



HUMAN RESOURCES DEPARTMENT  
FORT BEND COUNTY, TEXAS

Nicole Ledet, MA-HRD, SHRM-CP, PHR  
Director of Human Resources

## **Interoffice Memorandum**

**Date:** 06/27/2025

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

**From:** Nicole Ledet, Director of Human Resources

**cc:** Pamela Gubbels, Ed Sturdivant

**Subject:** HR Agenda Item for July 8<sup>th</sup>, 2025 Commissioners Court –  
TCDRS Plan Authorization for 2026 Plan Year

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

1. Determine if any changes will be made to the County's TCDRS Plan provisions
2. Determine if the County will adopt a cost-of-living adjustment (COLA) with respect to benefit payments being paid to retirees or their beneficiaries, and
3. Determine if the County will elect to pay a contribution rate greater than the total required rate as reported by TCDRS.

Attached is a copy of the Retirement Plan Assessment for Plan Year 2026, which contains all the details of our Plan's benefits and our projected costs for next year. In addition, you are being furnished information about the potential cost of implementing various retiree COLA options.

**Regarding the above items, it is the recommendation of Human Resources that for the 2026 plan year, Commissioners' Court:**

1. **makes no changes in the plan provisions for non-retirees**
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 12.35%**

Further, the Court must authorize the County Judge to sign the TCDRS Plan Authorization of the 2026 Plan Year.



**Plan Assessment for Plan Year 2026**  
**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.

	2026 Plan
<b>Basic Plan Options</b>	
Employee Deposit Rate	7%
Employer Matching	200%
<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>	
Total Normal Cost Rate	14.98%
Employee Deposit Rate	<u>-7.00%</u>
Employer-Paid Normal Cost Rate	7.98%
UAAL / (OAAL) Rate	<u>4.37%</u>
Required Rate	12.35%
Elected Rate	N/A
<b>Contribution Rates</b>	
Retirement Plan Rate	12.35%
(greater of required and elected rate)	
Group Term Life Rate	N/A
<b>Valuation Results (Dec. 31, 2024)</b>	
Actuarial Accrued Liability	\$1,124,198,368
Actuarial Value of Assets	<u>\$996,010,484</u>
Unfunded / (Overfunded) AAL	\$128,187,884
Funded Ratio	88.6%

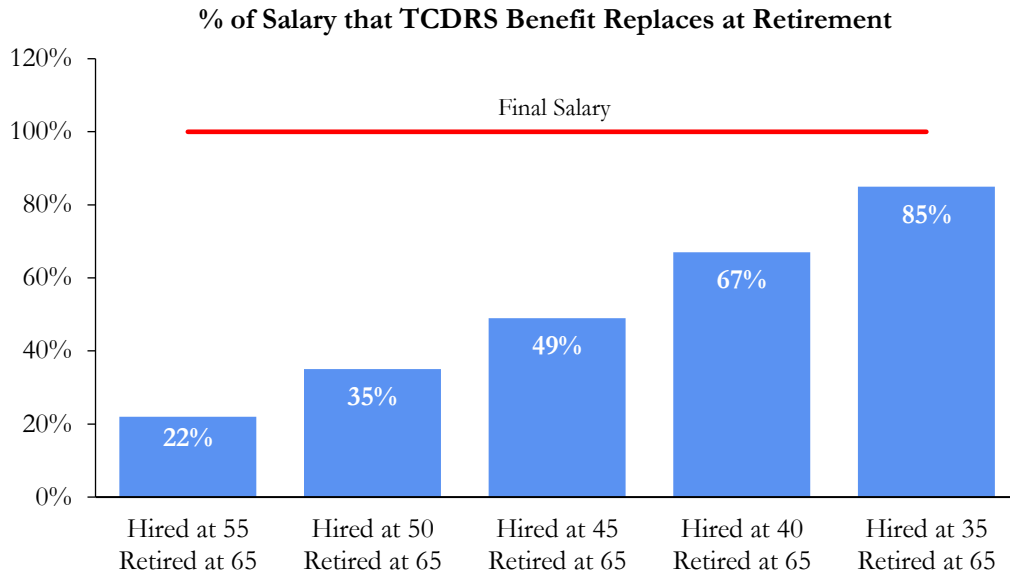
**Notes:**

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:

