



HUMAN RESOURCES DEPARTMENT
FORT BEND COUNTY, TEXAS

Kent M. Edwards, PHR
Director of Human Resources

Interoffice Memorandum

Date: August 19, 2019

To: County Judge K.P. George
Commissioners Morales, Prestage, Meyers, DeMerchant

From: Kent Edwards

cc: Pamela Gubbels, Ed Sturdivant, Beatrice Galan, Lorraine Niemeyer

Subject: HR Agenda Item for the August 27, 2019 Commissioners' Court –
TCDRS Plan Authorization for 2020 Plan Year

Human Resources Agenda Item – **TCDRS Plan Authorization for 2020 Plan Year**

“Take all appropriate action to authorize the County Judge to execute Fort Bend County’s Texas County & District Retirement System (TCDRS) Plan Authorization for the Plan Year 2020 and consider action on the following items: changes in the plan provisions for non-retirees; Cost of Living Adjustment (COLA) for retirees; and payment of a rate greater than the TCDRS required rate.”

Each year, the Court must take the following actions for the upcoming TCDRS Plan Year:

1. decide whether to make any changes in the County’s TCDRS Plan provisions for non-retirees, and
2. decide whether to adopt a cost-of-living adjustment (COLA) with respect to benefit payments being paid to retirees or their beneficiaries, and
3. decide whether to elect to pay a rate greater than the total required rate as reported by TCDRS, and
4. authorize the County Judge to execute the Plan Authorization Form which formally communicates those decisions to TCDRS.

Attached is a copy of the Retirement Plan Assessment for Plan Year 2020 which contains all the details of our Plan’s benefits and our projected costs for next year. The document also includes information on why our employer contribution rate may have changed. In addition, you are being furnished information about the various retiree COLA options under TCDRS and their respective costs.

Regarding the above items, **it is the recommendation of Human Resources that for the 2020 plan year, Commissioners’ Court:**

1. **makes no changes in the plan provisions for non-retirees, and**
2. **adopts no cost-of-living adjustment (COLA) to be paid to retirees or their beneficiaries, and**
3. **elects to pay the total required employer contribution rate of 12.49 %, and**
4. **authorizes the County Judge to execute the Plan Authorization Form to formally communicate these decisions to TCDRS.**

Should you have any questions, please do not hesitate to contact me 281-341-8631.



Plan Assessment for Plan Year 2020
Fort Bend County – 178
Participation Date – 1/1/1972

It's that time of year again — time to look at your TCDRS retirement plan and decide whether or not your benefits are adequate and affordable. This plan assessment will give you an overview of the benefits you provide as well as how much it will cost to provide these benefits in the upcoming plan year.

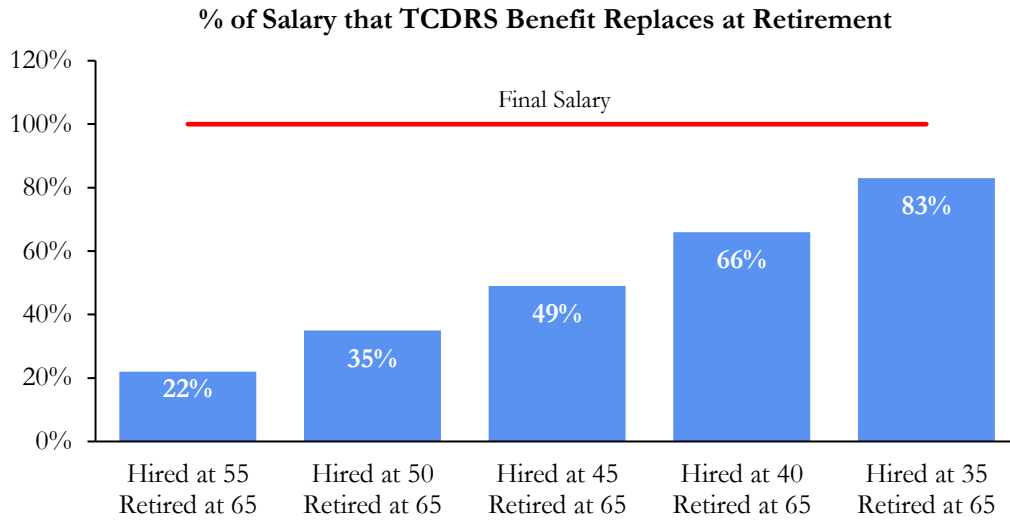
	2020 Plan
Basic Plan Options	
Employee Deposit Rate	7%
Employer Matching	200%
Prior Service Credit	165%
Retirement Eligibility	
Age 60 (Vesting)	8 years of service
Rule of	75 years total age + service
At Any Age	30 years of service
Optional Benefits	
Partial Lump Sum	No
Group Term Life	None
Retirement Plan Funding	
Normal Cost Rate	6.74%
UAAL/(OAAL) Rate	<u>5.75%</u>
Required Rate	12.49%
Elected Rate	N/A
Total Contribution Rate	
Retirement Plan Rate	12.49%
(greater of required and elected rate)	
Group Term Life Rate	<u>N/A</u>
Total Contribution Rate	12.49%
Valuation Results (Dec. 31, 2018)	
Actuarial Accrued Liability	\$707,831,816
Actuarial Value of Assets	<u>\$615,131,128</u>
Unfunded/(Overfunded) AAL	\$92,700,688
Funded Ratio	86.9%

