



HUMAN RESOURCES DEPARTMENT
FORT BEND COUNTY, TEXAS

Kathy Novosad, PHR
Interim Director of Human Resources

Interoffice Memorandum

Date: July 27, 2021

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

From: Kathy Novosad

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

Subject: HR Agenda Item for the August 3, 2021 Commissioners' Court –
TCDRS Plan Authorization for 2022 Plan Year

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 2022, 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 2022 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 13.45 %, 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 281-341-8624.

Fort Bend County, #178

Authorization to maintain TCDRS plan provisions

Plan Year 2022

With respect to the participation of Fort Bend County in the Texas County & District Retirement System (TCDRS) for the 2022 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: **13.45%**
 - b) COLA rate: + 0 (enter 0 if not adopting a COLA)
 - c) **Total required rate (a + b) = 13.45%**

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 - 2022 Fort Bend County - Plan #178

Human Resources recommends adoption of the required rate for Plan Year 2022 - 13.45%										
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
2022	8.34%	5.11%	13.45%	0%	0%	0.00%	13.45%		None	
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	
Average 2000 - 2022		7.14%	11.17%				11.22%	11.11%		
		Average	Average				Average	Average		
		2000 - 2022	2000 - 2022				2000 - 2022	2000 - 2022		

13.45% = AS PROPOSED BY HR

FBC TCDRS COLA Study 2022

<u>COLA Option</u>	<u>Rate</u>	<u>Total Rate</u>	<u>Unfunded Liability</u>	<u>Increase to UAAL</u>
Required Rate for 2021		12.33%	92,455,820	
Required Rate for 2022		13.45%	127,351,591	
Elected Rate for 2022		13.45%		

No Retiree COLA	0.00%	13.45%	127,351,591	
1 % Flat	0.17%	13.62%	130,637,000	3,285,409
2 % Flat	0.34%	13.79%	133,922,409	6,570,818
10% - CPI	0.13%	13.58%	129,828,000	2,476,409
20% - CPI	0.30%	13.75%	133,140,000	5,788,409
30% - CPI	0.50%	13.95%	137,140,000	9,788,409
40% - CPI	0.73%	14.18%	141,465,000	14,113,409
50% - CPI	0.95%	14.40%	145,805,000	18,453,409
60% - CPI	1.18%	14.63%	150,144,000	22,792,409
70% - CPI	1.40%	14.85%	154,484,000	27,132,409
80% - CPI	1.62%	15.07%	158,823,000	31,471,409
90% - CPI	1.85%	15.30%	163,172,000	35,820,409
100% - CPI	2.07%	15.52%	167,522,000	40,170,409

This study shows the impact of various retiree COLA options on our 2022 Plan's current Unfunded Liability.

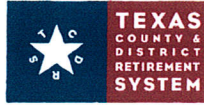
Figures are as per TCDRS.org Plan Customizer.

**Based on the significant impact a COLA adjustment has on the required contribution rate and unfunded liability
Human Resources does not recommend a COLA for 2022**

Special Note Regarding 2022 Plan Assessments

TCDRS' long-term outlook anticipates that rates and returns will remain below historical norms. The forecasts show decreased returns across all asset classes. Soundness requires synchronizing assumptions with expectations. Thus, the TCDRS board reduced the investment return assumption to 7.5%. A reduction in the assumption was consistent with the recommendation of Milliman, our consulting actuaries. The investment return assumption is important as it determines how much benefit funding is expected to come from investments versus employer contributions. In addition, the inflation assumption has also been decreased to 2.5% which impacts wage growth and payroll growth.

These assumptions are reflected in this valuation and most employers will see increases in their required contribution rates for 2022. Supporting employers through this transition is TCDRS' most important investment. The board has used a portion of system reserves and re-amortized liabilities to help mitigate the increases. In addition, one of TCDRS' strengths is that employers have the ability to annually adjust benefits based on local needs and budgets. If employers need to reduce costs, TCDRS staff is available to help you understand your options.



Plan Assessment for Plan Year 2022

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.

