



CITY OF HOUSTON

Sylvester Turner

Mayor

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Dear City employees,

I want to let you know that negotiators for the City, the Houston Police Officers' Pension System, the Houston Firefighters' Relief and Retirement Fund and the Houston Municipal Employees Pension System have developed Preliminary Points of Understanding on a structural approach to long term, sustainable, defined benefit pension reform.

From the first time I met with representatives of all three employee unions at the start of this year, there has been agreement to maintain defined benefit plans. The plan announced today holds true to that agreement. We will have fully funded, secure, sustainable and affordable defined benefit pension systems that our employees can rely on today and tomorrow. I know employees are anxious to know how the plans are changing. There are different changes for each pension system but they could affect one or more of the following: cost of living adjustments, future benefit accrual rates and the DROP program.

For some time, we have known we had choices to make regarding our employee pensions. The current situation is straining our finances and putting at risk our ability to meet our pension obligations in the future. We have chosen to come up with modifications that will minimize adverse impact on our hard working employees, especially the thousands of police, fire and municipal workers eligible to retire today. We have to work it out here at home or the state legislature will impose its will on us, which none of us want to happen.

Today's announcement is the first step. There is still much more to do. The negotiators will work out the specific language for more formal agreements over the next month. Then there will be votes by the governing bodies of the three pension systems, City Council and the state legislature.

I do not expect our City employees to shoulder the entire burden for achieving financial stability. Once we fix pensions, I will ask voters to repeal the revenue cap that hinders our ability to keep up with the needs of a growing city. No other governmental body in the state has such a restraint. It is bad public policy, and it has to end.

I know how hard each of you works to meet the needs of our residents. You deserve certainty regarding your retirements. This plan provides certainty and takes the pension issue off the political radar for good.

Sincerely,

Mayor Sylvester Turner