

Financial Statements and Independent Auditor's Report

Retirement Security Plan of the City of Plano, Texas

December 31, 2018 and 2017

**Retirement Security Plan
City of Plano, Texas
December 31, 2018 and 2017
Table of Contents**

Independent Auditor's Report.....	1
Management's Discussion and Analysis (Unaudited)	3
Plan Financial Statements	
Statements of Plan Fiduciary Net Position	8
Statements of Changes in Plan Fiduciary Net Position.....	9
Notes to the Financial Statements	10
Required Supplementary Information (Unaudited).....	23

Independent Auditor's Report

To the Retirement Security Plan Committee of the
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), a fiduciary fund of the City of Plano, which comprise the statements of plan fiduciary net position as of December 31, 2018 and 2017, and the related statements of changes in plan fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 financial position of the Plan as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Retirement Security Plan Committee
City of Plano, Texas

Emphasis of Matters

Fund Financial Statements

As discussed in Note 2, the financial statements present only the Plan, a fiduciary fund of the City of Plano (the City) and do not purport to, and do not present fairly the financial position of the City as of December 31, 2018 and 2017 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Changes in Net Pension Liability (Asset) and Related Ratios, Investment Returns, Contributions and Notes to Required Supplementary Information be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 financial statements, and other knowledge we obtained during our audit of the 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
June 5, 2019

**Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2018 and 2017**

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, 2018 and 2017. 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) established the RSP, a defined benefit pension plan, which provides specific benefits to participants at retirement or disability and to their beneficiaries in case of death.

FINANCIAL HIGHLIGHTS

- In 2018, net position of the Plan decreased by \$8.6 million. The decrease in net position is primarily driven by \$3.0 million in interest and dividends and \$5.4 million in City contributions, offset by a decrease of \$11.3 million in investment fair value and \$5.3 million in benefit payments. This is compared to an increase in net position of \$21.8 million in 2017.
- Total investment return declined in 2018 by \$30.1 million as returns decreased from income of 17.3% in 2017 to a loss of 5.5% in 2018, primarily due to unfavorable annual performance in the equity market.
- The RSP paid \$5.3 million in benefits during 2018, compared to \$4.8 million in 2017. Benefit payments increased primarily due to 67 additional retirees receiving annuities than in 2017.
- The RSP received \$5.4 million in City contributions during 2018 compared to \$5.2 million in 2017, due to the growth in payroll as well as an increase in active members.

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 Plan as of and for the year ended December 31, 2018, and comparative audited information as of and for the year ended December 31, 2017.

The Statements of Plan Fiduciary Net Position present the financial position of the Plan. The financial position is assets (primarily investments) less liabilities (advisory fees owed). The difference between assets and liabilities is fiduciary 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 present 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 activities. The primary deductions are to pay retirement benefits, which is the Plan's primary purpose. Deductions also include administrative expenses. The change in the Plan fiduciary net position during the year is added to or subtracted from the beginning balance of the Plan fiduciary net position to obtain the balance of Plan fiduciary net position at the end of the year.

**Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2018 and 2017**

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

Required Supplementary Information

Governmental Accounting Standards Board (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 Statements of Changes in Plan Fiduciary Net Position present financial information for the RSP, comparing 2018, 2017 and 2016 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, 2018 and 2017**

Condensed Statements of Plan Fiduciary Net Position

	<i>December 31</i>			<i>2018 - 2017 Change</i>		<i>2017 - 2016 Change</i>	
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>Amount</i>	<i>Percentage</i>	<i>Amount</i>	<i>Percentage</i>
Assets							
Cash and short-term investments	\$ 16,792,702	\$ 3,326,774	\$ 1,664,002	\$ 13,465,928	404.8%	\$ 1,662,772	99.9%
Investments, at fair value	122,914,424	144,940,758	124,749,001	(22,026,334)	(15.2%)	20,191,757	16.2%
Receivables	299,569	314,028	341,476	(14,459)	(4.6%)	(27,448)	(8.0%)
Total Assets	140,006,695	148,581,560	126,754,479	(8,574,865)	(5.8%)	21,827,081	17.2%
Liabilities							
Accrued advisory fees	74,528	65,253	56,117	9,275	14.2%	9,136	16.3%
Net position restricted for pensions	\$ 139,932,167	\$ 148,516,307	\$ 126,698,362	\$ (8,584,140)	(5.8%)	\$ 21,817,945	17.2%

