1,424,352	2.00
Other	0	-	0	-	0	-	9,389	.02	0	-
Total	$31,098,314	100.00	$38,557,994	100.00	$47,836,397	100.00	$61,173,660	100.00	$71,366,217	100.00

a/Data for 1971-74 obtained from the certified public accountants' audit reports. Data for 1975 was obtained from unaudited financial statements prepared by the Plan.

SCHEDULE 1