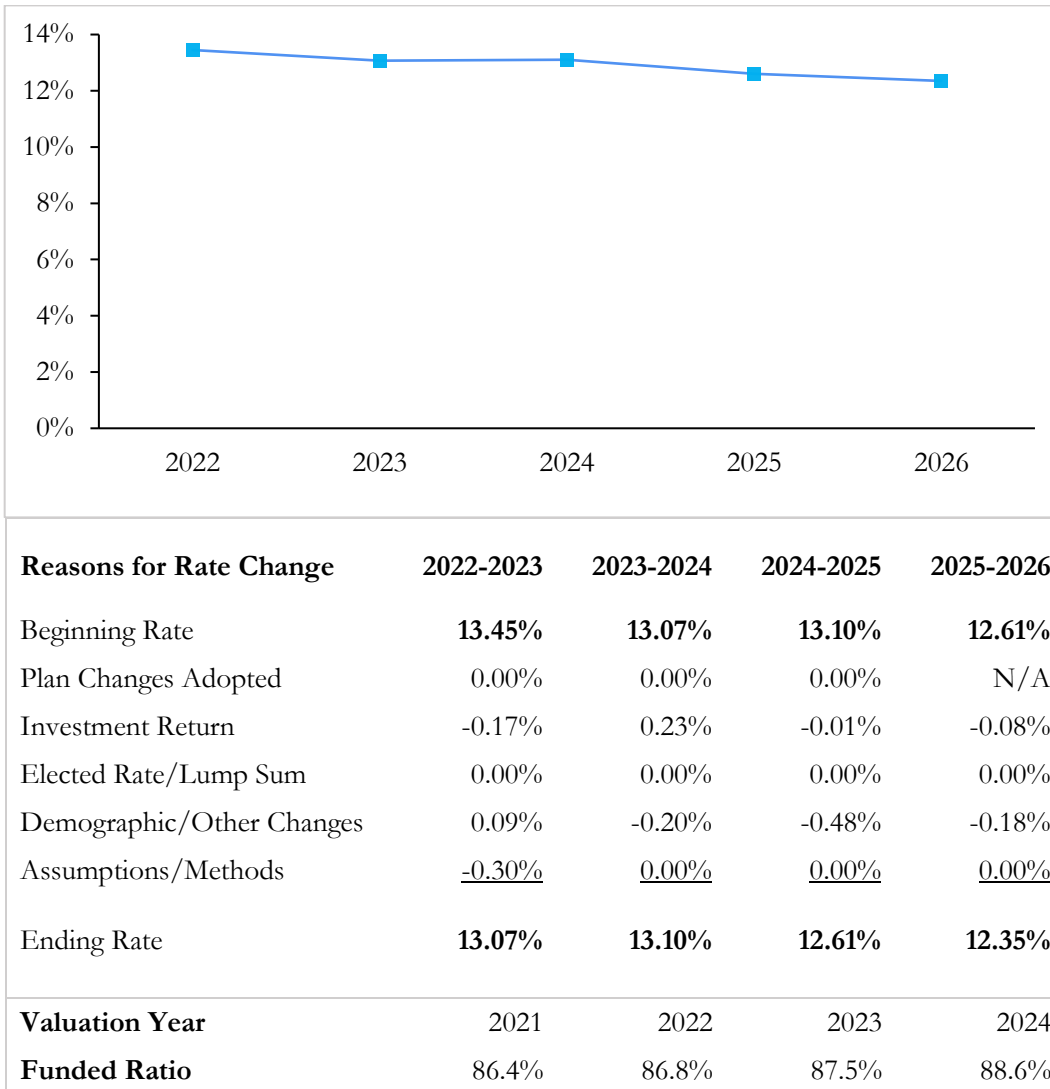


### Assumptions

- 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://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.



Full details on the valuation calculations are included in the Dec. 31, 2024 Summary Valuation Report which will be available mid-May at [TCDRS.org/Employer](https://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, 2025.



May 21, 2025

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TCDRS.org

Mrs. Nicole Ledet  
HR Director  
Fort Bend County  
301 Jackson Street Suite 243  
Richmond, TX 77469

Dear Mrs. Ledet,

Thank you for contacting the Texas County & District Retirement System (TCDRS). Enclosed are the results of the retiree cost-of-living adjustment (COLA) study for your TCDRS retirement plan.

### **BACKGROUND INFORMATION**

A cost-of-living adjustment, or COLA, is a plan option available to participating employers each year. COLAs help reduce the impact of inflation by restoring some or all of the purchasing power your retirees have lost during their retirement. However, COLAs do have a rate-increasing effect on your plan into the future, so it's important to factor that into your funding decisions.

There are two types of COLAs available with TCDRS: Flat-rate and CPI-based.

#### **Flat-rate COLAs**

Flat-rate COLAs increase your retirees' benefit payments by a percentage of your choosing, up to an annual limit, which is 3% for 2026. All retirees get the same percentage increase. However, a flat-rate COLA will not restore each individual retiree's purchasing power the same. For example, a recent retiree may have lost only a small percentage of purchasing power, while someone who's been retired much longer may have lost significantly more purchasing power. A flat-rate COLA might take care of a recent retiree's loss of purchasing power, but might not effectively address the purchasing power losses of someone who has been retired for a long time.

#### **CPI-based COLAs**

CPI-based COLAs use the Consumer Price Index to restore the lost purchasing power for each retiree based on their original benefit amount and how much inflation has occurred since they started receiving their benefit. A CPI-based COLA allows employers to choose how much lost purchasing power to restore — anywhere from 10% to 100%. A 100% CPI will fully restore the purchasing power lost through the years but may come at a high cost. A lower CPI percentage might be more affordable for some employers, especially if they have never passed a COLA.