Condensed Statements of Changes in Plan Fiduciary Net Position

	<i>December 31</i>			<i>2018 - 2017 Change</i>		<i>2017 - 2016 Change</i>	
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>Amount</i>	<i>Percentage</i>	<i>Amount</i>	<i>Percentage</i>
Additions							
Employer contributions	\$ 5,406,257	\$ 5,159,461	\$ 4,133,463	\$ 246,796	4.8%	\$ 1,025,998	24.8%
Net investment income (loss)	(8,633,093)	21,478,230	5,998,948	(30,111,323)	(140.2%)	15,479,282	258.0%
Total Additions	(3,226,836)	26,637,691	10,132,411	(29,864,527)	(112.1%)	16,505,280	162.9%
Deductions							
Benefits	5,275,730	4,760,146	4,297,533	515,584	10.8%	462,613	10.8%
Administrative expenses	49,663	59,600	56,897	(9,937)	(16.7%)	2,703	4.8%
Miscellaneous expenses	31,911	-	1,312	31,911	0.0%	(1,312)	(100.0%)
Total Deductions	5,357,304	4,819,746	4,355,742	537,558	11.2%	464,004	10.7%
Net increase (decrease) in net position	\$ (8,584,140)	\$ 21,817,945	\$ 5,776,669	\$ (30,402,085)	(139.3%)	\$ 16,041,276	277.7%

2018 Compared to 2017

- The RSP's fiduciary net position decreased \$8.6 million during 2018 versus an approximate \$21.8 million increase during 2017. The decrease in net position for calendar year 2018 is primarily driven by \$3.0 million in interest and dividends and \$5.4 million in City contributions, offset by a decrease of \$11.3 million in investment fair value and \$5.3 million of benefit payments. The Plan's overall portfolio recorded a loss of 5.8% in 2018 due to unfavorable annual performance in the equity markets. The overall total investment loss in 2018 was \$8.6 million. This is compared to an overall total investment return of \$21.5 million in 2017.

**Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2018 and 2017**

- In 2018, the overall rate of return on the RSP's investment activity was a loss of 5.5%. In 2017, that rate of return was 17.3%. In 2018, the RSP investments, including short-term investments, by asset classification, performed as follows:

Investment Type	Benchmark	Return		Balance at	Allocation
		Percentage	Amount	12/31/18	
Cash and short-term investments	1.88%	1.92%	\$ 72,600	\$ 16,792,702	12.02%
U.S. Government obligations	0.01%	1.07%	359,818	23,014,810	16.47%
Corporate bonds	0.01%	1.07%	94,246	16,533,225	11.84%
Common stocks	(5.24%)	(7.53%)	(6,772,775)	68,599,034	49.10%
Foreign equities	(13.78%)	(13.69%)	(1,045,877)	13,583,725	9.72%
Mutual funds			(816,010)	-	-
Master limited partnerships	(12.42%)	(11.70%)	(168,641)	1,183,630	0.85%
Overall or Totals	(3.77%)	(5.51%)	\$ (8,276,639)	\$ 139,707,126	100.00%

- The RSP paid \$5.3 million in retirement benefits to 879 members as of December 31, 2018 compared to \$4.8 million paid to 812 members as of December 31, 2017. On average, this amounts to payments of \$6,002 per person in 2018 versus \$5,862 per person in 2017.
- The RSP received \$5.4 million in City contributions in 2018 compared to \$5.2 million in 2017. The City's contribution rates for two years are based on the biennial actuarial study, and the increase is attributable to increased payroll.
- Contributions exceeded benefit payments in 2018 by \$130,527.
- The cost of administering the Plan in 2018 for the 3,189 members was \$422,871, an average cost of \$133 per person, compared to an average cost of \$118 per person in 2017. This cost includes \$6,444 in trustee fees, \$373,208 in advisory fees, \$1,742 in legal fees, \$28,977 in actuary fees and \$12,500 in audit fees.

2017 Compared to 2016

- The RSP's fiduciary net position increased \$21.8 million during 2017 versus an approximate \$5.8 million increase during 2016. The increase in net position for calendar year 2017 is driven by \$2.7 million in interest and dividends, \$5.2 million in City contributions and a \$19.1 million increase in investment fair value, offset by \$4.8 million of benefit payments. The Plan's overall portfolio gained 17.2% in 2017 driven by the strong domestic equity performance. The overall total investment return in 2017 was \$21.5 million. This is compared to an overall total investment return of \$6.0 million in 2016.

