



® **Houston Firefighters' Relief and Retirement Fund**  
*Investing for Firefighters' and Their Families*

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# HOUSTON FIREFIGHTERS' RELIEF AND RETIREMENT FUND

*Investing for Firefighters and Their Families®*



## State of the Fund – First Quarter 2013

**HFRRF has approximately 6,600 members. As of December 31, 2012 the Fund had approximately \$3.35 billion and an estimated fiscal year return of 8%.**

### Board of Trustees

**Todd E. Clark**  
*Chair*

**Gary M. Vincent**  
*Vice Chair*

**Francis "Frank" X. Maher**  
*Secretary*

**Harold W. McDonald**  
*Trustee*

**Kevin James Brolan**  
*Trustee*

**Stephen R. Whitehead**  
*Trustee*

**Craig T. Mason**  
*City Treasurer Designee*

**David Robertson**  
*Mayor's Representative*

**Albertino "Al" Mays**  
*Citizen Member*

**Honorable Carroll G. Robinson**  
*Citizen Member*

### Executive Staff

**Christopher E. Gonzales**  
*Executive Director*  
*Chief Investment Officer*

**Jonathan W. Needle**  
*Chief Legal Officer*

**Glenna Hicks**  
*Deputy Director*  
*of Member Services*

- The results of the July 1, 2012 Actuarial Valuation are as follows:
  - Funded Ratio = 87%
  - Unfunded Actuarial Accrued Liability = \$490 million
  - City's Actuarially determined Contribution rate = 31.1%
  - Normal Cost (City Portion) = 18.3% (down from a high of 22.3% in 2001)
  - FY 2014 City Contribution Rate = 23.9% (of FF payroll)
  - **City contributions are only 1.89% of the City's total expenses**
  
- As a result of the July 2010 actuarial valuation, the City will save approximately \$12.5 million per year over the three fiscal years ending 6/30/2014 for a total of \$37.5 million in savings.
  
- Revenue to the Fund comes from three sources: investment returns, City and firefighter contributions. The following is the breakdown of revenue by source over the past 10 years ending June 30, 2012. (see chart)
  - Firefighters = \$194 million, or 7%
  - City of Houston = \$527 million, or 20%
  - Investment income = \$1.98 billion, or 73%
  
- Since 1988, the investment portfolio has met or exceeded its target rate of return of 8.5% eighty-two percent of the time on a ten-year rolling basis (156 observations). Annualized returns as of June 30, 2012 are below:

1-Yr	3-Yr	5-Yr	10-Yr	20-Yr	30-yr
2.13%	13.05%	3.74%	9.23%	9.64%	10.43%

- The City does not contribute to Social Security for firefighters. This saves the City 6.2% of payroll.
- No benefit has ever been created or enhanced without the City's express support.
- Houston Firefighters were ranked 139<sup>th</sup> nationally in base pay according to a study conducted by Firehouse.com published in 2010. Also, according to the study Houston ranked 5<sup>th</sup> in calls.
- According to a December 2012 report from the Texas State Comptroller's office, *Your Money and Pension Obligations*, HFRRF was ranked 2<sup>nd</sup> for its funded ratio and 1<sup>st</sup> for its 10-year investment return. The study included 89 Texas public pension plans.

