Financial Statements and Independent Auditors' Report

Retirement Security Plan of the City of Plano, Texas

December 31, 2015 and 2014

Retirement Security Plan
City of Plano, Texas
December 31, 2015 and 2014
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KPMG LLP
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2323 Ross Avenue
Dallas, TX 75201-2709

Independent Auditors' Report

The Retirement Security Plan Committee
City of Plano, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Security Plan of the City of Plano, Texas (the Plan), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit 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 respective financial position of the Retirement Security Plan of the City of Plano, Texas, as of December 31, 2015 and 2014, and the respective changes in financial position for the years ended December 31, 2015 and 2014, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedule of changes in net position liability (asset) and related ratios, the schedule of investment returns, and the schedule of contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 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 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

Dallas, Texas
June 20, 2016

Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2015 and 2014

Our discussion and analysis of the City of Plano, Texas Retirement Security Plan's (RSP or the Plan) financial performance provides an overview and analysis of the Plan's financial activities for the years ended December 31, 2015 and 2014. Please read it in conjunction with the accompanying basic financial statements, including the notes thereto, and required supplementary information.

The City of Plano, Texas (the City) is the trustee, or fiduciary, for the RSP, a Defined Benefit Pension Plan. The RSP provides specific benefits to members at retirement or disability and to their beneficiaries in case of death.

Financial Highlights

- In 2015, net position of the Plan increased by approximately $1.9 million. The increase was primarily caused by approximately $4.0 million in contributions and approximately $2.7 million in interest and dividend income. The increase was offset by approximately $708 thousand in decreases in the fair value of the investments and approximately $3.8 million in employer benefit payments. This is compared to an increase in net position of approximately $8.2 million in 2014.

- Total investment return decreased in 2015 by approximately $5.9 million. $3.0 million of the decrease was due to a reduction in realized gains/losses and $2.9 million was due to unrealized depreciation in the portfolio mostly due to the equity markets falling during the year.

- The RSP paid approximately $3.8 million in benefits during 2015, compared to approximately $3.5 million in 2014. Benefit payments increased primarily due to an increase in the number of retirees receiving annuities than in 2014.

- The RSP received approximately $4.0 million in employer contributions during 2015 and 2014.

Overview of the Financial Statements

Basic Financial Statements

In this financial report, the basic financial statements consist of the Statements of Plan Fiduciary Net Position and the Statements of Changes in Plan Fiduciary Net Position with accompanying Notes to the Financial Statements. Each of those financial statements present information for the RSP as of and for the year ended December 31, 2015, and comparative audited information as of and for the year ended December 31, 2014.

The Statements of Plan Fiduciary Net Position presents the financial position of the Plan. The financial position is assets (primarily investments) less liabilities (primarily advisory fees owed). The difference between assets and liabilities is net position, which represents the amount of resources available to pay future benefits to retirees. Investments consist of cash equivalents, fixed income securities, domestic and international equities and alternative investments.

The Statements of Changes in Plan Fiduciary Net Position presents the additions to and deductions from the Plan's net position during the year. The Plan receives contributions from the City, as well as income or losses from investments and related activity. The primary deductions are to pay benefits, which is the Plan's primary purpose. Deductions also include administrative expenses. The change in the Plan's net position during the year is added to or subtracted from the beginning balance of the Plan net position to obtain the balance of Plan net position at the end of the year.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements. They provide background and more details about the information in the financial statements. Among other matters, the notes describe—

- The RSP purpose and its membership
- The significant accounting policies used to prepare the basic financial statements
- The nature of the plan, including the membership and benefit provisions and contribution requirements
- The RSP's investment authority and policies, how investments are safeguarded, and selected details about various investment activity and balances

Required Supplementary Information

In 2014, the Plan adopted Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pensions*. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*. GASB Statement No. 67 requires plans to calculate net pension liability (asset) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position. Additional supplemental schedules required by GASB Statement No. 67 are included in the Required Supplementary Information section.