**Retirement Security Plan
City of Plano, Texas
Management's Discussion and Analysis (Unaudited)
December 31, 2018 and 2017**

- In 2017, the overall rate of return on the RSP's investment activity was 17.3%. In 2016, that rate of return was 5.4%. In 2017, the RSP investments, including short-term investments, by asset classification, performed as follows:

Investment Type	<i>Benchmark</i>	<i>Return</i>		<i>Balance at 12/31/17</i>	<i>Allocation</i>
		<i>Percentage</i>	<i>Amount</i>		
Cash and short-term investments	0.84%	0.79%	\$ 19,490	\$ 3,326,774	2.24%
U.S. Government obligations	2.14%	1.97%	354,565	24,426,926	16.47%
Corporate bonds	2.14%	1.97%	458,696	16,411,846	11.07%
Common stocks	21.83%	25.67%	18,958,682	88,735,268	59.85%
Foreign equities	27.19%	29.08%	2,031,828	10,075,560	6.80%
Mutual funds			848,725	3,842,903	2.59%
Master limited partnerships	(8.81%)	(9.34%)	(1,079,308)	1,448,255	0.98%
Real estate investment trusts	-	-	171,815	-	-
Overall or Totals	14.54%	17.28%	<u>\$ 21,764,493</u>	<u>\$ 148,267,532</u>	<u>100.00%</u>

- The RSP paid \$4.8 million in retirement benefits to 812 members as of December 31, 2017 compared to \$4.3 million paid to 766 members as of December 31, 2016. On average, this amounts to payments of \$5,862 per person in 2017 versus \$5,610 per person in 2016.
- The RSP received \$5.2 million in City contributions in 2017 compared to \$4.1 million in 2016. The City's contribution rates for two years are based on the biennial actuarial study, and the increase is attributable to increased payroll and an increase in the required contribution rate.
- Contributions exceeded benefit payments in 2017 by \$399,315.
- The cost of administering the Plan in 2017 for the 3,089 members was \$363,144, an average cost of \$118 per person, compared to an average cost of \$114 per person in 2016. This cost includes \$6,363 in trustee fees, \$303,544 in advisory fees, \$2,864 in legal fees, \$29,373 in actuary fees and \$21,000 in audit fees.

**Retirement Security Plan
City of Plano, Texas
Statements of Plan Fiduciary Net Position
As of December 31, 2018 and 2017**

	2018	2017
Assets		
Cash and short-term investments	\$ 16,792,702	\$ 3,326,774
Investments, at fair value:		
U.S. Government obligations	23,014,810	24,426,926
Corporate bonds	16,533,225	16,411,846
Common stocks	68,599,034	88,735,268
Foreign equities	13,583,725	10,075,560
Mutual funds	-	3,842,903
Master limited partnerships	1,183,630	1,448,255
Total investments	122,914,424	144,940,758
Receivables		
Accrued interest and dividends	299,569	314,028
Total Assets	140,006,695	148,581,560
Liabilities		
Accrued advisory fees	74,528	65,253
Plan fiduciary net position restricted for pensions	\$ 139,932,167	\$ 148,516,307

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
For the years ended December 31, 2018 and 2017**

	2018	2017
Additions		
Employer contributions	\$ 5,406,257	\$ 5,159,461
Investment return:		
Net increase (decrease) in fair value of investments	(11,262,181)	19,077,506
Interest	991,408	982,564
Dividends	1,994,134	1,704,423
Miscellaneous	16,754	17,281
Less investment expenses	(373,208)	(303,544)
Net investment income (loss)	(8,633,093)	21,478,230
Total Additions	(3,226,836)	26,637,691
 Deductions		
Benefits	5,275,730	4,760,146
Administrative expenses	49,663	59,600
Miscellaneous expenses	31,911	-
Total Deductions	5,357,304	4,819,746
Net increase (decrease) in net position	(8,584,140)	21,817,945
 Plan fiduciary net position restricted for pensions		
Beginning of year	148,516,307	126,698,362
End of year	\$ 139,932,167	\$ 148,516,307

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

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

(1) Plan Description

The Plan was established on January 1, 1983 pursuant to the City's 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 participants at retirement or disability retirement, and to their beneficiaries in case of death. As of December 31, 2018, there were 3,189 members, consisting of 2,246 active members of whom 1,424 were vested and 822 were non-vested, 64 terminated members entitled to benefits but not yet receiving them and 879 retirees and beneficiaries receiving benefits.

The RSP was created by City ordinance and is administered by a committee of five or more, not to exceed seven, (the Committee) which meets a minimum of four times a year. The Committee is appointed by the City Council, based on recommendations from the City Manager, and must include two members that meet the same eligibility requirements as appointees to City boards and commissions as described in section 4.07 of the City Charter. The Committee oversees the RSP and sets policies for operations, including appointing investment managers and directing investment decisions. The RSP employs the services of professional investment managers, an investment consultant and a custodial bank to retain the assets and administer benefit payments.

