

HATC Action Item 6C
June 21, 2018

Resolution No. HATC-2018-08: To Approve the provision of Texas County and District Retirement System (TCDRS) as the retirement benefits provider for HATC staff.

WHEREAS, Retirement benefits are an important component of the HATC employee compensation and benefits package; and

WHEREAS, Periodic reviews of current benefits are appropriate to ensure the well-being of HATC employees; and

WHEREAS, HATC's current retirement package has many advantages, the burden of investment risk is placed on the individual employee and not shared; and

WHEREAS, Employee earnings with a Simplified Employee Plan – Individual Retirement Accounts (SEP-IRAs) as is the case with HATC's current plan are not fixed and solely based on market performance.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of HATC hereby:

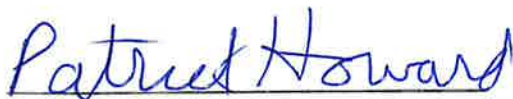
1. Approves Resolution No. HATC-2018-08,
2. Authorizes the CEO/Executive Director to execute all necessary documents and extensions.

Passed and approved the 21st day of June 2018.



Ann Denton, Chair, Board of Commissioners

Attested and approved as to form:



Patrick B. Howard, CEO/Executive Director

HATC Action Item 6C
June 21, 2018

Resolution No. HATC-2018-08: To *Approve* the provision of Texas County and District Retirement System (TCDRS) as the retirement benefits provider for HATC staff.

Background Information:

For the past several months, staff has analyzed and compared the agency's current retirement plan with those of other Housing Authorities of size to determine whether it seems plausible to continue with the current plan, or consider other options for such.

Mutual of America is the current HATC staff retirement provider. What they offer is referred to as a Simplified Employee Plan, or **SEP**.

A SEP is ideally suited and attractive to small businesses because it is easy to establish and administer. With SEP, contributions are made to an Individual Retirement Account or Annuity (IRA) set up for each HATC employee (a SEP-IRA). A SEP-IRA account is a traditional IRA and follows the same investment, distribution, and rollover rules as traditional IRAs. Additionally, a SEP does not have the start-up and operating costs of a conventional retirement plan and allows for a contribution of up to 25 percent of each employee's pay. However, only the employer (HATC) can contribute to the plan, and we must contribute equally for all eligible employees. HATC's current rate of contribution is 10% of each individual employee's salary. As a matter of right, HATC has the option of deciding each year whether to contribute to the SEP. Because of this flexibility, HATC could elect to forgo the SEP contribution in years when profits are less than anticipated. In the year's past, the rate of contribution on behalf of the employee has dropped as low as 6%, and for a period of 18 months, zero contribution was made to the SEP on behalf of HATC employees. Because there is not a fixed interest rate with this plan, the HATC employee is responsible for determining their investment options/portfolio. Individual HATC employee earnings will be based on market conditions, and they assume the investment risk.

In view of the aforementioned, a more plausible solution that provided more assurance and certainty was to identify a retirement plan that accomplished and/or offered the following, at a minimum:

- employee benefits based on both employee's account balance plus employer match;
- fixed interest rate;
- lifetime retirement benefits; and
- shared investment risk between HATC and the employee.

The current plan provides many things to both the organization and/or its employees:

- large degree of flexibility;
- low fees;
- tax deferral;
- immediate 100% vesting; and
- employer-only contributions.

Nevertheless, the lack of guarantees and assurances with our current plan imposes undue risk on the employee related to the growth of their retirement account.

The proposed HATC employee retirement plan – Texas County & District Retirement System (TCDRS) – provides a greater degree of long-term benefits to the HATC employee than HATC's current SEP-IRA plan. Benefits include:

- 7% interest on employee savings;
- lifetime benefit at retirement that includes employer matching; and
- A myriad of account options when the employee elects to retire.

Moreover, in addition to the special feature of *Survivor Benefit*, as a TCDRS member, the *Proportionate Retirement Program* will allow HATC employees to combine service time earned in other Texas retirement systems with their TCDRS service time (including years of service at HATC). See Texas County & District Retirement System Fact Sheet or www.TCDRS.org

Requested Action:

Consideration and appropriate action regarding Resolution No. HATC-2018-08, To Approve the provision of Texas County and District Retirement System (TCDRS) as the retirement benefits provider for HATC staff.

Alternate Option:

The Board of Commissioners could elect to Not Approve the change in retirement benefits provider.

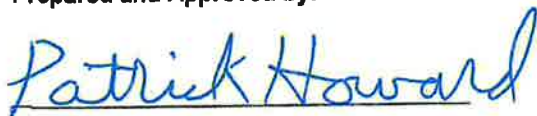
Fiscal Impact:

TBD

Attachment:

- A. Texas County & District Retirement System Fact Sheet

Prepared and Approved by:



Patrick B. Howard, CEO/Executive Director

ATTACHMENT A: Texas County & District Retirement System Fact Sheet

Created in 1967 by the Texas Legislature, the **Texas County & District Retirement System (TCDRS)** works with more than 735 county and district employers to provide retirement, disability and survivor benefits to more than 282,000 Texas public employees and retirees. The system receives no funding from the State of Texas. Each plan is funded independently by the county or district (i.e., Housing Authority) and its employees. TCDRS net assets are \$26.3 billion as of Dec. 31, 2016, and paid out \$1.2 billion in benefits in 2016.

Plan Structure

If HATC were to participate in TCDRS, we would maintain our own customized plan of benefits. This gives us as an organization the flexibility and local control to select and pay for benefits based on their needs and budget. We would review their plans annually and have the option to raise or lower benefits to control costs. HATC Employees save for their own retirement over the length of their careers. TCDRS benefits would be based on an employee's total savings balance, which includes interest and HATC's proposed matching contribution of 1:2.5. Benefits would be funded by HATC and its employees. HATC would pay 100% of its required contribution each year. This ensures the necessary money is saved and avoids pushing retirement costs onto future generations of workers.

Governance

A nine-member board of trustees appointed by the Texas Governor and confirmed by the Texas Senate governs TCDRS policies and operations. Trustees must be current members or retirees of the system. The board has oversight of all system operations including annual budget, policy determination, legislative proposals and investment policy.

Investments

TCDRS is invested in a broadly diversified portfolio, which reduces total exposure to losses from any single asset class or investment.

Benefits

How the plan works:

- A percentage of the employee's paycheck is deposited into his or her TCDRS account. That percentage is proposed, and is set by HATC. This was the rationale for the 4% COLA proposed in the FY19 Budget and going forward.
- The savings grow at an annual, compounded rate of 7%.
- Once the employee retires, he or she will receive a lifetime benefit that is based on the final account balance and HATC matching.

The average TCDRS retiree begins retirement at age 61, after 18 years of service and receives an annual benefit of \$21,804.