



HUMAN RESOURCES DEPARTMENT  
FORT BEND COUNTY, TEXAS

Kent M. Edwards, PHR  
Director of Human Resources

## Interoffice Memorandum

**Date:** August 17, 2020

**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 25, 2020 Commissioners' Court –  
TCDRS Plan Authorization for 2021 Plan Year

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Human Resources Agenda Item – **TCDRS Plan Authorization for 2021 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 2021 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 2021 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 2021 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 12.33 %, 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.

Fort Bend County, #178

Authorization to maintain TCDRS plan provisions

Plan Year 2021

With respect to the participation of Fort Bend County in the Texas County & District Retirement System (TCDRS) for the 2021 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 2021 will be the following:
  - a) Required rate without COLA: **12.33%**
  - b) COLA rate: \_\_\_\_\_ + **0** (enter 0 if not adopting a COLA)
  - c) **Total required rate** (a + b) = **12.33%**

4. Employers may elect to pay a rate greater than the **total required rate** listed above. Fort Bend County adopts for the Plan Year 2021 (**check one**):



the **total required rate** listed above.

\_\_\_\_\_ add a new elected rate of \_\_\_\_\_%.

**Certification**

I certify that the foregoing authorization concerning the participation of Fort Bend County in TCDRS for Plan Year 2021 truly and accurately reflects the official action taken during a properly posted and noticed meeting on **August 25, 2020**, 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**

**TCDRS Contribution Summary - 2021**  
**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	Elected Rate	Single Payment	Authorization to Maintain Plan Provisions	
										Approved at Court Date	Certification Dated
2021	6.76%	5.57%	12.33%	0%	0%	0.00%	12.33%	12.33%	None	August 25, 2020	August 25, 2020
2020	6.74%	5.75%	12.49%	0%	0%	0.00%	12.49%	12.49%	None	August 28, 2019	August 28, 2019
2019	6.75%	5.11%	11.86%	0%	0%	0.00%	11.86%	11.86%	None	August 28, 2018	August 28, 2018
2018	6.96%	5.16%	12.12%	0%	0%	0.00%	12.12%	12.12%	None	August 22, 2017	August 22, 2017
2017	6.96%	4.99%	11.95%	0%	0%	0.00%	11.95%	11.95%	None	August 23, 2016	August 23, 2016
2016	7.33%	4.46%	11.79%	0%	0%	0.00%	11.79%	11.79%	None	August 11, 2015	August 11, 2015
2015	7.33%	4.81%	12.14%	0%	0%	0.00%	12.14%	12.14%	None	August 26, 2014	August 26, 2014
2014	7.42%	4.76%	12.18%	10%	N/A	0.03%	12.21%	12.21%	\$351,557.00	August 27, 2013	August 27, 2013
2013	7.44%	4.11%	11.55%	0%	0%	0.00%	11.55%	11.55%	None	August 28, 2012	August 28, 2012
2012	7.45%	3.67%	11.12%	0%	0%	0.00%	11.12%	11.12%	None	September 13, 2011	September 13, 2011
2011	7.45%	3.20%	10.65%	0%	0%	0.00%	10.65%	10.65%	None	September 7, 2010	September 7, 2010
2010	7.25%	3.58%	10.83%	0%	0%	0.00%	10.83%	10.83%	None	October 6, 2009	October 6, 2009
2009	7.26%	2.81%	10.07%	50%	N/A	0.15%	10.22%	10.22%	None	September 23, 2008	September 23, 2008
2008	7.22%	2.74%	9.96%	50%	N/A	0.17%	10.13%	10.13%	None	August 7, 2007	September 4, 2007
2007	7.22%	3.10%	10.32%	40%	N/A	0.03%	10.35%	10.35%	None	September 12, 2006	October 19, 2006
2006	6.78%	3.09%	9.87%	50%	N/A	0.08%	9.95%	9.95%	None		
2005	6.91%	3.16%	10.07%	50%	N/A	0.01%	10.08%	10.08%	None		
2004	6.91%	3.62%	10.53%	N/A	2%	0.09%	10.62%	10.62%	None		
2003	6.92%	3.61%	10.53%	50%	N/A	0.04%	10.57%	10.57%	None		
2002	6.93%	3.31%	10.24%	50%	N/A	0.23%	10.47%	10.47%	None		
2001	6.94%	3.44%	10.38%	N/A	3%	0.11%	10.49%	10.49%	None		
2000	6.93%	3.57%	10.50%	(2000 = .08% increase due to buy-back)			10.58%	10.58%	None		
	7.08% Average 2000 - 2021	3.98% Average 2000 - 2021	11.07% Average 2000 - 2021				11.11% Average 2000 - 2021	11.11% Average 2000 - 2021			