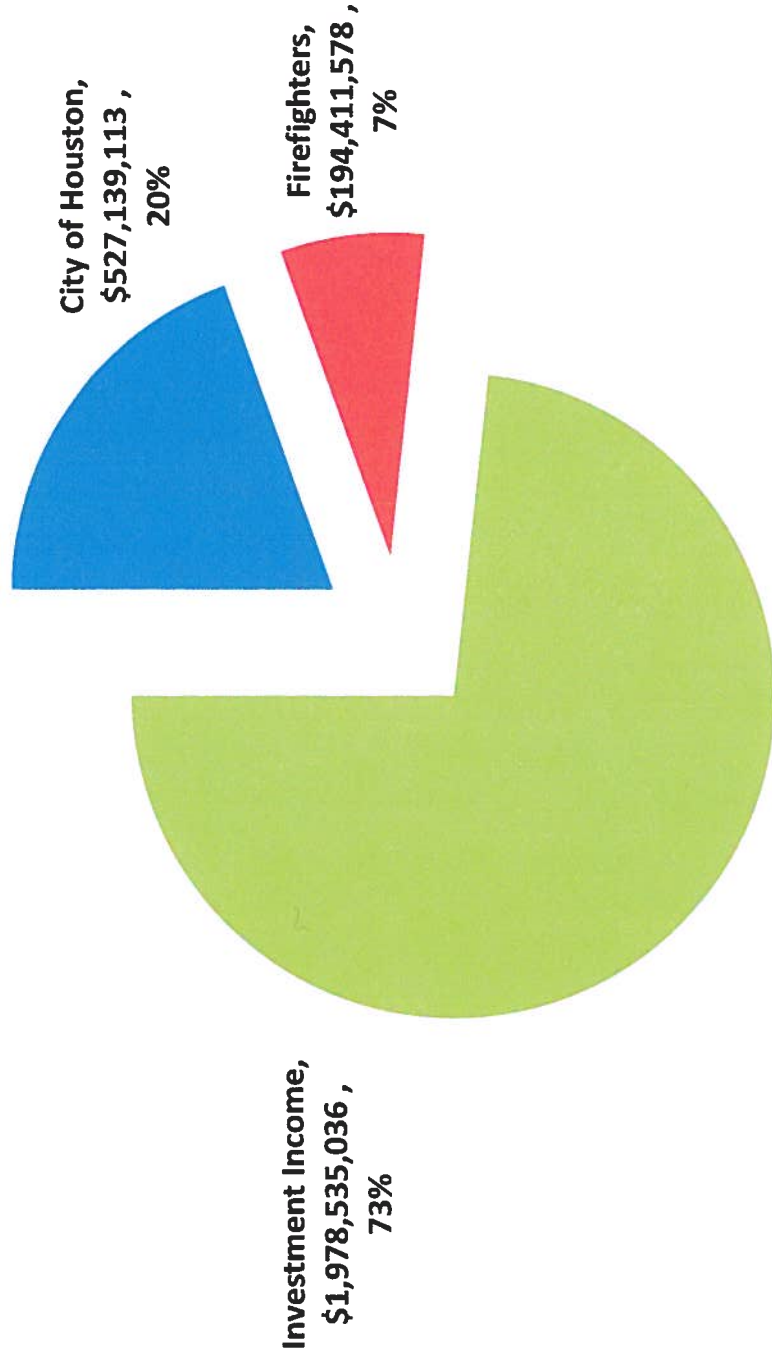




Tab 2

Revenue Analysis to HFRRF  
City of Houston  
FY2012 Expenditures

**Revenue Analysis**  
**Houston Firefighters' Relief and Retirement Fund**  
**July 1, 2002 to June 30, 2012**

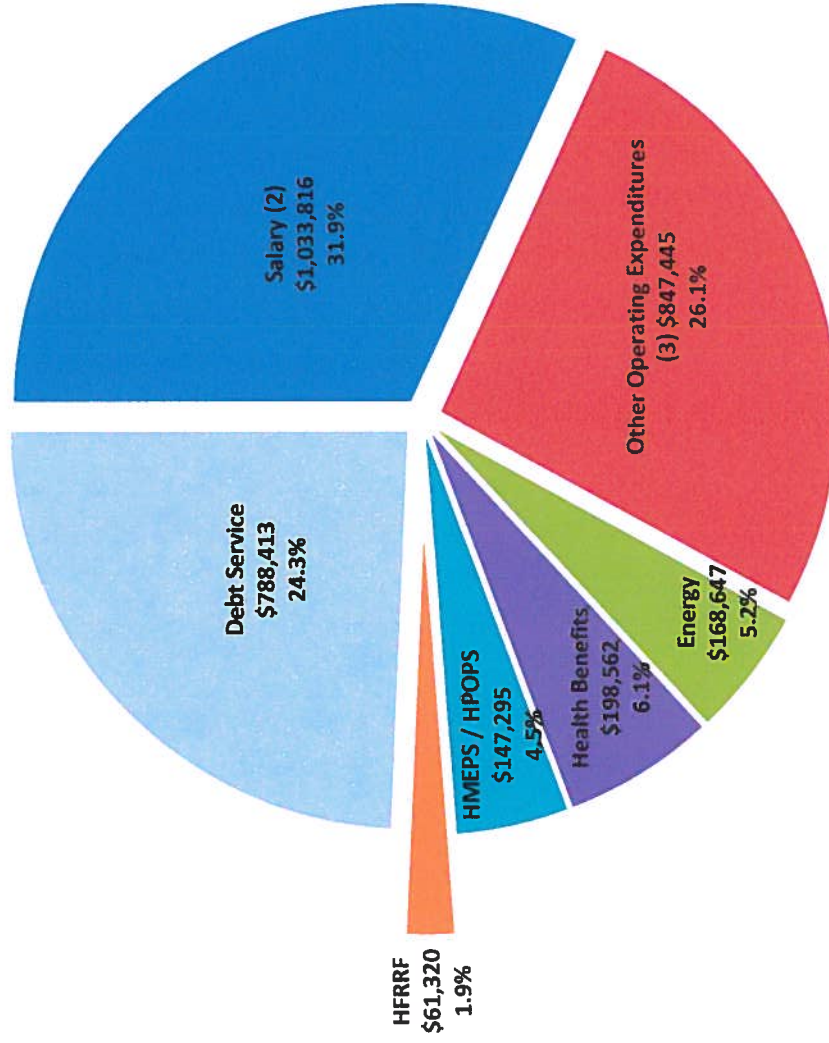


While there may be a common perception that firefighter benefits are "taxpayer funded", taxpayers are actually paying for only about one-fifth of the benefits with the other eighty percent coming from the trust of cumulated investment returns since 1937 plus the firefighters' own payroll contributions. So, the City's claim that they are required to pay for the lion's share of firefighter benefits is inaccurate.

Data source: HFRRF annual Audited Financial Statements, fiscal years 2002 through 2012

# City of Houston FY 2012 Expenditures & Other Uses Overview

All Funds (\$3,245,498 in Thousands)<sup>(1)</sup>



Source: City of Houston Long Range Financial Management Task Force – Deep Dive City Expenditures – October 31, 2011

Notes: 1. Includes General Fund, Special Funds, and Enterprise Funds

2. Salary includes: Base Pay (full and part-time) and FICA. In General Fund, over 2/3 of salary costs are classified

3. Other Operating Expenditures includes: Overtime, Temporary Employees, Unemployment Claims, Workers Compensation, Classified Special Pays, etc.



Tab 3

**Top 10 Advantage of Retaining  
Defined Benefit Plans**





*Investing for Firefighters and Their Families®*

A PUBLICATION FOR THE  
**RETIREES AND  
 BENEFICIARIES**  
 OF THE HOUSTON FIREFIGHTERS'  
 RELIEF AND RETIREMENT FUND

Since there are national concerns about the trend of moving from Defined Benefit (DB) plans to Defined Contribution (DC) plans, this article is being provided to you for informational purposes.

**SUMMARY OF THE TOP 10  
 ADVANTAGES OF RETAINING  
 DEFINED BENEFIT PENSION PLANS**



1. Retaining a Defined Benefit (DB) plan is likely to cost state and local governments less over the short term. The long-term cost savings of switching to a Defined Contribution (DC) plan are uncertain at best.
2. Almost all state and local DB plans provide disability and survivor benefits, as well as retirement income. Switching to a DC plan would require employers to obtain these benefits from another source, likely at a higher cost.
3. DB plans enhance the ability of state and local governments to attract and retain qualified employees. Switching to a DC plan would limit this ability, possibly exacerbating labor shortages in key service areas by increasing employee turnover rates. Higher turnover rates, in turn, could lead to increased training costs and lower levels of productivity, possibly resulting in the need for a larger workforce.
4. DB plans help state and local governments manage their workforce by providing flexible incentives that encourage employees to work longer or retire earlier, depending on the circumstances. Switching to a DC plan would limit this flexibility and make these incentives more expensive for the employer.
5. DB plans earn higher investment returns and pay lower investment management fees, on average, than DC plans. Switching to a DC plan would likely lower investment earnings and increase investment management costs, to the detriment of the plan participants.
6. DB plans reduce the overall cost of providing lifetime retirement benefits by pooling mortality (and other) risks over a relatively large number of participants. Switching to a DC plan would require each individual to bear these risks alone, consequently requiring higher contributions than if the risks were pooled.
7. DB plan investment earnings supplement employer contributions. Switching to a DC plan would prevent state and local governments from offsetting employer contributions with investment earnings, which, on average, have funded more than two-thirds of public retirement benefits over the past 25 years.
8. DB plans provide secure retirement benefits based on a person's salary and period of service. Switching to a DC plan would likely result in lower and less secure retirement benefits for many long-term governmental employees, including firefighters, police officers, and teachers, who constitute more than half of the state and local government workforce. State and local employees who are without Social Security coverage would be subject to even greater risk.
9. DB plans help sustain state and local economies by providing sufficient and steady retirement benefits for a significant portion of the workforce. Switching to a DC plan could slow state and local economies, since a large number of retirees would likely receive lower retirement benefits.
10. DB plans provide benefits that help ensure an adequate standard of living throughout retirement. Switching to a DC plan would likely result in pressure on state and local governments to augment DC plan benefits and require increased financial assistance for retirees.

