



CITY OF HOUSTON

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Mayor

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The Honorable Members of the Texas House of Representatives:

As the Texas House moves toward a vote on Houston's Pension Solution, some of my former legislative colleagues have approached me with questions about the plan, particularly with regard to the Houston Firefighters Relief and Retirement Fund. These are the facts:

State law requires the City to pay the fire pension system each year, and the City has made the full required payments while the pension systems for police and municipal employees have adjusted unreasonable benefits and willingly deferred payments from the City.

- That's why Houston's Pension Solution includes pension obligation bonds to be issued as "catch-up" funding for the police and municipal employees' pension systems.

The fire pension system is better-funded than its sister systems because of the requirements of state law.

- It's not necessarily because the fire pension is better-managed; in fact, it's difficult to figure out just how well-managed the fire pension is, because they release data sporadically or not at all.

Fire pension leadership claims the City has plenty of money to pay their benefits, even when financial experts, elected leaders, and the City's annual audit all say otherwise. They refuse to share data about their system, requiring the City to pay for pension benefits without showing taxpayers a true and clear picture of what they're paying for. Firefighters will tell you that their pensions should be higher because they're paid less than police, when in fact they routinely request pay raises of 5 to 10 percent during labor negotiations. They'll tell you they're underpaid, when in fact their compensation is very competitive with fire departments across Texas and much of the U.S. (they tend to compare to departments in the northeast, where the cost of living is much higher). Finally, after refusing to work with the City in any meaningful way over the past year, the firefighters' pension system recently did an end run around Houston's mayor, City Council and taxpayers to deal directly with legislators and present an unaffordable "Alternate Plan."

Why? The tables below show why, by highlighting the difference between the City of Houston's proposed pension reform and the existing pension plans for City of Houston municipal workers, police and firefighters. The tables assume a pension system member retires in 2017 with years of

service as indicated in the left-hand column. All average pay figures are estimated based on age and service data available in the pension systems' most recently published actuarial reports.

The tables lay out the impact of proposed pension reform on retirees, and clearly show that it's time for the Houston Firefighters Relief and Retirement Fund to step up and share in the sacrifices being made across our community. Many financial advisors recommend retiring with 70-80 percent of your salary, and police and municipal employees have a system that allows them to do that after 40 years of service (municipal employees are assumed to be collecting Social Security in addition to their pension). Firefighters can draw nearly three times that much at 40 years of service.

EXISTING PLANS									
Years of Service	HMEPS (Group D)			HPOPS (Post-2004 reform)			HFRRF Maximum DROP Duration		
	Average final pensionable pay	Retirement annuity	Salary replacement %	Average final pensionable pay	Retirement annuity	Salary replacement %	Average final pensionable pay	Retirement annuity	Salary replacement %
25	\$ 54,000	\$ 17,280	32%	\$ 93,000	\$ 51,150	55%	\$ 84,000	\$ 57,960	69%
30	\$ 55,000	\$ 23,650	43%	\$ 93,000	\$ 60,450	65%	\$ 85,000	\$ 71,400	84%
35	\$ 56,000	\$ 30,800	55%	\$ 93,000	\$ 69,750	75%	\$ 86,000	\$ 137,600	160%
40	\$ 65,000	\$ 39,000	60%	\$ 98,000	\$ 78,400	80%	\$ 87,000	\$ 174,000	200%

WITH HOUSTON'S PENSION REFORM PLAN IN PLACE									
Years of Service	HMEPS (Group D)			HPOPS (Post-2004 reform)			HFRRF		
	Average final pensionable pay	Retirement annuity	Salary replacement %	Average final pensionable pay	Retirement annuity	Salary replacement %	Average final pensionable pay	Retirement annuity	Salary replacement %
25	\$ 54,000	\$ 17,820	33%	\$ 93,000	\$ 51,150	55%	\$ 76,440	\$ 42,042	55%
30	\$ 55,000	\$ 24,200	44%	\$ 93,000	\$ 60,450	65%	\$ 77,350	\$ 50,278	65%
35	\$ 56,000	\$ 31,920	57%	\$ 93,000	\$ 69,750	75%	\$ 78,260	\$ 58,695	75%
40	\$ 65,000	\$ 40,950	63%	\$ 98,000	\$ 78,400	80%	\$ 79,170	\$ 63,336	80%

There is a House vote on Saturday, and it's time to move forward with real pension reform for all of Houston. The facts are clear. Houston's pension challenges are real. Our city's financial future is at stake. It's time to solve this problem by working together to create a sustainable pension for all employees.

Sincerely,



Sylvester Turner
Mayor, City of Houston

Notes:

- For HFRRF, the projections in the "Existing Plans" table assume the retiree maximizes their DROP participation and takes their DROP balance payout is in level installments over 20 years. This is based on information from the July 1, 2015 actuarial report for HFRRF, the most recent the fire pension system board has been willing to share with the City and the public.
- The slight increase in salary replacement percentage is due to the addition of the 1 percent of pay cash balance benefit in Group D (this is funded by the employee, not the City).