

HUMAN RESOURCES DEPARTMENT
FORT BEND COUNTY, TEXAS

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

Interoffice Memorandum

Date: July 20, 2022

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

From: Nicole Ledet, Director of Human Resources

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

Subject: HR Agenda Item for July 26, 2022 Commissioners Court –
TCDRS Plan Authorization for 2023 Plan Year

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 2023, 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 2023 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 13.07%**

Further, the Court must authorize the County Judge to sign the TCDRS Plan Authorization of the 2023 Plan Year.



Plan Assessment for Plan Year 2023
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.

	2023 Plan
Basic Plan Options	
Employee Deposit Rate	7%
Employer Matching	200%
Prior Service Credit	No Employees Eligible(1)
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	15.00%
Employee Deposit Rate	<u>-7.00%</u>
Employer-Paid Normal Cost Rate	8.00%
UAAL / (OAAL) Rate	<u>5.07%</u>
Required Rate	13.07%
Elected Rate	N/A
Total Contribution Rate	
Retirement Plan Rate	13.07%
(greater of required and elected rate)	
Group Term Life Rate	<u>N/A</u>
Total Contribution Rate	13.07%
Valuation Results (Dec. 31, 2021)	
Actuarial Accrued Liability	\$927,457,507
Actuarial Value of Assets	<u>\$801,750,955</u>
Unfunded / (Overfunded) AAL	\$125,706,552
Funded Ratio	86.4%

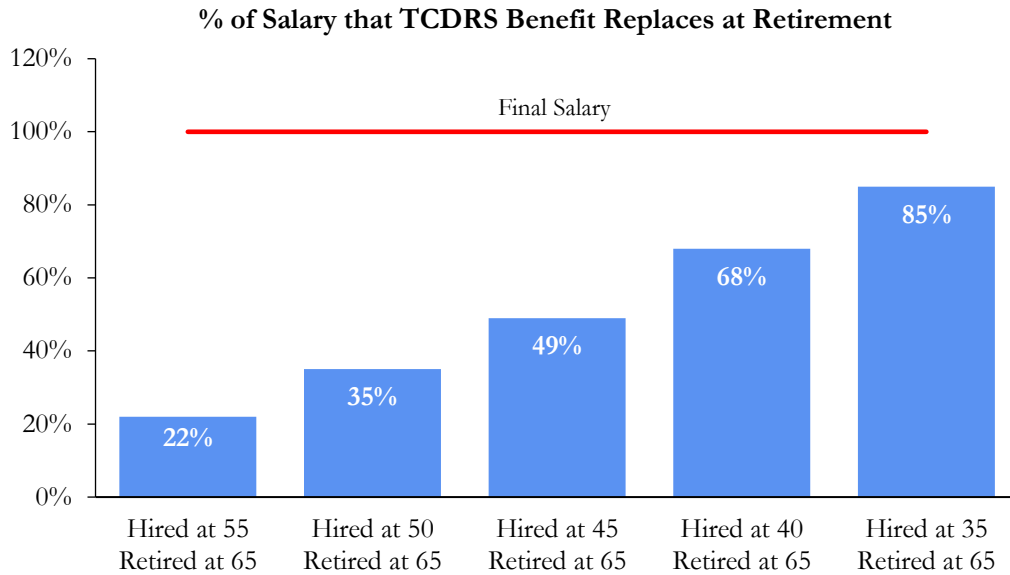
Notes:

Buyback adopted: 2000
Last COLA: 2014

1. No members were hired before the employer began participation in TCDRS, so prior service does not apply.

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:

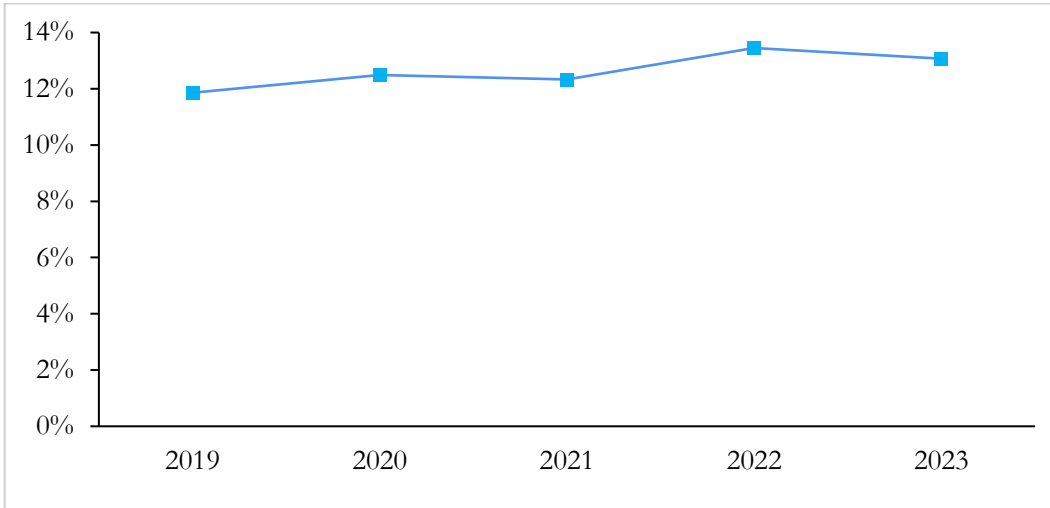


Assumptions

- 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.