SUMMARY AND ANALYSIS OF THE FINANCIAL INFORMATION

The following Condensed Statements of Plan Fiduciary Net Position and Changes in Plan Fiduciary Net Position present financial information for the RSP, comparing 2015, 2014, and 2013 audited information. This information comes from the Statements of Plan Fiduciary Net Position and Statements of Changes in Plan Fiduciary Net Position for those three years:

Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2015 and 2014

Condensed Statements of Plan Fiduciary Net Position -- Retirement Security Plan

	December 31			2015 - 2014 Change		2014 - 2013 Change	
	2015	2014	2013	Amount	Percentage	Amount	Percentage
Assets							
Cash and short-term investments	$ 1,468,138	$ 1,094,789	$ 1,081,950	$ 373,349	34.1%	$ 12,839	1.2%
Investments, at fair value	119,159,571	117,678,517	109,529,781	1,481,054	1.3%	8,148,736	7.4%
Receivables	347,786	315,386	242,963	32,400	10.3%	72,423	29.8%
Total Assets	120,975,495	119,088,692	110,854,694	1,886,803	1.6%	8,233,998	7.4%
Liabilities							
Accrued advisory fees	53,802	53,060	49,777	742	1.4%	3,283	6.6%
Total Liabilities	53,802	53,060	49,777	742	1.4%	3,283	6.6%
Net position restricted for pensions	$ 120,921,693	$ 119,035,632	$ 110,804,917	$ 1,886,061	1.6%	$ 8,230,715	7.4%

Condensed Statements of Changes in Plan Fiduciary Net Position -- Retirement Security Plan

	2015	2014	2013	Amount	Percentage	Amount	Percentage
Additions							
Contributions, employer	$ 3,959,196	$ 4,037,995	$ 3,805,272	$ (78,799)	(2.0%)	$ 232,723	6.1%
Total investment return	2,076,698	8,012,049	19,941,412	(5,935,351)	(74.1%)	(11,929,363)	(59.8%)
Total Additions	6,035,894	12,050,044	23,746,684	(6,014,150)	(49.9%)	(11,696,640)	(49.3%)
Deductions							
Benefits	3,822,305	3,518,902	3,055,808	303,403	8.6%	463,094	15.2%
Administrative expenses	320,784	278,376	246,367	42,408	15.2%	32,009	13.0%
Miscellaneous expenses	6,744	22,051	-	(15,307)	(69.4%)	22,051	-
Total Deductions	4,149,833	3,819,329	3,302,175	330,504	8.7%	517,154	15.7%
Net increase in net position	$ 1,886,061	$ 8,230,715	$ 20,444,509	$ (6,344,654)	(77.1%)	$ (12,213,794)	(59.7%)

2015 Compared to 2014

- The RSP's net position increased approximately $1.9 million during 2015 versus an approximate $8.2 million increase during 2014. The increase in net position is driven by $2.7 million in interest and dividends and $4.0 million in employer contributions. Benefit payments of $3.8 million and a net decrease in fair value of investments of $0.7 million offset the increase. The Plan's overall portfolio gained 1.6% in 2015 reflecting the positive financial market backdrop. The overall total investment return in 2015 was approximately $2.1 million. This is compared to a gain of approximately $5.5 million with an overall total investment return of approximately $8.0 million in 2014.

- In 2015, the overall rate of return on the RSP's investment activity was 1.6%. In 2014, that rate of return was 7.6%. In 2015, the RSP investments, including short-term investments, by type, performed as follows:

	Benchmark	Return Percentage	Return Amount	Balance at 12/31/15	Allocation
Investment Type					
Cash and short-term investments	0.03%	0.02%	$ 285	$ 1,468,138	1.22%
U.S. Government obligations	1.07%	1.54%	181,462	28,577,505	23.69%
Government agency obligations	1.07%	1.54%	(16,578)	-	0.00%
Corporate bonds	1.07%	1.54%	411,435	16,293,041	13.51%
Common stocks	1.01%	3.43%	2,516,728	66,326,163	54.98%
Foreign equities	(5.25%)	(4.49%)	(338,707)	6,396,663	5.30%
Master limited partnerships	1.01%	(31.75%)	(742,950)	1,566,199	1.30%
Real estate investment trusts	0.00%	0.00%	(4,324)	-	0.00%
Overall or Totals	1.12%	1.60%	$ 2,007,351	$ 120,627,709	100.00%

- At December 31, 2015, the RSP held no commitments for future investment and capital asset purchases.
- The RSP paid approximately $3.8 million in retirement and disability benefits to 699 members during 2015 compared to approximately $3.5 million paid to 646 members in 2014. On average, this amounts to payments of $5,468 per person in 2015 versus $5,447 per person in 2014.
- The RSP received approximately $4.0 million in employer contributions in 2015 and 2014. Employer contribution rates for a year are based on the biennial actuarial study.
- This year's benefit payments were approximately $0.1 million lower than employer contributions.
- The cost of administering the Plan in 2015 for the 2,817 members was $320,784 which is an average cost of $114 per person. This cost includes $58,850 in trustee fees, $227,259 in advisory fees, $10,475 in actuary fees, and $24,200 in audit fees. The average cost in 2014 was $101 per person. This increase in cost is due to higher total administrative expenses combined with a higher number of retirees and beneficiaries currently receiving benefits. Additionally, investment advisory fees increased which are based upon the asset balance of the Plan.