*Reference:*

*Kim, H. (2011). The Top 10 Advantages of Maintaining Defined Benefit Pension Plans. NCPERS Research Series, January 2011, pg 1-2.*

**INVESTMENT PORTFOLIO UPDATE**

PERIOD	RETURN*
July 1, 2010 to March 31, 2011	+17.9%



\*The returns above are unaudited estimates and are gross of fees and expenses.





Tab 4  
Task Force Minority Report  
and Misc. Letters



***Minority Report  
City of Houston  
Long-Range Financial  
Management Task Force***

February 7  
2012

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**SUBMITTED BY:**  
Terry Bratton  
Barbara Chelette  
Todd Clark  
Celeste Fatheree  
Melvin Hughes  
Ralph Marsh

## Minority Report

### Long-Range Financial Management Task Force

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#### *Executive Summary*

We are six members of the City of Houston's Long-Range Financial Management Task Force (Task Force), representing nearly 40,000 City employees, retirees and beneficiaries. We commend the creation of the Task Force as a much-needed first step in moving the City toward a long-term fiscal balance that can help Houston remain one of the fastest-growing cities in North America.

We have decided to issue this Minority Report not because we disagree with the goals of the Task Force – we fully support them – but because we believe too much of the Task Force's efforts were spent on short-term solutions that fail to address core financial issues.

We believe the City, and the Task Force, should focus on finding innovative and effective ways to take advantage of such truly major developments as the astonishing growth rate of our region, historically low interest rates and significant cost-control mechanisms in national healthcare legislation.

Each of us came to work on this effort in good faith and put our best effort toward achieving the Task Force's goals. However, we are deeply concerned that many Task Force members argued for "more control" of the pensions by the City as a solution to the fiscal problems. The emphasis on pensions is misplaced, as is illustrated in the chart on page 5, which shows pension costs within the context of the City general fund budget.

Over the course of the Task Force meetings, it became clear to us that "pension governance" was a superficial issue. The important problem is City governance, specifically the decision-making that is routinely done with little or no long-term planning. The most obvious symptom of this is the overall City

debt load, which now amounts to \$13.1 billion. In recent years, the City has aggressively rolled this debt forward (see chart on page 3). We are not pointing fingers; rather we are trying to honestly identify the core problems.

In the spirit of finding the best solutions for the City, we offer the following recommendations and comments:

- Restructuring Debt: In the past, administrations have refinanced current obligations to address debt service matters. This method of addressing long-term debt should be further reviewed given the opportunities to refinance the debt at historically low levels.
- City Structural Challenges: The City must thoroughly analyze whether Enterprise Funds, TIRZs and Management Districts provide a real financial benefit to City taxpayers.
- Drainage Fee Structure: The City has implemented a drainage fee that is expected to raise billions of dollars in funding. Employees may be funded through this fee, freeing up General Fund dollars. The City should clearly report this so that the savings to the General Fund are transparent and communicated to the public.
- Economic Growth: The City's long-term approach should include economic growth strategies – recognizing that providing effective and efficient services to the citizens of Houston is essential in this effort.

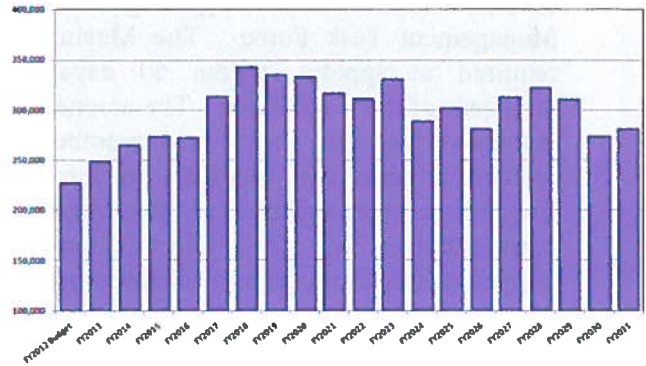
## Minority Report

### Long-Range Financial Management Task Force

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- Public-private combinations: While these strategies may be worth considering in some cases, studies show that privatization does not deliver the savings for taxpayers promised by its proponents. Instead, public accountability is lost. Proposals to privatize EMS, for example, are highly questionable. Even setting aside the substantial legal challenges in curtailing emergency medical services, it would be detrimental to the citizens of Houston (one out of ten of whom call upon EMS at some point). Houston's EMS is recognized worldwide as a leader in injury care, and Houston was identified by Fortune Magazine as one the safest cities in the U.S. to have a medical emergency.

20 Year Debt Payment Schedule (\$ in thousands)



Source: Task Force Presentation 9/6/11

## **Minority Report**

### **Long-Range Financial Management Task Force**

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#### ***Background***

In June 2011, the Houston City Council passed an amendment to the annual budget ordinance that created a Long-Range Financial Management Task Force. The Mayor was required to appoint, within 60 days, the members of the Task Force. The amendment mandated that the Task Force membership include at least two members of the City Council, a representative of the Mayor, a representative of the City Controller, representatives from each of the three pension systems, representatives from each of the three employee unions and five members of the community. Ultimately, three members of the City Council were appointed to the Task Force bringing the total membership to sixteen. The Task Force is advisory only.

While the City Council lacked the authority to mandate participation in the Task Force by representatives of the unions and pension funds, these groups desired, as in the past, to work with the City Council in a cooperative manner in the endeavor. The unions and pension funds represent nearly 40,000 City employees, retirees and beneficiaries.

Furthermore, the amendment creating the Task Force had three requirements: First, that the final report be submitted to the Mayor followed by a meeting of a "Committee of the Whole" no later than January 31, 2012. Also that the final report must include a recommendation on whether continued existence of the Task Force, in its current or altered form, would be beneficial. Finally, the Task Force shall maintain as privileged and confidential any work product or draft document used to compose its final report. By ordinance, the City Council subsequently changed the January 31, 2012 deadline to February 6, 2012. Further, despite the requirement that the Task Force keep draft

documents confidential, one key document was in fact widely made public. This caused confusion for the public, and panic among many City employees, retirees and beneficiaries who read in the news media that their pensions might soon be eliminated.