Notes:

- Buyback adopted in 2000
- Last COLA adopted for 2014

What You Are Providing

The TCDRS benefit is based on employee deposits, which earn 7% compound interest each year, and employer matching at retirement. The following chart shows the estimated TCDRS benefit as a percentage of final salary prior to retirement for a new hire:

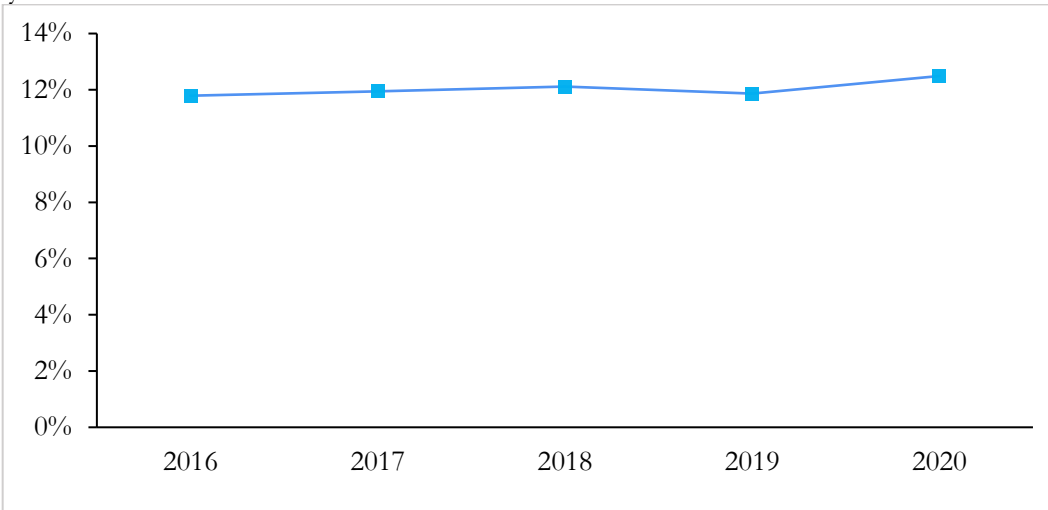


Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through employee's retirement.
- Current laws governing TCDRS will continue as they are.
- Graded salary scales give bigger raises early in careers, with smaller raises later in careers (see Summary Valuation Report at www.tcdrs.org/employer).
- Based on Single Life benefit.

Reasons for Rate Change

Below is a record of your required rate history for your retirement plan over the last five years.



Reasons for Rate Change	2016-2017	2017-2018	2018-2019	2019-2020
Beginning Rate	11.79%	11.95%	12.12%	11.86%
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	0.43%	0.46%	0.01%	0.57%
Elected Rate/Lump Sum	0.00%	0.00%	0.00%	0.00%
Demographic/Other Changes	-0.22%	-0.29%	-0.21%	0.06%
Assumptions/Methods	<u>-0.05%</u>	<u>0.00%</u>	<u>-0.06%</u>	<u>0.00%</u>
Ending Rate	11.95%	12.12%	11.86%	12.49%
Valuation Year	2015	2016	2017	2018
Funded Ratio	83.3%	86.6%	87.3%	86.9%

A complete Summary Valuation Report for the Dec. 31, 2018 valuation will be available mid-May at www.tcdrs.org/employer.

Next Steps

If you are interested in making plan changes, please contact your Employer Services Representative at 800-651-3848. Your benefit selections are due by Dec. 16, 2019.

FBC TCDRS COLA Study 2020

<u>COLA Option</u>	<u>Rate</u>	<u>Total Rate</u>	<u>Unfunded Liability</u>	<u>Delta \$</u>
Required Rate for 2020		12.49%	92,700,688	
No Retiree COLA	0.00%	12.49%	92,700,688	0
1 % Flat	0.15%	12.64%	95,181,484	2,480,796
2 % Flat	0.30%	12.79%	97,662,281	4,961,593
10% - CPI	0.09%	12.58%	94,135,244	1,434,556
20% - CPI	0.22%	12.71%	96,278,806	3,578,118
30% - CPI	0.38%	12.87%	99,032,093	6,331,405
40% - CPI	0.58%	13.07%	102,287,523	9,586,835
50% - CPI	0.78%	13.27%	105,589,722	12,889,034
60% - CPI	0.98%	13.47%	108,891,934	16,191,246
70% - CPI	1.18%	13.67%	112,194,129	19,493,441
80% - CPI	1.38%	13.87%	115,496,360	22,795,672
90% - CPI	1.58%	14.07%	118,798,582	26,097,894
100% - CPI	1.77%	14.26%	122,100,770	29,400,082

= HR Recommendation

This study shows the impact of various retiree COLA options on our 2020 Plan's current Unfunded Liability

