



HUMAN RESOURCES DEPARTMENT  
FORT BEND COUNTY, TEXAS

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

## **Interoffice Memorandum**

**Date:** August 22, 2023

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

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

**cc:** Pamela Gubbels, Ed Sturdivant, Barbara Dees

**Subject:** HR Agenda Item for August 22, 2023 Commissioners Court –  
TCDRS Plan Authorization for 2024 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 2024, 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 2024 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 13.10%**

Further, the Court must authorize the County Judge to sign the TCDRS Plan Authorization of the 2024 Plan Year.



**Plan Assessment for Plan Year 2024**  
**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.

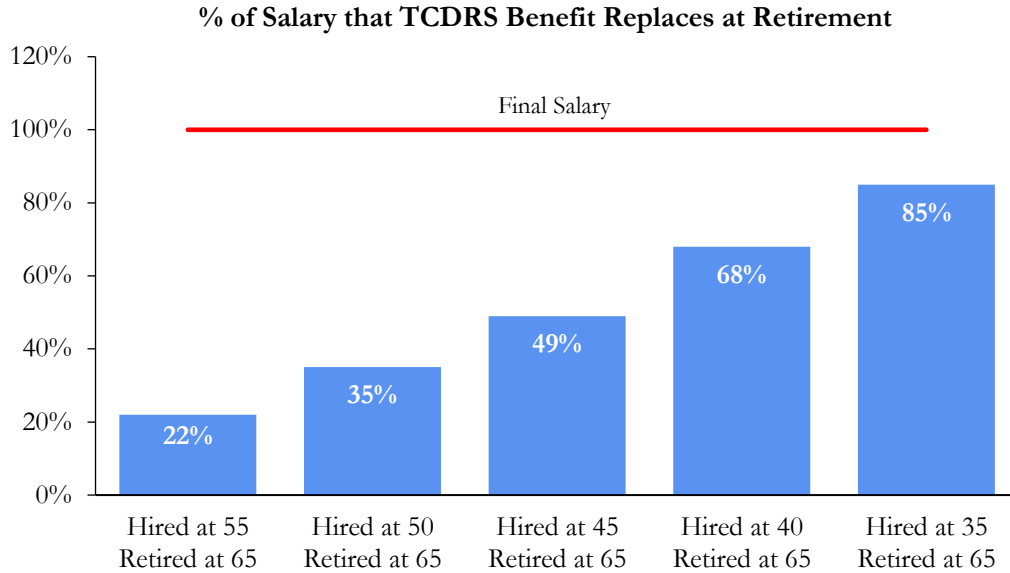
	<b>2024 Plan</b>
<b>Basic Plan Options</b>	
Employee Deposit Rate	7%
Employer Matching	200%
<b>Retirement Eligibility</b>	
Age 60 (Vesting)	8 years of service
Rule of	75 years total age + service
At Any Age	30 years of service
<b>Optional Benefits</b>	
Partial Lump Sum	No
Group Term Life	None
<b>Retirement Plan Funding</b>	
Total Normal Cost Rate	14.99%
Employee Deposit Rate	<u>-7.00%</u>
Employer-Paid Normal Cost Rate	7.99%
UAAL / (OAAL) Rate	<u>5.11%</u>
Required Rate	13.10%
Elected Rate	N/A
<b>Total Contribution Rate</b>	
Retirement Plan Rate	13.10%
(greater of required and elected rate)	
Group Term Life Rate	<u>N/A</u>
Total Contribution Rate	13.10%
<b>Valuation Results (Dec. 31, 2022)</b>	
Actuarial Accrued Liability	\$987,291,882
Actuarial Value of Assets	<u>\$856,851,454</u>
Unfunded / (Overfunded) AAL	\$130,440,428
Funded Ratio	86.8%