2014 Compared to 2013

- The RSP's net position increased approximately $8.2 million during 2014 versus an approximate $20.4 million increase during 2013. The reason for this increase was the approximate $5.5 million increase in the fair value of investments, interest and dividends reported at $2.4 million and employer contributions of $4.0 million. During 2014, the equity markets were approximately 11% higher compared to 30% increase in 2013. The Plan's overall portfolio gained 7.6% in 2014 reflecting the positive financial market backdrop. The overall total investment return in 2014 was approximately $8.0 million. This is compared to a gain of approximately $17.8 million with an overall total investment return of approximately $19.9 million in 2013.
- In 2014, the overall rate of return on the RSP's investment activity was 7.6%. In 2013, that rate of return was 18.7%. In 2014, the RSP investments, including short-term investments, by type, performed as follows:

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		Return		*Balance at*	
	Benchmark	*Percentage*	*Amount*	*12/31/14*	*Allocation*
Investment Type					
Cash and short-term investments	0.03%	0.01%	$ 146	$ 1,094,789	0.92%
U.S. Government obligations	3.13%	2.54%	134,385	14,148,648	11.91%
Government agency obligations	3.13%	2.54%	24,113	2,565,320	2.16%
Corporate bonds	3.13%	2.54%	909,970	20,954,587	17.64%
Common stocks	31.00%	29.37%	7,103,714	70,037,219	58.97%
Foreign equities	(4.50%)	(4.80%)	(527,845)	7,658,543	6.45%
Master limited partnerships	13.07%	14.15%	26,271	2,314,200	1.95%
Real estate investment trusts	-	-	284,973	-	-
Overall or Totals	8.68%	7.59%	$ 7,955,727	$ 118,773,306	100.00%

		Return		*Balance at*	
	Benchmark	*Percentage*	*Amount*	*12/31/13*	*Allocation*
Investment Type					
Cash and short-term investments	0.04%	0.01%	$ 222	$ 1,081,950	0.97%
U.S. Government obligations	(0.69)%	(0.48)%	32,985	14,083,152	12.73%
Government agency obligations	(0.69)%	(0.48)%	(61,251)	2,152,220	1.95%
Corporate bonds	(0.69)%	(0.48)%	5,705,899	9,656,933	8.73%
Common stocks					
US Large Cap Stocks	28.19%	32.88%	4,473,805	36,217,116	32.74%
US Mid Cap Stocks	28.73%	31.98%	6,263,541	22,289,065	20.15%
US Small Cap Stocks	36.99%	37.10%	1,971,848	7,165,775	6.48%
Foreign equities	15.29%	16.91%	1,337,262	12,882,524	11.65%
Real estate investment trusts	(1.39)%	(0.09)%	217,101	5,082,996	4.60%
Overall or Totals	14.70%	18.71%	$ 19,941,412	$ 110,611,731	100.00%

- At December 31, 2014, the RSP held no commitments for future investment and capital asset purchases.
- The RSP paid approximately $3.5 million in retirement and disability benefits to 646 members during 2014 compared to approximately $3.1 million paid to 602 members in 2013. On average, this amounts to payments of $5,447 per person in 2014 versus $5,076 per person in 2013.
- The RSP received approximately $4.0 million in employer contributions in 2014, compared to $3.8 million in 2013. Employer contribution rates for a year are based on the biennial actuarial study. The employer percent contributed increased to 110.6% of actuarially determined contributions in 2014 as compared to 104.2% in 2013.
- This year's benefit payments were approximately $0.5 million lower than employer contributions.
- The cost of administering the Plan in 2014 for the 2,751 members was $278,376 which is an average cost of $101 per person. This cost includes $15,774 in trustee fees, $207,687 in advisory fees, $33,815 in actuary fees, $21,000 in audit fees, and $100 in other expenses. The average cost in 2013 was $93 per person. This increase in cost is due to higher total administrative expenses combined with a higher number of retirees and beneficiaries currently receiving benefits. Additionally, investment advisory fees increased which are based upon the asset balance of the Plan.