	2022 Plan
Basic Plan Options	
Employee Deposit Rate	7%
Employer Matching	200%
Prior Service Credit	No Employees Eligible
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	
Total Normal Cost Rate	15.34%
Employee Deposit Rate	-7.00%
Employer-Paid Normal Cost Rate	8.34%
UAAL / (OAAL) Rate	5.11%
Required Rate	13.45%
Elected Rate	N/A
Total Contribution Rate	
Retirement Plan Rate	13.45%
(greater of required and elected rate)	
Group Term Life Rate	N/A
Total Contribution Rate	13.45%
Valuation Results (Dec. 31, 2020)	
Actuarial Accrued Liability	\$870,189,521
Actuarial Value of Assets	\$742,837,930
Unfunded / (Overfunded) AAL	\$127,351,591
Funded Ratio	85.4%

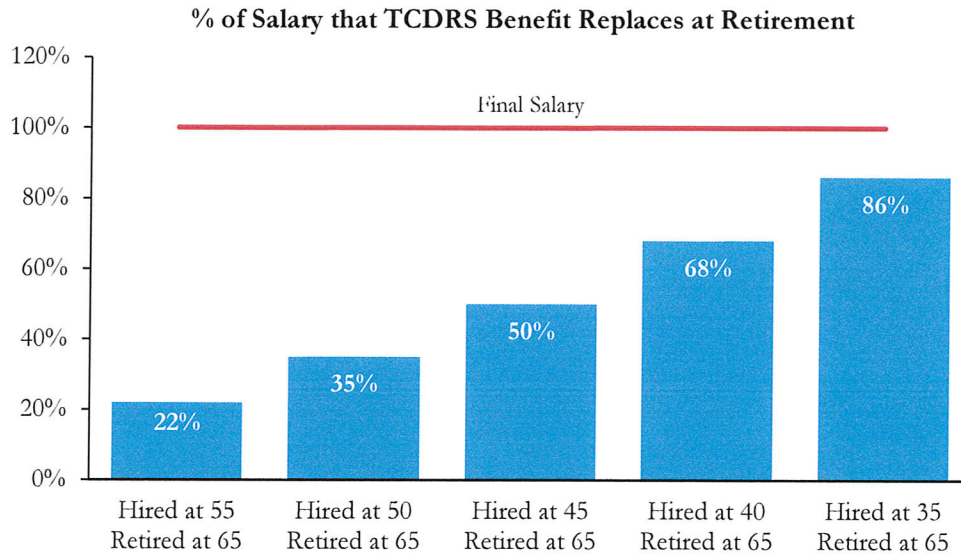
Notes:

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:

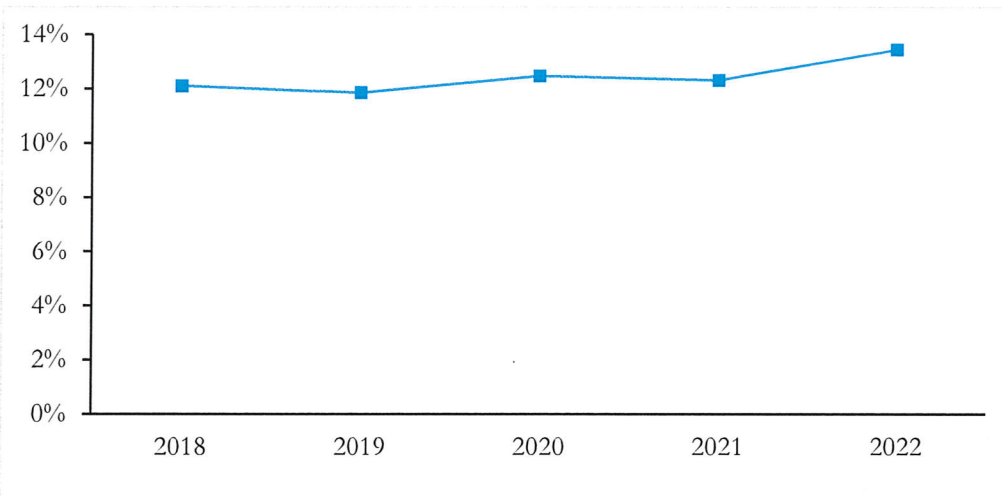


Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through an 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 [TCDRS.org/Employer](https://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	2018-2019	2019-2020	2020-2021	2021-2022
Beginning Rate	12.12%	11.86%	12.49%	12.33%
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	0.01%	0.57%	-0.01%	-0.01%
Elected Rate/Lump Sum	0.00%	0.00%	0.00%	0.00%
Demographic/Other Changes	-0.21%	0.06%	-0.15%	-0.16%
Assumptions/Methods ⁽¹⁾	-0.06%	0.00%	0.00%	1.29%
Ending Rate	11.86%	12.49%	12.33%	13.45%
Valuation Year	2017	2018	2019	2020
Funded Ratio	87.3%	86.9%	87.8%	85.4%

1. 2021-2022: Includes reductions to the investment return and inflation assumptions, and method adjustments designed to mitigate the impact of the reductions.

A complete Summary Valuation Report for the Dec. 31, 2020 valuation will be available mid-May at 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, 2021.