We have decided to issue this Minority Report not because we disagree with the goals of the Task Force – we fully support them – but because we believe too much of the Task Force's efforts were spent on short-term solutions that fail to address core issues. Of the 229 original Task Force suggestions, 58 of them (25%) were pension oriented, even though pension expense represents only 9% of the 2012 General Fund budget, and even less when compared to the entire City budget.

We commend the creation of the Task Force as a much-needed first step in moving the City toward a long-term fiscal balance. By focusing on real solutions and addressing core issues through meaningful and lawful action, we can help Houston remain a vibrant and affordable place to live and continue as one of the fastest growing cities in North America.

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## Minority Report

### Long-Range Financial Management Task Force

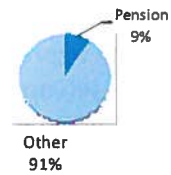
***Recommendations on Pension Issues:***

Because pensions dominated so much of the Task Force’s time, we find it necessary to point out some misconceptions about pension reform matters.

Many people are not aware that the Houston pension systems have already implemented a significant number of reforms to maintain strong and sustainable plans. Several of these reforms have received nationwide recognition for their success and have shown the way for other state and local plans to adopt modifications to strengthen their finances. In addition, we want to note that changes to pension plans can only be made through the statutory Meet and Confer process or by the Texas Legislature. In regards to some suggestions offered regarding pensions, we provide the following comments and recommendations:

- **Pension Governance.** Some suggestions stated that the City needs to have “more control” over pensions. These proposals are misguided. The underlying problem, indeed the source of current imbalances, is that the City is able and eager to take on long-term obligations without first determining how to fund them, resulting in the current debt load of \$13.1 billion. Just as the debt burden has not been forced upon the City, pension obligations have also received City approval each step of the way. The chart below (“Cost Breakdown”) helps place the pension “burden” within the context of the overall City budget.

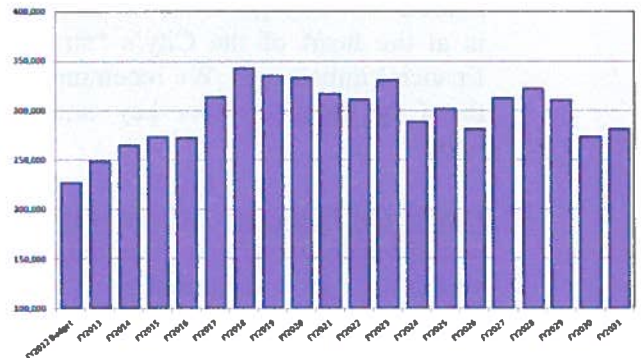
FY 2012 City General Fund Budget - Cost Breakdown



Source: Task Force Presentation 9/6/11

Also, the “20 Year Debt Payment Schedule” chart demonstrates how the City has been aggressively rolling its debt forward, such that nearly \$2 billion comes due between FY2012-FY2018.

20 year Debt Payment Schedule (\$ in thousands)



Source: Task Force Presentation 9/6/11

Since the City willingly took on these obligations (often in the form of express contracts) over recent decades with little or no long-term planning, we simply do not understand how “more City control” of pensions could seriously be considered as a credible solution.

It must be understood that any changes to benefits or contribution levels have always been agreed upon by both parties. Statutory changes in the pension plans are subject to state agency oversight and independent actuarial review. Therefore, all parties are a part of the process and

## Minority Report

### Long-Range Financial Management Task Force

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changes cannot be initiated without agreement of all the groups.

Above all, it is important to remember that pensions are set up as trusts with strict oversight and controls to prevent governments from raiding pension funds to pay for other projects. This has happened in the past, which is why public plans are now separate systems with independent governance, while still including City appointees.

While an enormous amount of Task Force time was spent discussing pension governance, very little was spent exploring City governance. We support proposals to address the City governance issue, which is at the heart of the City's "structural" financial imbalances. We recommend that the City focus on this key underlying issue.

- Funding of Pensions: Several suggestions would require the City to fund the pension systems at actuarially required contribution levels. We agree.
- The Risk Equation: Some have asserted that the City "bears the risk" of any market underperformance relative to the 8.5% assumed rates of return. But ordinarily, over two-thirds of the systems' funding comes from returns on their investments, which are all professionally managed and have excellent track records. Also, in all three systems, employees contribute their own money to help fund their benefits. The risk equation is further balanced by each system's plan designs, which have been modified to address their unique funding circumstances. Finally, pension funds exist for the benefit of multiple generations of workers and therefore must focus on the long term – and over the long

term the City's pension funds have matched or exceeded their target returns of 8.5%.

Additionally, we believe that the debate over the appropriateness of the 8.5% rate has been confused. Sometimes, the debate concerns what percent should be used for accounting purposes. Using a different rate for reporting and accounting purposes is just that – simply a matter of reporting. It would result in a different expression of the same data, but would not necessarily be better or more useful information.

Some Task Force debate suggested that a rate lower than 8.5% be used in calculating City contribution levels. Each of the pension systems periodically analyzes the appropriateness of an 8.5% return assumption, and they have found that the rate is reasonable but always subject to continued review. However, using a lower rate to calculate City contribution levels would result in higher required contributions by the City at a time when the City is arguing that the current contribution requirements are overly burdensome. Our recommendation is to first meet contribution goals based on the current rates before attempting to achieve more ambitious levels.

Sources of Funds for Houston Pensions FY 2011



Sources: FY2011 CAFR's from City's Municipal, Police and Fire Pension Systems



## Minority Report

### Long-Range Financial Management Task Force

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- Defined Benefit Plans. Several of the suggestions advocated changing from the current Defined Benefit (DB) approach to 401(k)-style defined contribution (DC) accounts for City employees. In fact, we already have that type of program at the City, which is the 457 plan. The 457 plan is a great way to save more for retirement and health care expenses, but it is not a replacement for the DB plan, which is the bedrock upon which City employees have built a secure and hard-earned retirement. In comparing DB plans with DC plans, DC plans are not necessarily cheaper. They are only cheaper if benefits are drastically cut. On an apples-to-apples comparison, DB plans are a cheaper, safer and more efficient way to provide for retirement. Although pensions represent a higher portion of total compensation for state and local workers, recent studies show that this in large part offsets the fact that salaries (and the virtual nonexistence of bonuses) tend to be lower<sup>1</sup>. Furthermore, sponsors of DB plans in the past have often found that closing their plans and converting to DC plans results in substantial increases in costs. We recommend that DB plans be maintained as a critical element of the task of attracting and retaining qualified employees in the long term. Of course, we should always look for ways to increase their efficiency and effectiveness.
- Transparency: There is nothing secretive about how pension benefits (including DROP) are calculated. The City has all

payroll and employment data concerning its employees (that's where the pension funds obtain employment information in the first place). The idea that DROP accounts represent some sort of mystery is not correct. Actuaries typically assume that all participants enter DROP as soon as eligible, and that any variations from this assumption are immaterial. The Comprehensive Annual Financial Reports for the pension funds contain substantial aggregate information on DROP participation and funding. We recommend that work continually be done to improve information flow between the pensions and the City, but also that all legally required privacy and confidentiality conditions be absolutely respected.