TCDRS Contribution Summary - 2020 Fort Bend County - Plan #178

Plan Year	Normal Cost Rate	UAAL Rate	Required Rate w/o COLA	% of CPI Adopted	CPI Flat Rate Adopted	COLA Rate	Total Required Rate	Single Payment	Authorization to Maintain Plan Provisions	
									Approved at Court Date	Certification Dated
2020	6.74%	5.75%	12.49%	0%	0%	0.00%	12.49%	None	August 27, 2019	August 27, 2019
2019	6.75%	5.11%	11.86%	0%	0%	0.00%	11.86%	None	August 28, 2018	August 28, 2018
2018	6.96%	5.16%	12.12%	0%	0%	0.00%	12.12%	None	August 22, 2017	August 22, 2017
2017	6.96%	4.99%	11.95%	0%	0%	0.00%	11.95%	None	August 23, 2016	August 23, 2016
2016	7.33%	4.46%	11.79%	0%	N/A	0.00%	11.79%	None	August 11, 2015	August 11, 2015
2015	7.33%	4.81%	12.14%	0%	N/A	0.00%	12.14%	None	August 26, 2014	August 26, 2014
2014	7.42%	4.76%	12.18%	10%	N/A	0.03%	12.21%	\$351,557.00	August 27, 2013	August 27, 2013
2013	7.44%	4.11%	11.55%	0%	N/A	0.00%	11.55%	None	August 28, 2012	August 28, 2012
2012	7.45%	3.67%	11.12%	0%	N/A	0.00%	11.12%	None	September 13, 2011	September 13, 2011
2011	7.45%	3.20%	10.65%	0%	N/A	0.00%	10.65%	None	September 7, 2010	September 7, 2010
2010	7.25%	3.58%	10.83%	0%	N/A	0.00%	10.83%	None	October 6, 2009	October 6, 2009
2009	7.26%	2.81%	10.07%	50%	N/A	0.15%	10.22%	None	September 23, 2008	September 23, 2008
2008	7.22%	2.74%	9.96%	50%	N/A	0.17%	10.13%	None	August 7, 2007	September 4, 2007
2007	7.22%	3.10%	10.32%	40%	N/A	0.03%	10.35%	None	September 12, 2006	October 19, 2006
2006	6.78%	3.09%	9.87%	50%	N/A	0.08%	9.95%	None		
2005	6.91%	3.16%	10.07%	50%	N/A	0.01%	10.08%	None		
2004	6.91%	3.62%	10.53%	N/A	2%	0.09%	10.62%	None		
2003	6.92%	3.61%	10.53%	50%	N/A	0.04%	10.57%	None		
2002	6.93%	3.31%	10.24%	50%	N/A	0.23%	10.47%	None		
2001	6.94%	3.44%	10.38%	N/A	3%	0.11%	10.49%	None		
2000	6.93%	3.57%	10.50%	(2000 = .08% increase due to buy-back)			10.58%	None		
	7.10% Average 2000 - 2020	3.91% Average 2000 - 2020	11.01% Average 2000 - 2020				11.06% Average 2000 - 2020			

 = AS PROPOSED BY HR

Fort Bend County, #178

Authorization to maintain TCDRS plan provisions

Plan Year 2020

With respect to the participation of Fort Bend County in the Texas County & District Retirement System (TCDRS) for the 2020 plan year, the following order was adopted:

- 1. Fort Bend County **makes no change in the plan provisions for non-retirees.**
- 2. With respect to benefit payments being paid to retirees or their beneficiaries, Fort Bend County (**check one**):



does not adopt a retiree cost-of-living adjustment (COLA).

___ adopts a ___% CPI-based COLA.

___ adopts a ___% flat-rate COLA.

- 3. The required employer contribution rate for the Plan Year 2020 will be the following:

a)	Required rate without COLA:		12.49%
b)	COLA rate:	+	<u>0</u> (enter 0 if not adopting a COLA)
c)	Total required rate (a + b)	=	<u>12.49%</u>

- 4. Employers may elect to pay a rate greater than the **total required rate** listed above. Fort Bend County adopts for the Plan Year 2020 (**check one**):



the **total required rate** listed above.

___ add a new elected rate of _____%.

- 5. In the event the 2020 total required rate as set out above exceeds 11%, and if a current waiver of that limit is not on file with TCDRS, the Commissioners Court of Fort Bend County hereby waives the 11% limit on the rate of employer contributions and such waiver will remain effective with respect to future plan years until properly revoked by official action.

Certification

I certify that the foregoing authorization concerning the participation of Fort Bend County in TCDRS for Plan Year 2020 truly and accurately reflects the official action taken during a properly posted and noticed meeting on **August 27, 2019**, by the Commissioners Court of Fort Bend County as such action is recorded in the official minutes.

Authorized Signature, County Judge of Fort Bend County

K.P. George

Printed Name

Dated: _____

*Please fill in the required information for items 2, 3, and 4 before signing and communicating any changes to TCDRS.

PLEASE RETURN TO FORT BEND COUNTY DIRECTOR OF HUMAN RESOURCES