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## Capitol fight over public pensions previewed

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By **Kate Alexander**

AMERICAN-STATESMAN STAFF

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Tuesday offered a preview of a major legislative battle over public pensions that could erupt when lawmakers return to Austin in 2013.

Speakers at the forum sponsored by the Texas Public Policy Foundation, a limited-government think tank, argued that retirement funds serving 2 million firefighters, teachers and other public employees in Texas are not sustainable.

Bill King, founder of Texans for Public Pension Reform, took aim at the burden facing Houston because of rising pension obligations.

By 2020, King estimates, half of Houston's property tax collections could be consumed by contributions to the city's three retirement plans serving firefighters, police officers and other city workers.

"We need to adopt reforms that our generation pays for the services that we're hiring people to do," King said.

With a pension, the employee and employer both contribute to a professionally managed pooled investment fund, and the retiree is guaranteed a monthly benefit until death.

An alternative would be a plan similar to a 401(k), in which there is no guaranteed benefit and the employee bears the responsibility of ensuring he or she has adequate income to last throughout retirement.

Bill Hammond, executive director of the Texas Association of Business, said he expects public pensions to be a big issue in the next legislative session.

It's too early to tell whether the upcoming debate will focus only on legislative changes that will permit cities to alter their plans or include a broader overhaul of statewide funds, such as those that serve teachers and state workers.

Critics say the discussion at Tuesday's forum was heavy on talk of daunting unfunded liabilities yet light on context and ideas.

"They're not offering real solutions," said Tim Lee, executive director of the Texas Retired Teachers Association. "It is rhetoric that is dangerous because it may jeopardize what is already working in the State of Texas."

Larry Reed, a trustee for the San Antonio Fire and Police Pension Fund, said King was unfairly lumping together well-managed funds with the few that have been fumbled to justify major changes to public employee retirement benefits.

Two major economic downturns in the past decade have left a serious dent in Texas' public pension funds, providing much of the fodder for those who say that guaranteed retirement benefits are no longer something that taxpayers can afford.

But others argue that the long-term investment horizon of the pensions means they will recover as the economy and financial markets bounce back.

Managing a pension fund, Reed said, "is a marathon, not a sprint."

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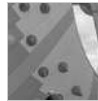
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