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<sup>1</sup> "Comparing Compensation: State-Local Versus Private Sector Workers," The Center for Retirement Research at Boston College.

## Minority Report

### Long-Range Financial Management Task Force

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#### ***Other Recommendations:***

We believe the City, and the Task Force, should focus on finding innovative and effective ways to take advantage of such truly major developments as the astonishing growth rate of our region, historically low interest rates and significant cost control mechanisms in national healthcare legislation. For example, the City should thoroughly explore the following:

- Restructuring Debt: In the past, administrations have refinanced current obligations to address debt service matters. This method of addressing long-term debt should be further reviewed given the opportunities to refinance the debt at historically low levels.
- City Structural Challenges: The City must thoroughly analyze whether Enterprise Funds, TIRZs and Management Districts provide a real financial benefit to City taxpayers.
- Drainage Fee Structure: The City has implemented a drainage fee that is expected to raise billions of dollars in funding. These funds cannot be used for debt service but to actually assist in solving the long-term drainage issues. The City should report how many employees will be funded through this fee, freeing up General Fund dollars.
- Economic Growth: The City's long-term approach should include economic growth strategies – recognizing that providing effective and efficient services to the citizens is essential in this effort.
- Public-private combinations: While these strategies may be worth considering in some cases, we recommend that such ideas be considered with great caution. Studies show that privatization does not deliver the savings for taxpayers promised by its proponents. As public services are shifted to the private sector, public accountability is lost and contractors take advantage of the system to profit at the expense of the public. Proposals to privatize EMS, for example, are highly questionable. Even setting aside the substantial legal challenges in implementing privatization, it would be detrimental to the citizens of Houston (one out of ten of whom call upon EMS at some point). Houston's EMS is recognized worldwide as a leader in injury care, and Houston was identified by Fortune Magazine as one the safest cities in the U.S. to have a medical emergency.

## **Minority Report**

### **Long-Range Financial Management Task Force**

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#### ***Conclusion***

Some facts have become clear to the members who comprise the minority members of the Task Force:

First, over the years, the City of Houston has continued to grow. Rated as a global city, Houston's economy has a broad industrial base in energy, manufacturing, aeronautics, and transportation. It also leads in the health care and oilfield equipment sectors. Only New York City headquarters more Fortune 500 companies than Houston. The Port of Houston ranks first in the United States in international waterborne tonnage handled and second in total cargo tonnage handled. Houston's population grew 7.5% over the past decade and it remains a vibrant, affordable City that provides its citizens with employment opportunities and a high quality of life.

Second, the City's elected leaders have all too frequently made fiscal decisions that focused on the short term. Consequently, there has been a lack of institutional accountability, which has resulted in costly obligations being passed from one administration to the next. Sadly, City employees are repeatedly asked to make sacrifices as the elected officials struggle to reconcile their current thinking with these prior decisions.

Lastly, as did our colleagues in the majority, we came in good faith to work hard and reach a consensus. However, we believe we have a responsibility to those we represent to outline separately and distinctly our suggested opportunities for the City's elected representatives' consideration.

We look forward to contributing to efforts in the future that focus on the core fiscal problems facing the City.

Respectfully submitted,

Terry Bratton  
Barbara Chelette  
Todd Clark  
Celeste Fatheree  
Melvin Hughes  
Ralph Marsh

**FOR IMMEDIATE RELEASE**

CONTACT: Miranda Sevcik  
miranda.s@earthlink.net  
(713) 515-9729

**January 10, 2012**

**Houston Firefighters Vow to Protect Retirement Pensions from Mayor's Task Force Looking to Raise Cash**

**Houston, TX - January 10, 2012:** The Mayor's task force announced today they are specifically targeting the retirement funds of city firefighters as a way to generate cash for a city burdened by fiscal mismanagement. The task force has been a set-up job from the very beginning. There are people on this task force that do not understand pensions, but yet they want to make changes.

"This is a fight for the dignity of Houston firefighters and their families," says Chairman Todd Clark of the Houston Firefighter's Relief and Retirement Fund. "The Mayor tried and failed last year to find legislative support in Austin to strip our local heroes of their hard-earned retirement and now she's trying again but this time by hiding behind a mayor created task force that doesn't understand how the pension system works."

The employee trust fund is not for the mayor to fund her favorite projects. She apparently sees the recent nationwide pension bashing as an opportunity to use for her own purposes money dedicated to the firefighters pension trust. This committee was pre-programmed for Mayor Parker to hear what she wanted to hear, it is not independent in any way.

Unlike the City of Houston, firefighters Relief and Retirement Fund is a well-managed, fully funded entity with \$3 billion in assets. There are currently 6,511 members of the plan. Because Houston firefighters are ranked nationally 139th in base pay and do not participate in or receive Social Security benefits as part of their compensation package, the pension system is often retirees' only lifeline after they retire.

Taxpayers only pay approximately one-fifth of the benefits going to firefighters with the other eighty percent coming from the trust and firefighters themselves. Based on the projected payroll for 2012, 2013 and 2014 the City's contribution to the Fund will be \$12.5 million less than the last three years, a savings of \$37.5 million.

The Houston Firefighters' Relief and Retirement Fund has grown in size since being founded 1937. Originally administered by the City of Houston, in 1988 the Board of trustees started hiring independent staff and exercising more autonomous control. In 1988 the market value of the Fund assets was \$468 million. The plan is governed by Texas statute.

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## EMAIL

**From:** Todd E. Clark  
**Sent:** Friday, September 09, 2011 5:01 PM  
**To:** Todd E. Clark.

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**Sent:** Friday, September 09, 2011 4:57 PM  
**Cc:** Todd E. Clark

Here is something you will enjoy reading about regarding how much money is owed to the COH...this will make you say unbelievable..

