



# Center for Local Governance

## Resolution to Restore Local Control to Local Retirement Plans under State Governance

**Summary:** *Over the years, more than a dozen local retirement systems have petitioned the Legislature to have certain plan elements codified into state law, such as contribution rates, benefit levels, and the composition of their board of trustees. By establishing these provisions in state law, these systems have effectively put Austin between themselves and the communities they serve since, in many cases, substantive policy changes need to be approved by the Legislature. Locking out community stakeholders while locking in the status quo has been a negative for the fiscal position of these plans. As of June 2015, Texas' state-governed systems had accumulated \$7.4 billion in unfunded liabilities and eight of the 13 systems' amortization periods were beyond the "recommended" guidelines.*

*This resolution calls on the 85<sup>th</sup> Texas Legislature to pass legislation restoring local control of local retirement systems under state governance so as to provide community stakeholders with some level of oversight of their locally-administered pension plans.*



**WHEREAS** the financial health and well-being of Texas' local retirement systems is of the utmost concern to every Texan, young and old;

**WHEREAS** the Texas Pension Review Board's (PRB) report, [2015 Guide to Public Retirement Systems in Texas](#), finds that the Texas Legislature has codified in state statute key elements of 13 local retirement systems in seven major metropolitans, including "contribution rates, benefit levels, and the composition of their board of trustees;"

**WHEREAS** the same report found included among those local retirement systems specifically enabled by state statute and have their provisions established in Article 6243, Vernon's Civil Statutes (also known as Title 109) are: the Austin Employees' Retirement Fund; the Austin Fire Fighters Relief and Retirement Fund; the Austin Police Retirement System; the Dallas & Fire Pension System—Combined; the Dallas Police & Fire Pension System—Supplemental; the El Paso Firemen's Pension Fund; the El Paso Police Pension Fund; the Fort Worth Employees' Retirement Fund; the Galveston Employees' Retirement Plan for Police; the Houston Firefighters' Relief & Retirement Fund; the Houston Municipal Employees Pension System; the Houston Police Officer's Pension System; and the San Antonio Fire & Police Pension Fund;

**WHEREAS** for certain locally administered retirement systems, the codification of key elements of their plans in state law is serving as an impediment to local control and effective fiscal management since, depending on the governing statute, certain changes must be sanctioned by the Texas Legislature;

**WHEREAS** community stakeholders and other interested parties have only a limited timeframe in which to achieve necessary changes to locally administered, state-governed retirement systems because the Texas Legislature operates under a biennial system that convenes a regular session in odd-numbered years for a maximum of 140 days;

**WHEREAS** the codification of key elements of locally administered, state-governed plans in state law has not been a net positive for the fiscal position of these systems;

**WHEREAS** the PRB's report, [Actuarial Valuation Report for June 2015](#), finds that a majority of these state-governed systems are exhibiting signs of fiscal distress and long-term instability;

**WHEREAS** the same report found that the unfunded actuarial accrued liability (UAAL) for local retirement systems under state governance exceeded \$7.4 billion in June 2015, with 10 systems' UAAL in excess of \$100 million each, six systems' UAAL in excess of \$500 million each, and four systems' UAAL in excess of \$1 billion each;

**WHEREAS** the average unfunded liability per active member across all locally administered, state-governed systems amounted to \$149,829 in June 2015;

**WHEREAS** the funded ratio for eight of these locally administered, state-governed systems was below the 80 percent threshold that may indicate the financial soundness of a pension plan, and no plan had a funded ratio of 100 percent or more; and

**WHEREAS** the Texas Public Policy Foundation's report, [Better Management of Local Retirement Systems Under State Governance](#), estimates that eight of these locally administered, state-governed systems feature an amortization period—that the PRB has determined to be “the most appropriate measure” of a system's financial health—that exceeds the recommended range of 15-25 years while two of these systems' amortization periods exceed the maximum recommended guideline of 40 years; now, therefore,

**BE IT RESOLVED** that the City of \_\_\_\_\_ hereby calls on the 85<sup>th</sup> Texas Legislature to restore local control of local retirement systems under state governance by passing legislation that allows the sponsoring authority of a municipal retirement system established in state statute to adopt provisions by ordinance or resolution that supplement or supersede the operative provisions contained in the public retirement system's statutory authorization. ★

## About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