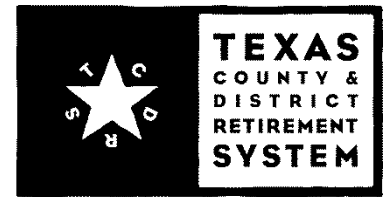
Reasons for Rate Change	2019-2020	2020-2021	2021-2022	2022-2023
Beginning Rate	11.86%	12.49%	12.33%	13.45%
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	0.57%	-0.01%	-0.01%	-0.17%
Elected Rate/Lump Sum	0.00%	0.00%	0.00%	0.00%
Demographic/Other Changes	0.06%	-0.15%	-0.16%	0.09%
Assumptions/Methods ⁽¹⁾	<u>0.00%</u>	<u>0.00%</u>	<u>1.29%</u>	<u>-0.30%</u>
Ending Rate	12.49%	12.33%	13.45%	13.07%
Valuation Year	2018	2019	2020	2021
Funded Ratio	86.9%	87.8%	85.4%	86.4%

1. 2022-2023: Reflects changes to the demographic assumptions (mortality, termination, service retirement, etc.)

A complete Summary Valuation Report for the Dec. 31, 2021 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, 2022.



May 2, 2022

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Austin, TX 78746
(512) 328-8889
800-823-7782
Fax: (512) 328-8887
www.TCDRS.org

Ms. Beatrice Galan
Human Resources Generalist
Fort Bend County
301 Jackson St, Suite 243
Richmond, TX 77469

Dear Ms. Galan,

Thank you for contacting Texas County & District Retirement System (TCDRS) to ask about cost-of-living adjustments (COLAs) for your retirement plan. We are happy to provide you the information you requested. Attached is information regarding the potential COLAs effective January 1, 2023. Please note that payees whose initial payments commence after December 2021 will not be eligible to receive a January 1, 2023 COLA. We have reviewed the information in aggregate for reasonableness; however, it has not been audited and may be subject to correction.

We have enclosed an exhibit comparing the estimated effect on current payees' monthly benefits for 10%, 20%, and 30% CPI-based COLAs. For comparative purposes, we have also included a 100% CPI-based COLA to show what a full restoration of payee buying power would look like.

A CPI-based COLA restores payee benefits in proportion to their lost buying power. It takes into account how much inflation has occurred since each payee's benefit began, as measured by the Consumer Price Index. TCDRS also offers a flat-rate COLA, which helps restore lost buying power in a different way. A flat-rate COLA is only based on the payee's current benefit amount and provides the same percentage increase to all payees.

Summary of Estimated Results for COLAs Effective January 1, 2023

COLA:	<u>10% CPI-</u> <u>Based</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 %:	1.38%	3.11%	5.13%	19.93%
15-Year Cost as a Percent of Payroll:	0.25%	0.56%	0.90%	3.37%
Dollar Cost to Advance Fund COLA:	\$ 5,276,134	\$ 11,715,342	\$ 18,928,567	\$ 70,455,993

The cost estimates are based on actuarial assumptions, including mortality rates and investment returns. These assumptions are long-term, and we expect that actual experience will vary from year-to-year. If in aggregate your retirees live and die exactly according to the mortality rates, and your plan's investment return is exactly that which is assumed, the dollar cost amounts listed above will be what is needed to fund the COLAs. However, if your retirees live shorter or longer than assumed, or investment returns are greater or less than assumed, then the dollar cost amounts listed above will end up being more or less than what is needed to make the actual COLA payments to your retirees.

Trustees

Mary Louise Nicholson
Chair

Deborah M. Hunt
Vice-Chair

Tammy Biggar
Chris Davis

Susan Fletcher
Chris Hill

Kara Sands
Chris Taylor

Holly Williamson

Ms. Beatrice Galan

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We are providing you with the enclosed information pursuant to your request and to assist you in performing your official duties. Please note that the data TCDRS is providing you is confidential information.

This data should be used only for the purposes intended (as stated above) and should not be disclosed to any third party. Please employ all methods necessary to ensure the confidentiality of this data. If you have any questions about TCDRS confidentiality, please let us know.

Please contact me at 800-651-3848 if you have any questions. 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.

Tim Krause

Employer Services Representative

TCDRS 2023 Plan Year

Required Rate

2022 TCDRS Required Contribution Rate: 13.45% Approximate Cost: \$26,900,000

2023 TCDRS Required Contribution Rate: 13.07%, Approximate Cost: \$26,140,000

(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%	\$ 53.00	\$ 105.00	\$ 4.00	0.18%	\$ 1,080,000	\$ 16,200,000
10% of CPI	1.38%	\$ 16.00	\$ 54.00	\$ -	0.25%	\$ 500,000	\$ 7,500,000
20% of CPI	3.11%	\$ 44.00	\$ 121.00	\$ -	0.56%	\$ 1,120,000	\$ 16,800,000
30% of CPI	5.13%	\$ 91.00	\$ 192.00	\$ -	0.90%	\$ 1,800,000	\$ 27,000,000
100% of CPI	19.93%	\$ 664.00	\$ 2,501.00	\$ 113.00	3.37%	\$ 6,740,000	\$ 101,100,000

All above calculations assume a \$200 million annual payroll, and are based on actuarial assumptions.