**= AS PROPOSED BY HR**

## FBC TCDRS COLA Study 2021

<u>COLA Option</u>	<u>Rate</u>	<u>Total Rate</u>	<u>Unfunded Liability</u>	<u>Delta \$</u>
<b>Required Rate for 2020</b>		<b>12.49%</b>	<b>92,455,820</b>	
<b>Required Rate for 2021</b>		<b>12.33%</b>	<b>92,455,820</b>	
<b>Elected Rate for 2021</b>		<b>12.33%</b>		
<b>No Retiree COLA</b>	0.00%	12.33%	92,455,820	0
<b>1 % Flat</b>	0.16%	12.49%	95,253,181	2,797,361
<b>2 % Flat</b>	0.32%	12.65%	98,050,543	5,594,723
<b>10% - CPI</b>	0.11%	12.44%	94,463,864	2,008,044
<b>20% - CPI</b>	0.27%	12.60%	97,258,865	4,803,045
<b>30% - CPI</b>	0.47%	12.80%	100,716,829	8,261,009
<b>40% - CPI</b>	0.68%	13.01%	104,571,757	12,115,937
<b>50% - CPI</b>	0.90%	13.23%	108,449,695	15,993,875
<b>60% - CPI</b>	1.12%	13.45%	112,327,667	19,871,847
<b>70% - CPI</b>	1.34%	13.67%	116,205,631	23,749,811
<b>80% - CPI</b>	1.56%	13.89%	120,083,584	27,627,764
<b>90% - CPI</b>	1.78%	14.11%	123,961,548	31,505,728
<b>100% - CPI</b>	1.99%	14.32%	127,839,541	35,383,721

= HR Recommendation

This study shows the impact of various retiree COLA options on our 2021 Plan's current Unfunded Liability

## Special Note Regarding 2021 Plan Assessments and Investment Market Declines

All valuation calculations, including the required contribution rate, are based on the plan's funded status as of Dec. 31, 2019. Due to the coronavirus outbreak, investment markets have declined significantly in 2020. Unless a major market recovery happens this year, it is likely your plan will experience a substantial investment loss, which will cause required rates to increase. Because the valuation smooths investment gains and losses over five years to help keep rates stable, you can expect rates to increase over the next several years as the investment loss is recognized. A future market recovery could mitigate some of the rate increase.

As you review your benefit plans, please keep in mind that any benefit increases, such as a higher matching rate or a retiree cost-of-living adjustment, will further increase rates.

You may also want to consider making an additional contribution or adopting an elected rate to help buffer against future adverse plan experience. If your plan saw a decrease in the 2021 required contribution rate and does not already have an elected rate, you should consider adopting an elected rate that is at least equal to your 2020 required contribution rate.