(a) Membership

As of December 31, 2018:

Active members:	
Vested	1,424
Non-vested	822
Total active members	2,246
Terminated members entitled to benefits, but not yet receiving them	64
Retirees and beneficiaries currently receiving benefits	879
Total members	3,189

As of December 31, 2017:

Active members:	
Vested	1,358
Non-vested	850
Total active members	2,208
Terminated members entitled to benefits, but not yet receiving them	69
Retirees and beneficiaries currently receiving benefits	812
Total members	3,089

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

(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 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 Texas Municipal Retirement System credited service or upon attaining age 60 with 5 years of service 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 annuity options or a lump sum payment as noted below.

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

- $.007 \times$ City credited service (not to exceed 25 years) \times average compensation (highest 3 years of last 10).

Early retirement benefits paid are calculated as follows:

- $.007 \times$ City credited service since January 1, 1983 (not to exceed 25 years) \times average compensation (highest 3 years of last 10) \times 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, 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 participants. Lump sum payments shall be the actuarial equivalent of benefits otherwise payable following 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 - \$25,000, the participant has a choice of single lump sum payment or monthly annuity payments.
- When the lump sum value exceeds \$25,000, the participant must receive monthly annuity payments.

Joint and survivor options are available. Additionally, benefits are available for members who become totally and permanently disabled.

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%), as determined by the Plan's actuary. This cost of living adjustment is applied to only the participant's benefits; spouses or beneficiaries are excluded.

A participant shall be eligible for a deferred vested pension if the participant'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 participant's normal retirement date if the participant is then living. If the participant has completed five (5) years of credited

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

service and requests the commencement of the participant's deferred vested pension as of the first day of the month coinciding with or next following his/her sixtieth (60) birthday, the participant'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.

(c) Contributions

Contributions by the City are established as a part of the budget process based upon the actuarially determined contribution, which is calculated as a percentage of payroll. Actuarial valuations are performed on a biennial basis and the actuarially determined contribution rate is applicable to the biennium that begins one year after the valuation date. The actuarially determined contribution rate effective for the years ending December 31, 2017 and 2018, as determined by the actuarial valuation as of December 31, 2015, was 3.62% of annual pay. The last actuarial valuation was performed on December 31, 2017, which set the new actuarially determined contribution rate as 3.22% of annual pay applicable to the years beginning January 1, 2019 and 2020. Participant contributions are not allowed by the Plan. Although the future actuarially determined contribution rate set by the actuarial valuation is 3.22%, the RSP committee voted to continue to fund the Plan at 3.62%.

(d) Tax Status

The Internal Revenue Service has determined and informed the City by a letter dated December 20, 2016, 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 States of America (US GAAP) 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, 2018, 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. Currently there are 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 2014.

(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 non-forfeitable.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

(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. City 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 US GAAP requires management to make estimates and assumptions that affect the reported amounts of investments, net pension liability and the 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 follows, which are valued using matrix pricing for U.S. Government Obligations and Corporate Bonds and quoted market prices for Equities:

- 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. 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 regularly to ensure it remains relevant and effective within prevailing economic conditions and other conditions affecting the RSP, taking 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 investment objective for the Plan is to achieve an average annual rate of return equal to or greater than the rate of return of the weighted average of market indices for the approved target asset allocation over an evaluation period of three (3) to five (5) years, or a full market cycle. The Committee does not expect the investment objective to change frequently. Short-term changes in the financial markets generally will not require an adjustment in the investment objectives.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

The Plan's policy in regards to the allocation of assets is established and may be amended by a majority of the Committee. Taking into consideration the long-term performance and risk characteristics of various asset classes, the Committee has approved a strategic, long-term asset allocation for the investment of Plan assets. Based on the RSP's investment horizon, risk tolerances and performance expectations, the investments should be maintained within the acceptable allocation ranges, expressed as a percentage of total assets of the Plan.

The Plan's investment allocation may deviate from the stated ranges if such deviation is consistent with the duty of prudence under the Investment Policy Statement and applicable law, and if written notice of such deviation is promptly documented by the Committee.

The Investment Policy Statement was revised in 2018 to reflect the Committee's decision to adopt and retain discretion over a long-term strategic asset allocation. The decision aligns the Committee's investment objective, stated in the policy, with principles of prudent diversification. Consistent with this decision, the strategic asset allocation approved by the Committee is outlined in the appendix of the Investment Policy Statement. In collaboration with the Committee's investment consultant, the Plan's asset allocation is reviewed at regular intervals to reaffirm the allocation aligns with the long-term goals of the Plan.