TED OBERG--channel 13 did this story on May 18, 2011 [www.abc13.com](http://www.abc13.com)... in the search engine type in Ted Oberg, scroll down on his stories until you get to the date listed.

Taxes-----	\$77,201,066.	-----3 years over due-----	\$48,460,269.
Class C-----	\$307,632,514	-----3 years over due-----	\$153,027,145
Amb Fees-----	\$319,610,972	-----3 years overdue-----	\$216,446,975
Library Fees-----	\$11,249,494	-----3 years overdue-----	\$7,118,535
Red Light Camera--	\$27,609,450	-----3 years overdue-----	\$4,816,700
Burgular Alarms---	\$2,657,474	-----3 years overdue-----	\$144,289
Water/Sewer-----	\$140,867,600	-----3 years overdue-----	\$81,869,628
Parking-----	\$29,074,384	-----3 years overdue-----	\$14,827,935
Airport Fees-----	\$2,974,740	-----3 years overdue-----	\$220,787.
Fire Permits-----	\$1,247,461	-----3 years overdue-----	\$71,700

**Total owed \$992 Million dollars**



Tab 5

Susan Combs  
(State Comptroller)  
Articles

Pension Review Board (PRB)  
Listing of Defined Benefit Plans



# Susan Combs Throws Cold Water on Texas Public Pensions “Crisis”

by [Forrest Wilder](#) Published on Wednesday, December 5, 2012, at 4:54 CST



Texas Comptroller Susan Combs [at a town hall meeting in Brownwood](#) last summer. Combs is among the GOP leaders who've been encouraging folks to look on the bright side of last session's school funding cuts.

So, about that [public pension crisis](#)... According to Texas Comptroller Susan Combs, and the data-driven [report](#) she released yesterday, there really isn't one. "We're actually in pretty doggone good shape," she said at a news conference yesterday. Teachers, city workers, cops and firefighters can rest a little easier.

The report, which considered eight statewide pension systems and 81 local plans, found that Texas' situation "doesn't appear as alarming as the problems faced by some other states." However, Combs did caution that costs are "growing and we shouldn't assume that problems will never arise." She also identifies a handful of pension plans—Ft. Worth and Houston's municipal employee plans, in particular—that are in actual trouble.

Coming from a prominent Republican elected official, one who will likely run for lieutenant governor, this amounts to a bucket of cold water thrown on the movement to "reform" pensions in Texas. Conservative organizations, including the corporate-funded Texas Public Policy Foundation, have been [urging](#) a radical transformation of Texas' pensions on the theory that the plans are spiraling toward insolvency. Their vision: ending a guaranteed retirement income backed by professionally-managed funds, and moving toward a 401(k)-type system.

Max Patterson, executive director of the Texas Association of Public Employee Retirement Systems (TEXPERS), characterized Combs' analysis as "very positive." "An overwhelming majority of officials think that way," he said. "I haven't heard any kind of hue and cry among lawmakers that there need to be huge changes."

The Combs report underscores the persistent problem with the reformer's theory: Most of the pension plans in Texas, including the big statewide ones covering teachers, state workers and some local and county employees, are in decent-to-great shape. Out of the 89 pension plans that Combs examined, the combined fund ratio (assets measured against liabilities) was 82.5 percent. A rough rule of thumb used by actuaries is that funds over 80 percent are in decent shape.

Of the four biggest statewide systems—Employees Retirement System (ERS), the Teacher Retirement System (TRS), the County and District Retirement System (TCDRS), and the Municipal Retirement System (TMRS), which collectively serve about 2 million Texans and hold over \$175 billion in assets—Combs found that all four had funded ratios, the plan's assets measured against liabilities, over 80 percent.

The Texas pension plans' health is a testament to sound oversight by lawmakers, said Tim Lee, executive director of the Texas Retired Teachers Association. Unlike other states, Illinois and Rhode Island for example, Texas' big public pensions have offered modest—some would say stingy—benefits and posted good rates of return. In other words, the sort of conservative fiscal management that many Texas Republicans are proud of.

Lee contrasts that with the reformers.

“Ultimately their goal, their No. 1 agenda item is to get the state off the hook for anyone's retirement plan,” he said. “It's all about whether the state of Texas is going to have any obligation in a person's retirement security. For 75 years it's worked pretty well.”

Lee and the Combs report do identify long-term challenges. For example, both the Teacher Retirement System and the Employees Retirement System have long-term unfunded liabilities large enough (\$24 billion and \$5.1 billion, respectively) that they will eventually run out of money. Huge losses in 2008 amidst the market downturn are a factor. About two-thirds of the revenue for these big pension plans comes from investment income.

But for TRS and ERS the main culprit is a lack of full funding from the state of Texas. The Texas Legislature has whittled away at its contribution to these funds. Prior to 1995, the state chipped in 7.31 percent to teachers' retirement. (The teachers, who don't participate in Social Security, kick in 6.4 percent.) But for the last decade or so the state has only put in 6 percent, robbing the fund of an estimated \$11 billion, according to Lee.

Lee says the solution is making “tweaks” to the state's contribution. TRS is asking the Legislature to kick up its share 1 percent by 2015. That would reap about \$375 million for the fund over the next two years and put the fund “really close to being actuarially sound.”

Blake Rocap, an Austin attorney and former clerk of the House Committee on Pensions and Investments, makes the argument that TRS is a great bargain for the state. The vast majority of Texas teachers don't participate in Social Security, so the state doesn't chip in the federally-required 6.2 percent, and the fund has been outperforming its own 8 percent investment benchmark.

“The wisest thing the Legislature can do to maintain the health of the public pension plans is to increase its contributions today,” he said.

Tags: [employees](#), [public pensions](#), [retirement](#), [Susan Combs](#), [teachers](#), [Texas](#)

**STATE & LOCAL PENSION PLANS IN TEXAS**

See our Web tool at [www.trackingtx.org/index.php/pension](http://www.trackingtx.org/index.php/pension) for more data on these plans, including assets held by each.