**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:

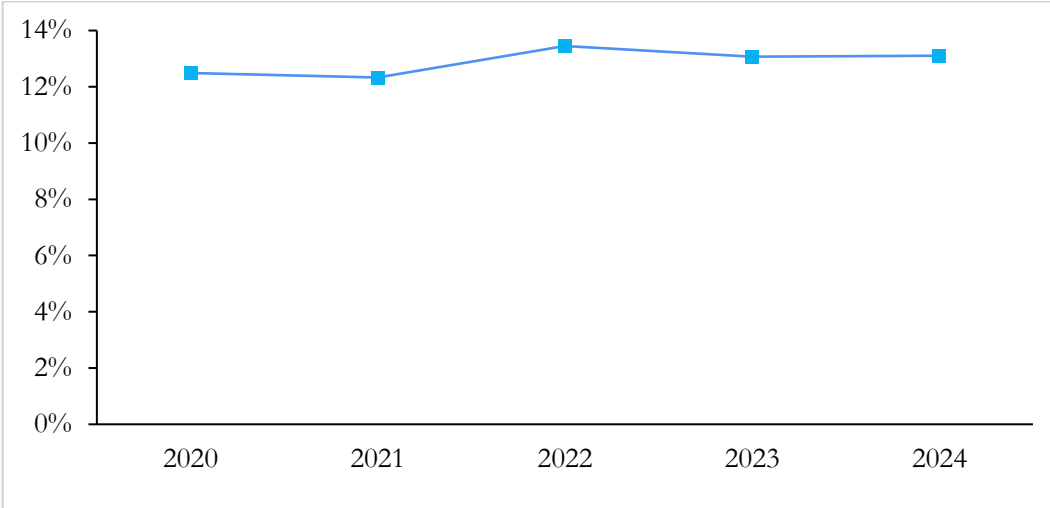


### Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through 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.

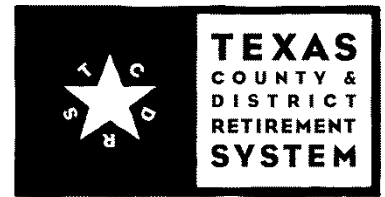


Reasons for Rate Change	2020-2021	2021-2022	2022-2023	2023-2024
Beginning Rate	12.49%	12.33%	13.45%	13.07%
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	-0.01%	-0.01%	-0.17%	0.23%
Elected Rate/Lump Sum	0.00%	0.00%	0.00%	0.00%
Demographic/Other Changes	-0.15%	-0.16%	0.09%	-0.20%
Assumptions/Methods	<u>0.00%</u>	<u>1.29%</u>	<u>-0.30%</u>	<u>0.00%</u>
Ending Rate	12.33%	13.45%	13.07%	13.10%
<b>Valuation Year</b>	2019	2020	2021	2022
<b>Funded Ratio</b>	87.8%	85.4%	86.4%	86.8%

A complete Summary Valuation Report for the Dec. 31, 2022 valuation 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, 2023.



April 20, 2023

Ms. Beatrice Galan  
Human Resources Generalist  
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(512) 328-8889  
800-823-7782  
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www.TCDRS.org

Dear Ms. Galan,

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 6% for 2024. 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, 2022, you would be eligible for a COLA on Jan. 1, 2024.

*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 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 10%, 20%, 30% and 100% CPI-based COLAs effective Jan. 2024. The following is a summary of the results of the study:

**Summary of Estimated Results for COLAs Effective January 1, 2024**

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 %:	1.93%	4.28%	6.88%	25.38%
15-Year Cost as a Percent of Payroll:	0.36%	0.79%	1.24%	4.45%
Additional Contribution to Fully Advance Fund:	\$ 8,072,491	\$ 17,588,057	\$ 27,741,347	\$ 99,309,617

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.

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.

Ms. Beatrice Galan

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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 style with a prominent initial "T" and a long, sweeping underline.

Tim Krause

Employer Services Representative

**TCDRS 2024 Plan Year**

**Required Rate**

2023 TCDRS Required Contribution Rate: 13.07%      Approximate Cost: \$26,140,000  
 2024 TCDRS Required Contribution Rate: 13.10%      Approximate Cost: \$27,641,227

(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%	\$ 54.00	\$ 105.00	\$ 4.00	0.18%	\$ 379,803	\$ 5,697,047
10% of CPI	1.93%	\$ 15.00	\$ 54.00	\$ -	0.36%	\$ 759,606	\$ 11,394,094
20% of CPI	4.28%	\$ 43.00	\$ 121.00	\$ -	0.79%	\$ 1,666,914	\$ 25,003,706
30% of CPI	6.88%	\$ 90.00	\$ 192.00	\$ -	1.24%	\$ 2,616,422	\$ 39,246,324
100% of CPI	25.38%	\$ 652.00	\$ 2,501.00	\$ 113.00	4.45%	\$ 9,389,577	\$ 140,843,661

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