STEPHEN C. COSTELLO
Houston City Council At-Large Position 1

March 11, 2015

Letter to the Houston delegation of the 84th State Legislature:

As you know, Houston Mayor Annise Parker has worked behind closed doors with union leaders to negotiate a lower temporary payment structure between the City of Houston and the Houston Firefighters' Relief and Retirement Fund (HFRRF) in an attempt to balance the City's estimated overextended operating budget this coming year. I am asking you to join me and others, such as the Greater Houston Partnership, who oppose this proposed deal, now memorialized as H. B. No. 2572, because it: (i) is bad for our firefighters and breaks our pledge to fully fund their pensions; (ii) is bad for the City of Houston because instead of working to find a tangible, long-term solution to our pension crisis, it only temporarily kicks the proverbial can down the road; and (iii) is bad for Houston taxpayers because it will increase the amount and volatility of future City contributions.

The proposed agreement both decreases money going into HFRRF and increases money going out. The drastically reduced payments by the City are not balanced out by the marginally increased payments from the firefighters. Reducing contributions to the fund, if investment targets are not met, will increase HFRRF's unfunded liability, causing higher payments (compounded by 8.5% yearly interest) by the City in the future. Furthermore, the proposal also allows unused leave pay to be placed in firefighters' Deferred Retirement Option Plan (DROP) account, where the taxpayers must guarantee a compounded 5% to 10% yearly return. This money is currently given in cash to retiring firefighters in a lump sum, but with no guaranteed return. This guarantee will further increase HFRRF's unfunded liability causing the City to commit more of the taxpayers' money in the long run.

Many of us in the city believe there is a significantly better and more responsible way to tackle Houston's looming pension crisis. Instead of debating the inadequate and deeply flawed elements found in the Mayor Parker/State Representative Turner H. B. No. 2572, I ask that you strongly consider, and lend your support to H. B. No. 2608, which would allow the Mayor (both current and future) and City Council to negotiate, and ultimately approve, an agreement with the HFRRF board for a sustainable and responsible pension program that is good for our great city, our brave firefighters, and Houston taxpayers.

Thank you for your consideration, and if you would like any further information on the taxpayers' onerous financial obligation to the HFRRF and/or the alternative solutions available, please contact my chief of staff, Sallie Alcorn at 832-393-3014 or sallie.alcorn@houstontx.gov.

Sincerely,

Stephen C. Costello

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