UPDATED 12/18/12	FUNDED RATIO	AMOR-TIZATION PERIOD	UNFUNDED LIABILITY	UNFUNDED LIABILITY PER MEMBER	ASSUMED RATE OF RETURN	ACTUAL ROR REPORTED 9/30/12 5-Yr / 10-Yr	
PLAN NAME							
ABILENE FIREMEN'S RELIEF & RETIREMENT FUND	55.9%	32.9	\$38,982,852	\$214,191	8.0%	3.09%	7.33%
AMARILLO FIREMEN'S RELIEF & RETIREMENT FUND	84.0%	35.9	\$22,112,825	\$90,999	8.3%	4.60%	8.20%
ATLANTA FIREMEN'S RELIEF & RETIREMENT FUND	74.3%	30.0	\$910,476	\$27,590	7.2%	2.53%	N/A
AUSTIN EMPLOYEES' RETIREMENT SYSTEM	65.7%	27.1	\$932,942,173	\$111,756	7.8%	3.28%	8.34%
AUSTIN FIRE FIGHTERS RELIEF & RETIREMENT FUND	88.7%	20.5	\$74,924,239	\$77,803	7.8%	1.34%	7.30%
AUSTIN POLICE RETIREMENT SYSTEM	67.2%	30.7	\$270,760,099	\$160,213	8.0%	-1.30%	6.90%
BEAUMONT FIREMEN'S RELIEF & RETIREMENT FUND	71.2%	53.6	\$36,926,504	\$160,550	8.0%	2.50%	7.46%
BIG SPRING FIREMEN'S RELIEF & RETIREMENT FUND	67.4%	25.7	\$4,602,913	\$69,741	8.0%	2.65%	7.89%
BRAZOS RIVER AUTHORITY RETIREMENT PLAN	72.6%	30.0	\$7,455,335	\$50,717	6.5%	DNR	DNR
BROWNWOOD FIREMEN'S RELIEF & RETIREMENT FUND	39.6%	27.2	\$3,747,374	\$113,557	7.2%	3.20%	N/A
CAPITAL MTA RETIREMENT PLAN FOR ADMINISTRATIVE EMPLOYEES	61.8%	10.5	\$5,217,817	\$19,616	7.5%	DNR	DNR
CAPITAL MTA RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES	60.3%	29.0	\$19,536,309	\$27,516	7.5%	DNR	DNR
CITY PUBLIC SERVICE OF SAN ANTONIO PENSION PLAN	88.2%	20.0	\$152,897,317	\$44,370	7.8%	3.94%	N/A
CLEBURNE FIREMEN'S RELIEF & RETIREMENT FUND	58.9%	21.9	\$10,155,702	\$188,069	7.5%	DNR	DNR
COLORADO RIVER MUNICIPAL WATER DISTRICT DEFINED BENEFIT RETIREMENT PLAN & TRUST	88.6%	30.0	\$1,107,922	\$16,293	7.5%	N/A	N/A
CONROE FIRE FIGHTERS' RETIREMENT FUND	57.6%	33.5	\$9,533,825	\$117,702	7.8%	DNR	DNR
CORPUS CHRISTI FIRE FIGHTERS' RETIREMENT SYSTEM	58.6%	22.3	\$73,485,485	\$176,648	8.0%	3.80%	7.96%
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY	85.2%	12.0	\$3,785,266	\$19,412	7.5%	4.61%	N/A
CORSICANA FIREMEN'S RELIEF & RETIREMENT FUND	51.9%	29.0	\$5,873,138	\$112,945	7.5%	3.68%	N/A
CYPRESS-FAIRBANKS ISD PENSION PLAN FOR NON-TRS EMPLOYEES	76.1%	30.0	\$1,572,937	\$320	4.3%	DNR	DNR
DALLAS COUNTY HOSPITAL DISTRICT RETIREMENT INCOME PLAN	86.2%	30.0	\$88,893,356	\$10,426	8.3%	DNR	DNR
DALLAS EMPLOYEES' RETIREMENT FUND	86.0%	30.0	\$474,906,000	\$70,409	8.3%	2.69%	9.15%
DALLAS POLICE & FIRE PENSION SYSTEM-COMBINED PLAN*	73.9%	30.0	\$1,190,369,365	\$221,423	8.5%	0.02%	6.70%
DALLAS/FORT WORTH AIRPORT BOARD DPS RETIREMENT PLAN	67.0%	23.0	\$51,601,188	\$147,432	7.2%	2.40%	3.90%
DALLAS/FORT WORTH AIRPORT BOARD RETIREMENT PLAN	71.8%	23.0	\$120,322,817	\$97,270	7.2%	2.40%	3.90%
DART EMPLOYEES' DEFINED BENEFIT RETIREMENT PLAN & TRUST	82.5%	30.0	\$30,981,997	\$89,029	8.0%	1.07%	6.57%
DENISON FIREMEN'S RELIEF & RETIREMENT FUND	71.1%	23.9	\$5,552,667	\$100,958	7.8%	DNR	DNR
DENTON FIREMEN'S RELIEF & RETIREMENT FUND	70.2%	26.5	\$19,617,547	\$120,353	7.2%	DNR	DNR
EL PASO CITY EMPLOYEES' PENSION FUND	76.0%	23.0	\$182,387,494	\$44,344	8.0%	3.18%	8.17%

Sources: Pension Review Board and individual pension systems that supplied rate of return data to the Comptroller's office  
DNR - Did not respond fully to a public information request within the specified time allowed under Texas Government Code, Chapter 552.  
N/A - Not available.

Plans that have either an amortization period that exceeds 30 years or a funded ratio below 80 percent.

Plans that have an amortization period that exceeds 30 years and a funded ratio below 80 percent.

\*Reported data as of 6/30/12.



## STATE & LOCAL PENSION PLANS IN TEXAS

See our Web tool at [www.trackingtx.org/index.php/pension](http://www.trackingtx.org/index.php/pension) for more data on these plans, including assets held by each.