Retirement Security Plan
City of Plano, Texas
Statements of Plan Fiduciary Net Position
As of December 31, 2015 and 2014

	2015	2014
Assets		
Cash and short-term investments	$ 1,468,138	$ 1,094,789
Investments, at fair value:		
U.S. Government obligations	28,577,505	14,148,648
Government agency obligations	-	2,565,320
Corporate bonds	16,293,041	20,954,587
Common stocks	66,326,163	70,037,219
Foreign equities	6,396,663	7,658,543
Master limited partnerships	1,566,199	2,314,200
Accrued interest and dividends	347,786	315,386
Total Assets	120,975,495	119,088,692
Liabilities		
Accrued advisory fees	53,802	53,060
Total Liabilities	53,802	53,060
Net position restricted for pensions	$ 120,921,693	$ 119,035,632

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

Retirement Security Plan
City of Plano, Texas
Statements of Changes in Plan Fiduciary Net Position
As of December 31, 2015 and 2014

	2015	2014
Additions		
Contributions, employer	$ 3,959,196	$ 4,037,995
Investment return		
Net increase (decrease) in		
fair value of investments	(707,541)	5,533,887
Interest	978,731	746,129
Dividends	1,736,161	1,675,711
Miscellaneous	69,347	56,322
Total investment return	2,076,698	8,012,049
Total additions	6,035,894	12,050,044
Deductions		
Benefits	3,822,305	3,518,902
Administrative expenses	320,784	278,376
Miscellaneous expenses	6,744	22,051
Total deductions	4,149,833	3,819,329
Net increase in net position	1,886,061	8,230,715
Net position restricted for pensions		
Beginning of year	119,035,632	110,804,917
End of year	$ 120,921,693	$ 119,035,632

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

(1) Plan Description

The Retirement Security Plan (RSP or the Plan) was established on January 1, 1983 pursuant to the City of Plano's (the City) withdrawal from the Federal Social Security system. The RSP is a single-employer defined benefit pension plan and provides retirement benefits for all full-time employees of the City. The purpose of the RSP is to provide specific benefits to employees at retirement or disability, and to their beneficiaries in case of death. As of December 31, 2015, there were 2,817 members, consisting of 2,071 active members of whom 1,380 were vested and 691 were non-vested, 47 terminated members entitled to benefits, but not yet receiving them and 699 terminated participants receiving benefits.

The RSP was created by City ordinance and is administered by a committee of five, (the Committee), which meets four times a year. The Committee oversees the RSP and sets policies for operations, including appointing management and directing investment decisions. Professional investment management is used and a custodial bank retains the assets and provides for administration of benefit payments.

(a) Membership

The RSP's membership consisted of the following as of December 31, 2015:

Active members	
Vested	1,380
Non-vested	691
Total active members	2,071
Terminated members entitled to benefits, but not yet receiving them	47
Retirees and beneficiaries currently receiving benefits	699
Total	2,817

The RSP's membership consisted of the following as of December 31, 2014:

Active members	
Vested	1,426
Non-vested	628
Total active members	2,054
Terminated members entitled to benefits, but not yet receiving them	51
Retirees and beneficiaries currently receiving benefits	646
Total	2,751

(b) Benefit Provisions

Full-time employees become vested after 5 years of service. Members who terminate employment prior to completing 5 years of service are not eligible for any benefit, and all contributions made on their behalf remain with the Plan. Members are eligible to receive full retirement income benefits when they reach normal retirement (age 65) or full or reduced benefits when they reach a younger age and meet certain length-of-service requirements. Early retirement benefits are paid upon completion of 20 years of vesting (Texas Municipal Retirement System credited service) or upon attaining age 60 with 5 years of vesting service. At least 5 years of vesting service must be with the City. The RSP provides retirement income benefits, with annual cost-of-living adjustments, based on a member's years of service, average compensation (highest 3 years of last 10), and choice of single or joint-life monthly payments or a lump sum payment as noted below.

For normal retirement (age 65), the monthly benefit payment is calculated as follows:

- .007 X City credited service since January 1, 1983 (not to exceed 25 years) X average compensation (highest 3 years of last 10).

Early retirement benefits paid upon completion of 20 years of vesting (Texas Municipal Retirement System credited service) or upon attaining age 60 with 5 years of vesting service with the City are calculated as follows:

- .007 X City credited service since January 1, 1983 (not to exceed 25 years) X average compensation (highest 3 years of last 10) X a reduction factor based on the number of years which the benefit start date precedes the normal retirement date. The benefit is reduced 1/15 for each of the first 5 years and 1/30 for each of the next 5 years (and on an Actuarial Equivalent basis thereafter) by which the starting date of pension payments precedes the employee's normal retirement date.

A lump sum payment option is available to eligible employees. Lump sum payments follow these guidelines:

- When the lump sum value is less than $5,000, the benefit must be in the form of a single lump sum payment.