Investment diversification is important to minimize the risk of large losses to the RSP. It shall be the responsibility of the Committee to establish and maintain a diversified portfolio and acceptable balance between various asset classes and other appropriate measures of diversification, including country and region allocations for international investments. The Plan's current long-term strategic asset allocation, and acceptable ranges, for the year ended December 31, 2018 is shown in the following table.

<u>Asset Class</u>	<u>Minimum Allocation</u>	<u>Target Allocation</u>	<u>Maximum Allocation</u>
Domestic equity	42%	50%	58%
International equity	10%	15%	20%
Fixed income	20%	25%	30%
Core real estate	7%	10%	13%
Cash equivalents	-	-	5%

The investments in the Plan shall be governed by the Investment Policy Statement as well as each investment's respective prospectus or fund offering document(s).

During 2018, the Plan entered into an agreement with AEW Capital Management, L.P. to invest in the AEW Corp Property Trust (U.S.). In January 2019, the Plan funded their full commitment of \$15 million.

In 2017, prior to revising the Investment Policy Statement, the Investment Manager maintained investments within 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 Investment 0-5%. Domestic equity investments were further maintained within the following market capitalization guidelines: Total Large Cap 62-92%, Total Medium Cap 7-27%, and Total Small Cap 1-11%. Emerging market equities could be up to 50% of International stocks, not to exceed 5% of total plan assets.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

The Committee has a written Investment Policy Statement 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. The Investment Policy Statement addresses 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 Plan contracts with a financial institution to hold the RSP's trust funds in custody for the Plan.

(c) Cash and Short-Term Investments

The carrying amount of the Plan's cash and short-term investments at December 31, 2018, in the Statements of Plan Fiduciary Net Position is \$16.8 million compared to \$3.3 million at December 31, 2017, consisting of money market mutual funds.

(d) Deposit and Investment Risk

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

Credit Risk. The Plan's fixed income investments are rated by Standard and Poor's as follows:

As of December 31, 2018:

<u>Rating</u>	RSP Distribution by S&P Rating	
	<u>Number</u>	<u>Market Value</u>
AAA	1	\$ 963,140
AA+	18	23,014,810
AA	1	971,360
AA-	2	1,772,620
A+	3	2,431,486
A	4	3,269,160
A-	5	4,005,135
BBB+	2	1,687,438
BBB	1	818,264
BBB-	1	614,622
Total		<u>\$ 39,548,035</u>

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

As of December 31, 2017:

Rating	RSP Distribution by S&P Rating	
	Number	Market Value
AA+	21	\$ 24,426,926
AA	1	996,040
AA-	1	992,800
A+	3	2,441,864
A	8	6,678,903
A-	2	1,255,152
BBB+	2	1,766,707
BBB	1	841,128
BBB-	2	1,439,252
Total		\$ 40,838,772

Concentration of Credit Risk. The Investment Policy Statement limits the amount that may be invested in various investment categories and requires reasonable diversification in equity portfolios. As of December 31, 2018, there are no individual investments that represent five or more percent of the Plan's total investment portfolio value.

Foreign Currency Risk. The Investment Policy Statement limits the amount that may be invested in international equities to 20% of total assets.

Rate of Return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was a loss of 5.8% in 2018 compared to a gain of 17.2% in 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

The following tables categorize the Plan's investments at December 31, 2018 and 2017, by type of investment to give an indication of the level of interest rate risk. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs (at the end of 2018 and 2017, the City does not value any of its investments using Level 3 inputs).

Investment Type	Fair Value	Quoted Prices in		Weighted Average Maturity (Years)
	12/31/18	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
U.S. Government obligations	\$ 23,014,810	\$ -	\$ 23,014,810	4.54
Corporate bonds	16,533,225	-	16,533,225	3.86
Total	39,548,035	-	39,548,035	4.24
Common stocks	68,599,034	68,599,034	-	n/a
Foreign equities	13,583,725	13,583,725	-	n/a
Money market mutual funds ⁽¹⁾	16,792,702	16,792,702	-	n/a
Master limited partnerships	1,183,630	1,183,630	-	n/a
Total	100,159,091	100,159,091	-	
Total Investments	\$ 139,707,126	\$ 100,159,091	\$ 39,548,035	

⁽¹⁾ This \$16.8 million is reported with cash and short-term investments in the Statements of Plan Fiduciary Net Position.