**Plan Assessment for Plan Year 2021**  
**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.

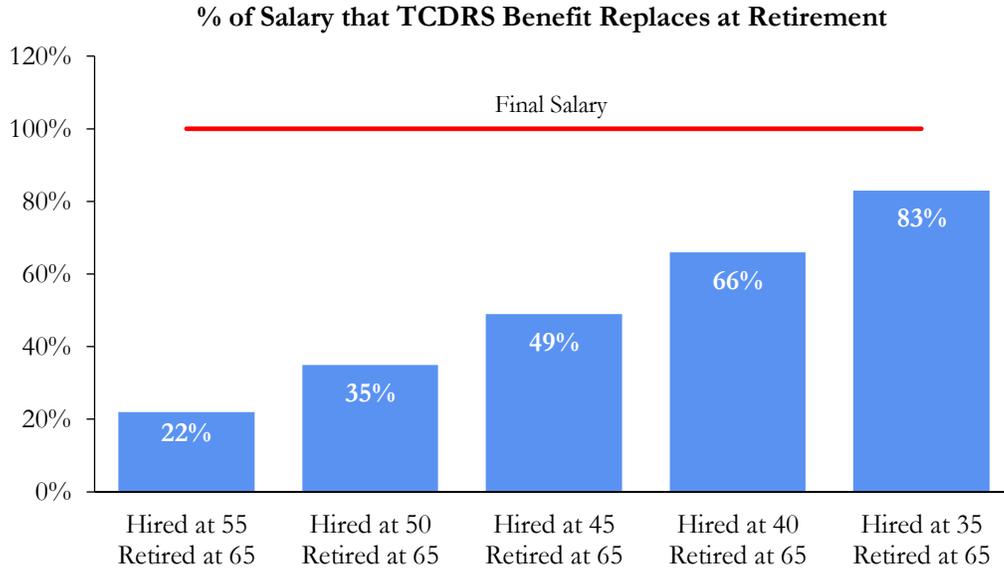
	<b>2021 Plan</b>
<b>Basic Plan Options</b>	
Employee Deposit Rate	7%
Employer Matching	200%
Prior Service Credit	165%
<b>Retirement Eligibility</b>	
Age 60 (Vesting)	8 years of service
Rule of	75 years total age + service
At Any Age	30 years of service
<b>Optional Benefits</b>	
Partial Lump Sum	No
Group Term Life	None
<b>Retirement Plan Funding</b>	
Normal Cost Rate	6.76%
UAAL / (OAAL) Rate	<u>5.57%</u>
Required Rate	12.33%
Elected Rate	N/A
<b>Total Contribution Rate</b>	
Retirement Plan Rate	12.33%
(greater of required and elected rate)	
Group Term Life Rate	<u>N/A</u>
Total Contribution Rate	12.33%
<b>Valuation Results (Dec. 31, 2019)</b>	
Actuarial Accrued Liability	\$760,639,578
Actuarial Value of Assets	<u>\$668,183,758</u>
Unfunded / (Overfunded) AAL	\$92,455,820
Funded Ratio	87.8%

**Notes:**

Buyback adopted: 2000  
 Last COLA: 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:

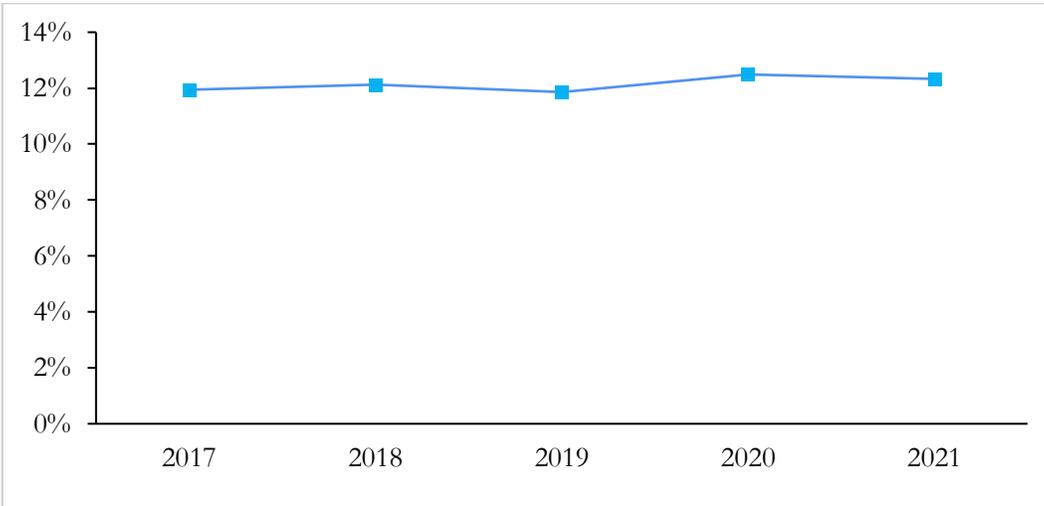


### Assumptions

- 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](http://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	2017-2018	2018-2019	2019-2020	2020-2021
Beginning Rate	<b>11.95%</b>	<b>12.12%</b>	<b>11.86%</b>	<b>12.49%</b>
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	0.46%	0.01%	0.57%	-0.01%
Elected Rate/Lump Sum	0.00%	0.00%	0.00%	0.00%
Demographic/Other Changes	-0.29%	-0.21%	0.06%	-0.15%
Assumptions/Methods	<u>0.00%</u>	<u>-0.06%</u>	<u>0.00%</u>	<u>0.00%</u>
Ending Rate	<b>12.12%</b>	<b>11.86%</b>	<b>12.49%</b>	<b>12.33%</b>
<b>Valuation Year</b>	2016	2017	2018	2019
<b>Funded Ratio</b>	86.6%	87.3%	86.9%	87.8%

A complete Summary Valuation Report for the Dec. 31, 2019 valuation will be available mid-May at [www.tcdrs.org/employer](http://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. 15, 2020.