- When the lump sum value is $5,000 - $12,000, the participant has a choice of single lump sum payment or monthly annuity payments.

- When the lump sum value exceeds $12,000, the participant must receive monthly annuity payments.

Joint and survivor options are available. Total and permanent disability retirement benefits are provided. Each April 1, retirement benefits which have been paid for at least 12 months are adjusted to reflect changes in the U.S. Consumer Price Index (not to exceed 4%). This adjustment is applied to only the participant's benefits; spouses or beneficiaries are excluded.

(c) Contributions

Contributions by the employer are established as a part of the City budget process and the actuarially determined percentage of each payroll. Actuarial valuations are performed on a biennial basis. The last actuarial valuation was performed on December 31, 2013. The actuarially determined contribution rate documented in the valuation was 3.12% of pay and is applicable for the City to contribute for the years ending December 31, 2015 and December 31, 2016. No employee contributions are required by the Plan.

(d) Tax Status

The Internal Revenue Service has determined and informed the City by a letter dated May 4, 2012, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United State of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however; there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2012.

(e) Other Information

The RSP finances its administrative costs through investment earnings. It is exempt from federal income taxes under the IRC. If the Plan is partially or fully terminated for any reason, state statute provides that the rights of all benefits on the date of termination to all members and benefit recipients to the extent then funded, will become nonforfeitable.

(f) Retirement Option Plan

An employee shall be eligible for a deferred vested pension if the employee's employment with the City is terminated, for reasons other than death or normal, late, early or disability retirement, on or after the completion of five (5) or more years of credited service. Payment of a deferred vested pension shall commence as of the first day of the month coinciding with or next following the employee's normal retirement date if the employee is then living. If the employee has completed five (5) years of credited service and requests the commencement of the employee's deferred vested pension as of the first day of the month coinciding with or next following his/her sixtieth (60) birthday, the employee's pension shall commence as of the first day of the month so requested, but the amount thereof shall be subject to the early retirement reduction.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The RSP is one of the City's Fiduciary Funds and is presented as such in the City's financial statements. The assets of the RSP are being held for benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government.

(b) Basis of Presentation and Accounting

The RSP financial statements are prepared in accordance with the standards of the Governmental Accounting Standards Board for pension trust funds. Employer contributions are recognized when due, and benefits are recognized when due and payable. Investment transactions are recorded as of the trade date, and investment income from interest and dividends is recorded when earned or declared.

(c) Use of Estimates

The preparation of financial statements and required supplementary information in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan net assets available for benefits and changes therein. Actual results could differ from those estimates.

(d) Investments

Investments of the Plan are reported at fair value. The RSP determines the fair value of investments as of December 31, 2015 as follows:

- Fixed income and equity securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.
- Investments in open-end mutual funds are based on the funds' current share prices as determined by quoted market prices.

(3) Investments

(a) Investment Authority and Policies

The assets of the RSP shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility, and the requirements of applicable law. The investment advisor shall observe the safeguards that would guide a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All transactions undertaken on behalf of the RSP shall be for the exclusive benefit of the Participants and their beneficiaries. The RSP investment policy shall be reviewed annually to ensure that it remains relevant and effective within prevailing economic conditions and other conditions affecting the RSP asking into consideration the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of market behavior with the long-term objectives of the RSP. The current investment guidelines are as follows:

- Permissible investments include: cash equivalents, including certificates of deposit at U.S. banks, money market and similar bank accounts and money market mutual funds; corporate bonds, including convertibles; commercial paper; U.S. Government and agency securities; common and preferred stocks; exchange traded funds/exchange traded notes; alternative investments (real estate, master limited partnerships (MLP's), etc.); and mutual funds. All other investments are prohibited unless approved in advance by the Committee.
- The Investment Manager shall maintain investments within the acceptable allocation ranges (as a percentage of total assets of the RSP): Cash Equivalents (0-5%); Fixed Income (25-40%); Domestic Equity (45-70%); International Equity (5-15%); and Alternative Investments (0-5%) (Real Estate, Master Limited Partnerships, etc.).
- Equity investments shall be further maintained within the following market capitalization guidelines: Total Large Cap (62-92%); Total Medium Cap (7-27%); Total Small Cap (1-11%).
- The amount of assets invested in cash equivalents shall not be less than the amount required to cover current liabilities.