Investment Type	Fair Value	Quoted Prices in		Weighted Average Maturity (Years)
	12/31/17	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
U.S. Government obligations	\$ 24,426,926	\$ -	\$ 24,426,926	4.06
Corporate bonds	16,411,846	-	16,411,846	4.29
Total	40,838,772	-	40,838,772	4.15
Common stocks	88,735,268	88,735,268	-	n/a
Foreign equities	10,075,560	10,075,560	-	n/a
Money market mutual funds ⁽¹⁾	7,169,677	7,169,677	-	n/a
Master limited partnerships	1,448,255	1,448,255	-	n/a
Total	107,428,760	107,428,760	-	
Total Investments	\$ 148,267,532	\$ 107,428,760	\$ 40,838,772	

⁽¹⁾ Of this total, \$3.3 million is reported with cash and short-term investments in the Statements of Plan Fiduciary Net Position.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

(e) Equities and Long-Term Fixed Income Securities

The RSP invests in both domestic and international equities and long-term fixed income securities 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, 2018 and 2017, and the income for each type for the years then ended:

	<i>Fair Value</i> ⁽¹⁾ <i>12/31/2018</i>	<i>Appreciation</i> <i>(Depreciation)</i>	<i>Dividend</i> <i>or Interest</i> <i>Income</i> ⁽¹⁾	<i>Total</i> <i>Return</i>
Equities				
Domestic ⁽²⁾	\$ 69,782,664	\$ (9,267,999)	\$ 1,510,573	\$ (7,757,426)
International	13,583,725	(1,442,591)	396,714	(1,045,877)
Total Equities	<u>83,366,389</u>	<u>(10,710,590)</u>	<u>1,907,287</u>	<u>(8,803,303)</u>
Fixed Income				
U.S. Government	23,014,810	(168,278)	528,096	359,818
Domestic	16,533,225	(383,313)	477,559	94,246
Total Fixed Income	<u>39,548,035</u>	<u>(551,591)</u>	<u>1,005,655</u>	<u>454,064</u>
Total	<u>\$ 122,914,424</u>	<u>\$ (11,262,181)</u>	<u>\$ 2,912,942</u>	<u>\$ (8,349,239)</u>

⁽¹⁾ Short-term investment fair value of \$16,792,702 and interest income of \$72,600 are not included in this investment schedule.

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

	<i>Fair Value</i> ⁽¹⁾ <i>12/31/2017</i>	<i>Appreciation</i> <i>(Depreciation)</i>	<i>Dividend</i> <i>or Interest</i> <i>Income</i> ⁽¹⁾	<i>Total</i> <i>Return</i>
Equities				
Domestic ⁽²⁾	\$ 94,026,426	\$ 17,481,435	\$ 1,418,478	\$ 18,899,914
International	10,075,560	1,781,468	250,360	2,031,828
Total Equities	<u>104,101,986</u>	<u>19,262,903</u>	<u>1,668,838</u>	<u>20,931,742</u>
Fixed Income				
U.S. Government	24,426,926	(152,446)	507,011	354,565
Domestic	16,411,846	(32,952)	491,648	458,696
Total Fixed Income	<u>40,838,772</u>	<u>(185,398)</u>	<u>998,659</u>	<u>813,261</u>
Total	<u>\$ 144,940,758</u>	<u>\$ 19,077,505</u>	<u>\$ 2,667,498</u>	<u>\$ 21,745,003</u>

⁽¹⁾ Short-term investment fair value of \$3,326,774 and interest income of \$19,490 are not included in this investment schedule.

⁽²⁾ Master limited partnerships and mutual funds fair value and interest income are included in domestic equities as the investments are traded on public exchanges.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

(4) Net Pension (Asset)/Liability

The components of the Net Pension (Asset)/Liability at December 31, 2018 and 2017 are as follows:

	2018	2017
Total pension liability	\$ 152,120,133	\$ 142,908,846
Less: Plan fiduciary net position	139,932,167	148,516,307
Net Pension (Asset)/Liability	\$ 12,187,966	\$ (5,607,461)
 Plan fiduciary net position as a percentage of the total pension liability	91.99%	103.92%

Additional information regarding changes in the net pension asset for the year ended December 31, 2018 can be found in the Required Supplementary Information section beginning on page 23.

a) Actuarial Assumptions

The total pension liability was determined by a biennial actuarial valuation as of December 31, 2017.

As of December 31, 2018:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, Closed
Remaining amortization period:	16 years as of the measurement date
Asset valuation method:	5-Year smoothed market; 20% corridor
Inflation:	2.50%
Salary increases:	8.00% to 2.75%, including inflation
Investment rate of return:	7.00%
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. Male's rates are multiplied by 1.09 and female rates are multiplied by 1.03. Generational mortality improvements applied using scale BB.