Both types of COLA adoptions become effective Jan. 1 and only impact retirees who have been retired for at least one calendar year. For example, if you were retired on Dec. 31, 2024, you would be eligible for a COLA on Jan. 1, 2026.

*Impact of a Retiree COLA on Your Plan Finances*

In general, COLAs are funded over 15 years. However, you can advance fund all or part of the COLA by making an additional employer contribution to your plan.

It's important to note that frequent adoption of COLAs can result in a "repeating COLA designation" by the Governmental Account Standards Board (GASB) and impact your organization's financials. TCDRS will let you know if you would receive the designation by adopting a COLA and what the impact on your financials will be. Generally, you can adopt a COLA once every three years without ever receiving the repeating COLA designation.

**COLA STUDY RESULTS**

This study shows the estimated impact on your eligible retirees' monthly benefits for a 3% flat-rate COLA and 10%, 20% and 30% CPI-based COLAs effective Jan. 1, 2026. For comparative purposes only, we have also included the results of a 100% CPI-based COLA so you can see what full restoration of purchasing power would look like. The following is a summary of the results of the study:

**Summary of Estimated Results for COLAs Effective January 1, 2026**

COLA:	<u>10% CPI-</u> <u>Based</u>	<u>3% Flat-</u> <u>Rate</u>	<u>20% CPI-</u> <u>Based</u>	<u>30% CPI-</u> <u>Based</u>	<u>100% CPI-</u> <u>Based</u>
Average Benefit Increase %:	2.33%	3.00%	5.08%	8.00%	28.50%
Additional 15-Year Cost as a Percent of Payroll:	0.48%	0.64%	1.03%	1.61%	N/A
2026 Required Rate with COLA *:	12.83%	12.99%	13.38%	13.96%	N/A
Additional Contribution to Fully Advance Fund *:	\$ 10,949,993	\$ 14,436,267	\$ 23,506,498	\$ 36,521,987	N/A

*\* With the indicated additional contribution to fully advance fund, and assuming no other plan changes are made, your 2026 required rate will be 12.35%.*

These cost estimates are based on actuarial assumptions, including mortality rates and future investment returns. These assumptions are long-term, and we expect that your actual experience will vary from year to year, and will also differ from exactly what was assumed. To the extent that your retirees live longer or shorter from what was assumed, or your plan's investment returns are greater or less than assumed, then the estimated costs can end up being different than what is actually needed to make the COLA payments to your retirees.

Mrs. Nicole Ledet

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We have reviewed the information provided and the results in the aggregate for reasonableness; however, it has not been audited and is subject to correction. We are providing you this information pursuant to your request and to assist you in performing your official duties. This data should only be used for the purposes intended and not disclosed to third parties. Please employ all methods necessary to ensure the confidentiality of this data, and let us know if you have any questions about confidentiality.

You may contact me at 800-651-3848 if you have any questions, and I would be happy to assist you.

Sincerely,

A handwritten signature in black ink that reads "Tim Krause". The signature is written in a cursive, flowing style with a large initial "T" and a long, sweeping underline.

Tim Krause  
Employer Services Representative

### TCDRS 2026 Plan Year

#### Required Rate

2025 TCDRS Required Contribution Rate:	12.61%	Approximate Cost: \$28,063,546
2026 TCDRS Required Contribution Rate:	12.35%	Approximate Cost: \$30,391,778

(ABOVE RATES ASSUME NO COLA)

#### COLA OPTIONS

Granting a retiree COLA would increase the required rate for approximately the next 15 years.

COLAs can be granted as a straight percent (for example, give all retirees a 3% increase in monthly pension)

OR

Granted as some % of CPI, meaning retirees would recover some percentage of the buying power they have lost since retiring.

See below for Cost/Benefit Analysis of various COLAs

COLA Option	Benefit to Retiree				Cost to County		
	Average % Increase per Retiree	Average \$ Increase per Month per Retiree	High Monthly Increase	Low Monthly Increase	Increase in Required Rate	Cost per Year (COLA Only)	Total Cost (15 Years) (COLA Only)
Straight 3%	3%	\$ 56.71	\$ 105.15	\$ 4.29	0.64%	\$ 1,574,959	\$ 23,624,378
10% of CPI	2.33%	\$ 32.38	\$ 98.00	\$ -	0.48%	\$ 1,181,219	\$ 17,718,284
20% of CPI	5.08%	\$ 87.05	\$ 206.00	\$ -	1.03%	\$ 2,534,699	\$ 38,020,483
30% of CPI	8.00%	\$ 181.33	\$ 320.00	\$ 5.00	1.61%	\$ 3,962,005	\$ 59,430,076
100% of CPI	28.50%	\$ 919.08	\$ 3,293.00	\$ 91.00	0.00%	N/A	N/A

All above calculations assume a \$246 million annual payroll and are based on actuarial assumptions.