On December 17, 2014, the Plan investment policy was modified with the following changes:

- The investment objective changed to remove the reference to 7.75% and refer to weighted average return using several indices
- Real Estate changed to Alternative Investments
- Fixed income guidelines exist between Investment Grade and Non-Investment Grade
- Guidance exists on equities as it pertains to both Domestic and International

The above limitations and portfolio diversification over several asset classes are intended to reduce the RSP's overall investment risk exposure. The Committee has a written set of investment policies that may be viewed by request to the City's Human Resources Department, at City of Plano, 1520 Avenue K, Suite 130, Plano, TX 75074. Those policies address asset allocations for the various investment types, risk management, and investment monitoring. They also include qualitative and quantitative criteria and specific benchmarks for performance.

(b) Custody of Assets

The RSP Committee has a contract with a financial institution to hold the RSP's trust funds for the Plan.

(c) Cash and Short-Term Investments

The carrying amount of the RSP's cash and short-term investments at December 31, 2015, in the Statements of Plan Fiduciary Net Position is approximately $1.5 million compared to $1.1 million at December 31, 2014 consisting of money market mutual funds.

(d) Deposit and Investment Risk

Custodial Risk. The RSP does not have any investments that are not insured, not registered or not represented by securities that are held by the RSP or by its agent in the RSP name. There are no deposits.

Overall Credit Risk. The RSP investment policy specifies that fixed income investment ratings shall be further maintained with investment grade bonds (BBB or higher) 90-100% and non-investment grade bonds (BB or lower) 0-10% of the allocation. The Plan's fixed income investments are rated by Standard and Poor's as follows:

	RSP distribution by S&P Rating	
Rating	**Number**	**Market Value**
AA+	24	29,397,874
AA-	1	1,567,500
A+	2	1,708,065
A	6	4,445,140
A-	3	2,051,930
BBB+	4	3,024,323
BBB	1	823,128
NA	1	1,852,587
Total		$ **44,870,546**

Concentration of Credit Risk. The RSP investment policy limits the amount that may be invested in various investment categories and requires reasonable diversification in equity portfolios. As of December 31, 2015, there are no individual investments (other than those issued or guaranteed by the U.S. Government or in mutual funds) that represent five or more percent of the Plan's total investment portfolio value.

Foreign Currency Risk. The RSP investment policy limits the amount that may be invested in international equities to 15% of total assets.

Rate of Return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.75%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk. The RSP investment policy does not specifically address interest rate risk as it relates to the length of investment period or maturity structure for the fixed income portfolio.

The following tables categorize the Plan's investments at December 31, 2015 and 2014, by type of investment to give an indication of the level of interest rate risk:

Investment type		**Fair Value 12/31/15**	**Weighted Average Maturity (Years)**
U.S. Government obligations	$	28,577,505	4.09
Corporate bonds		16,293,041	4.24
Total fixed income investments		44,870,546	4.14
Common stocks		66,326,163	n/a
Foreign equities		6,396,663	n/a
Money market mutual funds [1]		1,468,138	0.00
Master limited partnerships		1,566,199	n/a
Total investments	$	120,627,709	

[1] This $1.5 million investment is reported with cash and short-term investments in the Statement of Plan Fiduciary Net Position.

Investment type		**Fair Value 12/31/14**	**Weighted Average Maturity (Years)**
U.S. Government obligations	$	14,148,648	1.79
Government agency obligations		2,565,320	1.68
Corporate bonds		20,954,587	5.50
Total fixed income investments		37,668,555	3.77
Common stocks		70,037,219	n/a
Foreign equities		7,658,543	n/a
Money market mutual funds [1]		1,094,789	n/a
Real estate investment trusts		2,314,200	n/a
Total investments	$	118,773,306	

[1] This $1.1 million investment is reported with cash and short-term investments in the Statement of Plan Fiduciary Net Position.

(e) Equities and Long-Term Fixed Income Securities

The RSP invests in equities and long-term fixed income securities in both the domestic and international markets based on the Committee's asset allocation strategy. The following tables present the types of those investments, the fair value of each type for the years ended December 31, 2015 and 2014, and the income for each type for the years then ended.

	Fair Value [1] *12/31/2015*	*Appreciation (Depreciation)*	*Dividend or Interest Income* [1]	Total *Return*
Equities				
Domestic [2]	$ 67,892,362	$ 216,606	$ 1,552,848	$ 1,769,454
International	6,396,663	(522,020)	183,313	(338,707)
Total equities	74,289,025	(305,414)	1,736,161	1,430,747
Fixed income				
U.S. government	28,577,505	(250,818)	415,702	164,884
Domestic	16,293,041	(151,309)	562,744	411,435
Total fixed income	44,870,546	(402,127)	978,446	576,319
Total	$ 119,159,571	$ (707,541)	$ 2,714,607	$ 2,007,066

[1] Short-term investment fair value of $1,468,138 and interest income of $285 is not included in this investment schedule.