As of December 31, 2017:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, Closed
Remaining amortization period:	17 years as of the measurement date
Asset valuation method:	5-Year smoothed market; 20% corridor
Inflation:	2.50%
Salary increases:	8.00% to 2.75%, including inflation
Investment rate of return:	7.00%
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. Male's rates are multiplied by 1.09 and female rates are multiplied by 1.03. Generational mortality improvements applied using scale BB.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

b) Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability for the plan years ended December 31, 2018 and 2017. This single discount rate was based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each plan year ending December 31, the 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 Committee will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability as a level percentage of payroll over the closed period ending September 30, 2035. Under this policy, there are 16 years remaining in the amortization period.

c) Long-Term Rate of Return Assumption by Asset Classification

As of December 31, 2018:

<u>Asset Classification</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Target Asset Allocation</u>	<u>Development of Long-Term Arithmetic Return for Investment Portfolio</u>
U.S. Government Obligations	0.64%	14%	0.09%
Government Agency Obligations	1.17%	1%	0.01%
Corporate Bonds	2.26%	10%	0.23%
U.S. Large Cap Stocks	6.08%	30%	1.82%
U.S. Mid Cap Stocks	6.89%	15%	1.03%
U.S. Small Cap Stocks	6.89%	5%	0.34%
Foreign Equities	6.89%	15%	1.03%
Alternatives (REITS)	4.50%	10%	0.45%
	Total Expected Arithmetic Real Return:		5.00%
	Inflation Assumption for Actuarial Valuation:		2.50%
	Total Expected Arithmetic Nominal Return:		<u>7.50%</u>

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

As of December 31, 2017:

<u>Asset Classification</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Target Asset Allocation</u>	<u>Development of Long-Term Arithmetic Return for Investment Portfolio</u>
U.S. Government Obligations	1.8%	18%	0.32%
Government Agency Obligations	1.8%	2%	0.04%
Corporate Bonds	3.1%	12%	0.37%
U.S. Large Cap Stocks	5.5%	44%	2.42%
U.S. Mid Cap Stocks	7.1%	10%	0.71%
U.S. Small Cap Stocks	7.1%	3%	0.21%
Foreign Equities	6.6%	8%	0.53%
Alternatives (REITS)	5.6%	3%	0.17%
			<hr/>
		Total Expected Arithmetic Real Return:	4.77%
		Inflation Assumption for Actuarial Valuation:	2.50%
			<hr/>
		Total Expected Arithmetic Nominal Return:	<u>7.27%</u>

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 classification. 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 classification included in the Plan's target asset allocation as of December 31, 2018 and 2017 are summarized in the preceding tables.

**Retirement Security Plan
City of Plano, Texas
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017**

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

As of December 31, 2018 and 2017, the Net Pension (Asset)/Liability is \$12,187,966 and (\$5,607,461), respectively. Below is a table providing the sensitivity of the Net Pension (Asset)/Liability to changes in the discount rate. In particular, the table shows the Plan's Net Pension (Asset)/Liability 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:

As of December 31, 2018:

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Plan Net Pension (Asset)/Liability	\$ 34,704,368	\$ 12,187,966	\$ (6,248,373)

As of December 31, 2017:

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Plan Net Pension (Asset)/Liability	\$ 15,731,003	\$ (5,607,461)	\$ (23,077,430)

(5) Reclassification

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on changes in net position restricted for pensions.

**Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2018 and 2017**

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

Year ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 4,510,192	\$ 5,073,946	\$ 4,716,387	\$ 3,803,153	\$ 3,674,544
Interest on the Total Pension Liability	9,976,825	9,960,603	9,240,119	8,412,933	7,802,936
Difference between expected and actual experience	-	(3,005,892)	-	(1,059,691)	-
Assumption changes	-	2,989,199	-	7,094,524	-
Benefit payments	(5,275,730)	(4,760,146)	(4,297,533)	(3,822,305)	(3,518,902)
Net Change in Total Pension Liability	9,211,287	10,257,710	9,658,973	14,428,614	7,958,578
Total Pension Liability - Beginning	142,908,846	132,651,136	122,992,163	108,563,549	100,604,971
Total Pension Liability - Ending (a)	<u>\$ 152,120,133</u>	<u>\$ 142,908,846</u>	<u>\$ 132,651,136</u>	<u>\$ 122,992,163</u>	<u>\$ 108,563,549</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 5,406,257	\$ 5,159,461	\$ 4,133,463	\$ 3,959,196	\$ 4,037,995
Pension plan net investment income (loss)	(8,633,093)	21,781,774	6,276,782	2,076,698	8,012,049
Benefit payments	(5,275,730)	(4,760,146)	(4,297,533)	(3,822,305)	(3,518,902)
Pension plan administrative expenses	(81,574)	(363,144)	(336,043)	(327,528)	(278,376)
Other	-	-	-	-	(22,051)
Net Change in Plan Fiduciary Net Position	(8,584,140)	21,817,945	5,776,669	1,886,061	8,230,715
Plan Fiduciary Net Position - Beginning	148,516,307	126,698,362	120,921,693	119,035,632	110,804,917
Plan Fiduciary Net Position - Ending (b)	<u>\$ 139,932,167</u>	<u>\$ 148,516,307</u>	<u>\$ 126,698,362</u>	<u>\$ 120,921,693</u>	<u>\$ 119,035,632</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	\$ 12,187,966	\$ (5,607,461)	\$ 5,952,774	\$ 2,070,470	\$ (10,472,083)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.99%	103.92%	95.51%	98.32%	109.65%
Covered Payroll	\$ 149,344,120	\$ 142,526,560	\$ 132,482,794	\$ 130,412,851	\$ 117,023,684
Net Pension Liability as a Percentage of Covered Payroll	8.16%	(3.93%)	4.49%	1.59%	(8.95%)

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

**Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2018 and 2017**

Schedule of Investment Returns (Losses)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return (loss), net of investment expense	(5.81%)	17.19%	5.20%	1.75%	7.22%

Schedule of Contributions

<u>Fiscal year ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Estimated Covered Payroll</u>	<u>Actual Contribution as % of Estimated Covered Payroll</u>
2014	\$ 4,037,995	\$ 4,037,995	\$ -	\$ 117,023,684	3.45%
2015	3,959,196	3,959,196	-	130,412,851	3.04%
2016	4,133,463	4,133,463	-	132,482,794	3.12%
2017	5,159,461	5,159,461	-	142,526,560	3.62%
2018	5,406,257	5,406,257	-	149,344,120	3.62%

Prior to 2015, the covered payroll was the expected payroll for the plan year based on the most recent actuarial valuation. After 2015, the covered payroll is determined by dividing the actual employer contributions by the effective contribution rate. 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 starting one year after the valuation date.

Notes to Schedule of Contributions

Actuarially determined contribution rates are calculated as of December 31 of odd numbered years. Actuarial valuations are performed on a biennial basis and the actuarially determined contribution rate is applicable to the biennium that begins one year after the valuation date. The actuarially determined contribution rate effective for the years ending December 31, 2017 and 2018, as determined by the actuarial valuation as of December 31, 2015, was 3.62%.

See Note 4 for actuarial assumptions.

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

**Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2018 and 2017**

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. The assumptions below are rolled forward based upon the latest actuarial valuation.

Valuation date:	December 31, 2017
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent of Payroll
Payroll growth rate for amortization:	2.75%
Remaining amortization period:	16 years – closed
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	8.00% to 2.75%, including inflation
Inflation	2.50%
Cost of living adjustments (COLA)	2.50%*

*Actual COLA of 2.13% effective April 1, 2018, 2.50% for all future years.

City's actuarially determined contributions in a single year are based on the most recent biennial actuarial study, unless the Committee has taken action to fund at a higher level.

**Retirement Security Plan
City of Plano, Texas
Required Supplementary Information (Unaudited)
December 31, 2018 and 2017**

(2) Significant Factors Affecting Trends in Actuarial Information

The following actuarial assumptions were modified for the December 31, 2017 actuarial valuation:

- The price inflation assumption was decreased from 2.75% to 2.50%. 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 7.50% to 7.00%.
- There were minor decreases in the step/promotional rates in the individual salary increase assumption for most participants. A productivity component above the 2.50% inflation assumption of 0.25% was added for all participants.
- The payroll growth rate assumption for amortizing the unfunded actuarial accrued liability was decreased from 3.25% to 2.75%.
- The assumed rate of future cost of living adjustments was decreased from 2.70% to 2.50%.
- An explicit load of 0.25% of payroll was added to the normal cost to account for administrative and miscellaneous expenses, and thus the assumed investment return is net of investment expenses only.
- The assumption for termination of employment was changed from being service-based to age-based. The overall impact of this change results in an increase in the expected number of participants who will leave employment prior to attaining retirement age.
- There were small adjustments in the overall retirement assumption used to model the pattern for Plan participants to retire and commence their RSP benefit.
- There was a decrease in the probabilities that participants will become disabled and commence a disability retirement benefit.