[2] Master limited partnerships fair value and interest income is included in domestic equities as the investments are traded on public exchanges.

	Fair Value [1] *12/31/2014*	Appreciation *(Depreciation)*	*Dividend or Interest Income* [1]	Total *Return*
Equities				
Domestic [2]	**$** 72,351,419	$ 5,863,078	$ 1,551,880	$ 7,414,958
International	7,658,543	(651,676)	123,831	(527,845)
Total equities	80,009,962	5,211,402	1,675,711	6,887,113
Fixed income				
U.S. government	16,713,968	(644)	159,142	158,498
Domestic	20,954,587	323,129	586,841	909,970
Total fixed income	37,668,555	322,485	745,983	1,068,468
Total	$ 117,678,517	$ 5,533,887	$ 2,421,694	$ 7,955,581

[1] Short-term investment fair value of $1,094,789 and interest income of $146 is not included in this investment schedule.

[2] Master limited partnerships fair value and interest income is included in domestic equities as the investments are traded on public exchanges.

(4) Net Pension Liability

The components of the net pension liability at December 31, 2015 are as follows:

Total pension liability	$ 122,992,163
Plan fiduciary net position	120,921,693
Net pension liability	$ 2,070,470
Plan fiduciary net position as a percentage of the total pension liability	98.32%

Additional information regarding changes in the net pension liability for the year ended December 31, 2015 can be found in the Required Supplementary Information section beginning on page 20.

a) *Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability as of December 31, 2015 was determined by rolling forward the liability from the actuarial valuation date to the Plan's fiscal year end.

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	19 years as of the valuation date
Asset valuation method:	5-year smoothed market; 20% corridor
Inflation:	2.75%
Salary increases:	7.85% to 3.25% including inflation
Investment rate of return:	7.50%
Retirement age:	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2000 mortality for combined healthy annuitants with blue-collar adjustment. Males rates are multiplied by 1.09 and female rates are multiplied by 1.03. Generational mortality improvements applied using Scale BB.

b) Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability for the plan years ended December 31, 2015 and 7.75% for 2014. This single discount rate was based on the expected rate of return on pension plan investment of 7.50%. Based on the stated assumptions and the projection of cash flows as of each plan year ending December 31, the pension plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate for the Plan assumed that the funding policy adopted by the RSP's Retirement Committee will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the closed period ending September 30, 2035, as a level percentage of payroll. Under this policy, there are 19 years remaining in the amortization period.

c) *Long-Term Rate of Return Assumption by Asset Class*

Asset Class	Long-Term Expected Arithmetic Real Rate of Return	Target Asset Allocation	Development of Long-Term Arithmetic Return for Investment Portfolio
U.S. Government Obligations	2.8%	18%	0.50%
Government Agency Obligations	2.8%	2%	0.06%
Corporate Bonds	1.6%	12%	0.19%
U.S. Large Cap Stocks	5.9%	44%	2.60%
U.S. Mid Cap Stocks	7.2%	10%	0.72%
U.S. Small Cap Stocks	7.2%	3%	0.22%
Foreign Equities	6.8%	8%	0.54%
Alternatives (REITS), MLP	6.3%	3%	0.19%
	Total Expected Arithmetic Real Return:		5.02%
	Inflation Assumption for Actuarial Valuation:		2.75%
	Total Expected Arithmetic Nominal Return:		7.77%

Note: The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns 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. Best estimates of arithmetic real rates of return for each major asset class included in the Retirement Plan's target asset allocation as of December 31, 2015 are summarized in the above table.

d) *Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

As of December 31, 2015, the Net Pension Liability (Asset) is $2,070,470. Below is a table providing the sensitivity of the Net Pension Liability (Asset) to changes in the discount rate. In particular, the table shows the Plan's Net Pension Liability (Asset) if it were calculated using a single discount rate that is one-percentage point lower or one-percentage point higher than the single discount rate:

	1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Plan Net Pension Liability (Asset)	$ 19,410,747	$ 2,070,470	$ (12,331,533)

Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2015 and 2014

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Fiscal year ending December 31,	2015	2014
Total Pension Liability		
Service Cost	$ 3,803,153	$ 3,674,544
Interest on the Total Pension Liability	8,412,933	7,802,936
Difference between Expected and Actual Experience	(1,059,691)	-
Assumption Changes	7,094,524	-
Benefit Payments	(3,822,305)	(3,518,902)
Net Change in Total Pension Liability	14,428,614	7,958,578
Total Pension Liability - Beginning	108,563,549	100,604,971
Total Pension Liability - Ending (a)	$ 122,992,163	$ 108,563,549
Plan Fiduciary Net Position		
Employer Contributions	$ 3,959,196	$ 4,037,995
Pension Plan Net Investment Income	2,076,698	8,012,049
Benefit Payments	(3,822,305)	(3,518,902)
Pension Plan Administrative Expense	(327,528)	(278,376)
Other	-	(22,051)
Net Change in Plan Fiduciary Net Position	1,886,061	8,230,715
Plan Fiduciary Net Position - Beginning	119,035,632	110,804,917
Plan Fiduciary Net Position - Ending (b)	$ 120,921,693	$ 119,035,632
Net Pension (Asset) Liability - Ending (a) - (b)	2,070,470	(10,472,083)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.32%	109.65%
Covered Employee Payroll	130,412,851	117,023,684
Net Pension Liability as a Percentage of Covered Employee Payroll	1.59%	(8.95)%

Note: GASB No. 67 required supplementary information is not available for years prior to 2014. Data for future years will be added prospectively.

Schedule of Investment Returns

	2015	2014
Annual money-weighted rate of return, net of investment expense	1.75%	7.22%

Note: GASB No. 67 required supplementary information is not available for years prior to 2014. Data for future years will be added prospectively.

See accompanying independent auditor's report.

Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2015 and 2014

Schedule of Contributions

Fiscal year ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Estimated Covered Payroll	Actual Contribution as % of Estimated Covered Payroll
2006	$ 2,796,062	$ 2,796,062	$ -	$ 97,020,196	2.88%
2007	3,499,976	3,499,976	-	109,334,429	3.20%
2008	3,450,535	3,450,535	-	109,334,429	3.16%
2009	3,455,242	3,455,242	-	110,025,108	3.14%
2010	3,499,659	3,499,659	-	110,025,108	3.18%
2011	3,495,377	3,495,377	-	108,860,210	3.21%
2012	3,555,733	3,555,733	-	108,860,210	3.27%
2013	3,805,272	3,805,272	-	117,023,684	3.25%
2014	4,037,995	4,037,995	-	117,023,684	3.45%
2015	3,959,196	3,959,196	-	130,412,851	3.04%

Note: The actuarially determined contributions are calculated as a rate of pay and applied to actual payroll.

The covered payroll is the expected payroll for the plan year based on the most recent actuarial valuation. The City contributes the actuarially determined contribution rate determined by the actuarial valuation. The contribution rate is effective for the biennium beginning with the fiscal year following the valuation date.

Notes to Schedule of Contributions

Actuarially determined contribution rates are calculated as of December 31 of odd numbered years. The actuarially determined contribution rate determined by the valuation is effective for the biennium period with the fiscal year following the valuation date.

See Note 4 for actuarial assumptions.

Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2015 and 2014

Notes to Required Supplementary Information

(1) Actuarial Assumptions and Methods

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

Valuation date	12/31/15
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 19 years
Payroll growth rate for amortization	3.25%
Remaining amortization period	19 years – Closed
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	7.85% to 3.25%
Includes inflation at	2.75%
Cost of living adjustments	2.70%

Employer's annual required contributions in a single year are based on the prior year-end actuarial study.

(2) Significant Factors Affecting Trends in Actuarial Information

The following actuarial assumptions were modified for the December 31, 2015 actuarial valuation:

- The price inflation assumption was decreased from 3.00% to 2.75%. This assumption is not directly used in the calculation of the actuarial accrued liability or the contribution rate, but does impact other economic assumptions.

- The investment return assumption was decreased from 7.75% to 7.50%.

- The assumed rate of individual salary increases was decreased by 0.25% to reflect the change in expected price inflation. There was no change to step-rate of increases that reflect anticipated merit, and promotional salary increases.

- The payroll growth rate assumption for amortizing the unfunded actuarial accrued liability was decreased from 3.50% to 3.25%.

- The assumed rate of future cost of living adjustments was decreased from 2.80% to 2.70%.

- The mortality assumption was updated to reflect the current mortality assumption that is used in the actuarial valuation of the Texas Municipal Retirement System, in which the City of Plano is a participating employer.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Retirement Security Plan Committee
City of Plano, Texas:

We have audited, in accordance with the 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, the basic financial statements of the Retirement Security Plan of the City of Plano, Texas (the Plan), which comprise the statements of plan fiduciary net position as of December 31, 2015 and 2014, and the related statements of changes in plan fiduciary net position for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Dallas, Texas
June 20, 2016