PLAN NAME	FUNDED RATIO	AMOR-TIZATION PERIOD	UNFUNDED LIABILITY	UNFUNDED LIABILITY PER MEMBER	ASSUMED RATE OF RETURN	ACTUAL ROR REPORTED 9/30/12 5-Yr / 10-Yr	
EL PASO FIREMEN'S PENSION FUND	79.9%	76.0	\$108,582,531	\$136,068	7.8%	2.43%	8.31%
EL PASO POLICE PENSION FUND	78.2%	INFINITE	\$174,514,074	\$167,802	7.8%	2.43%	8.31%
EMPLOYEES RETIREMENT SYSTEM OF TEXAS	82.6%	INFINITE	\$5,132,908,152	\$37,387	8.0%	2.50%	7.67%
FORT WORTH EMPLOYEES' RETIREMENT FUND	71.4%	28.4	\$748,205,870	\$119,122	8.3%	0.37%	7.63%
GALVESTON EMPLOYEES' RETIREMENT FUND	79.0%	INFINITE	\$10,689,568	\$24,076	8.0%	3.30%	N/A
GALVESTON EMPLOYEES' RETIREMENT PLAN FOR POLICE	46.9%	53.5	\$25,694,496	\$193,192	7.5%	1.95%	N/A
GALVESTON FIREFIGHTER'S RELIEF & RETIREMENT FUND	72.8%	36.5	\$14,087,546	\$113,609	8.0%	2.09%	6.89%
GALVESTON WHARVES PENSION PLAN	72.6%	30.0	\$3,511,192	\$43,890	7.5%	DNR	DNR
GREENVILLE FIREMEN'S RELIEF & RETIREMENT FUND	54.7%	45.7	\$10,797,507	\$186,164	8.3%	DNR	DNR
GUADALUPE-BLANCO RIVER AUTHORITY	75.3%	12.3	\$5,288,829	\$37,509	8.0%	1.70%	6.50%
HARLINGEN FIREMEN'S RELIEF & RETIREMENT FUND	65.2%	INFINITE	\$10,761,642	\$106,551	8.0%	2.80%	7.90%
HARRIS COUNTY HOSPITAL DISTRICT PENSION PLAN	78.1%	20.0	\$126,436,540	\$33,825	8.0%	1.23%	7.58%
HOUSTON FIREFIGHTER'S RELIEF & RETIREMENT FUND	93.4%	30.0	\$220,625,000	\$57,142	8.5%	3.92%	10.31%
HOUSTON MTA NON-UNION PENSION PLAN	77.6%	30.0	\$31,775,580	\$43,528	8.0%	DNR	DNR
HOUSTON MTA WORKERS UNION PENSION PLAN	68.0%	30.0	\$81,715,182	\$32,634	8.0%	DNR	DNR
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM	61.4%	30.0	\$1,461,524,000	\$118,390	8.5%	2.90%	9.80%
HOUSTON POLICE OFFICERS PENSION SYSTEM	82.8%	30.0	\$770,090,000	\$144,972	8.5%	3.70%	9.90%
IRVING FIREMEN'S RELIEF & RETIREMENT FUND	67.4%	INFINITE	\$65,253,147	\$209,817	8.3%	1.99%	N/A
IRVING SUPPLEMENTAL BENEFIT PLAN	84.9%	INFINITE	\$7,907,326	\$5,755	7.0%	0.45%	N/A
JUDICIAL RETIREMENT SYSTEM OF TEXAS PLAN ONE**	0.0%	30.0	\$245,777,134	\$14,457,478	8.0%	N/A	N/A
JUDICIAL RETIREMENT SYSTEM OF TEXAS PLAN TWO	94.6%	INFINITE	\$16,227,423	\$29,721	8.0%	2.50%	7.67%
KILLEEN FIREMEN'S RELIEF & RETIREMENT FUND	64.5%	27.0	\$13,181,124	\$70,487	7.8%	DNR	DNR
LAREDO FIREFIGHTERS RETIREMENT SYSTEM	63.2%	23.5	\$49,350,956	\$136,329	8.0%	3.10%	6.90%
LAW ENFORCEMENT & CUSTODIAL OFFICER SUPPLEMENTAL RETIREMENT FUND	83.7%	INFINITE	\$162,274,461	\$4,409	8.0%	2.50%	7.67%
LONGVIEW FIREMEN'S RELIEF & RETIREMENT FUND	52.0%	INFINITE	\$36,507,494	\$222,607	8.0%	1.32%	N/A
LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN	69.5%	21.5	\$150,902,367	\$70,713	7.5%	3.60%	7.20%
LUBBOCK FIRE PENSION FUND	79.4%	22.8	\$40,682,725	\$117,921	8.0%	3.19%	7.83%
LUFKIN FIREMEN'S RELIEF & RETIREMENT FUND	37.3%	53.7	\$16,950,479	\$217,314	7.5%	0.89%	4.16%
MARSHALL FIREMEN'S RELIEF & RETIREMENT FUND	46.9%	23.5	\$7,518,284	\$153,434	8.0%	2.54%	N/A
MCALLEN FIREMEN'S RELIEF & RETIREMENT FUND	71.1%	39.6	\$14,914,549	\$92,065	8.0%	2.60%	7.30%
MIDLAND FIREMEN'S RELIEF & RETIREMENT FUND	78.1%	41.2	\$19,783,245	\$104,122	8.0%	4.60%	7.90%

Sources: Pension Review Board and individual pension systems that supplied rate of return data to the Comptroller's office

DNR - Did not respond fully to a public information request within the specified time allowed under Texas Government Code, Chapter 552.

N/A - Not available.

Plans that have either an amortization period that exceeds 30 years or a funded ratio below 80 percent.

Plans that have an amortization period that exceeds 30 years and a funded ratio below 80 percent.

\*\*JRS I is a closed, pay-as-you go retirement plan. All JRS I benefits are paid by direct appropriation as they become due.



Tab 6

Recent Newspaper Articles  
dealing with Defined Benefit Plans

## PARKER POSTPONES RETIREMENT PENSIONS BUT QUADRUPLES SIZE OF HER OFFICE

Houston's Mayor has released her proposed budget for 2013. There we find that since 2009 Annise Parker has increased the expense of her office from \$3,059,650<sup>1</sup> to \$11,670,556<sup>2</sup> – a figure that is nearly quadruple the cost since she became mayor. Oddly enough, in 2012 even though Annise Parker could pay an addition \$8,995,036<sup>3</sup> for her office she felt compelled to deferred payments of around \$6,000,000<sup>4</sup> for principal of outstanding pension obligations.

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<sup>1</sup> [http://www.houston.tx.gov/budget/09budadopt/VI\\_MAY.pdf](http://www.houston.tx.gov/budget/09budadopt/VI_MAY.pdf)

<sup>2</sup> [http://www.houston.tx.gov/budget/13budprop/I\\_TABI.pdf](http://www.houston.tx.gov/budget/13budprop/I_TABI.pdf)

<sup>3</sup> Mayor's office cost \$12,054,686 for FY2012 even though it was estimated at \$10,154,686.

<sup>4</sup> [http://www.houston.tx.gov/budget/13budprop/XIV\\_GOD.pdf](http://www.houston.tx.gov/budget/13budprop/XIV_GOD.pdf)



## City Advocates



### Wins... AGAIN!

City Advocates, through the Law Office of Natacha Thompson, PLLC takes on the Solid Waste Management Department and WINS!!! The employee appealed his indefinite suspension for fighting in the workplace and the Civil Service Commission unanimously decided to overturn the indefinite suspension and reduce the discipline. The employee was allowed to return to work the day!

\*The facts and circumstances of your case may differ from the matters in which results have been provided, and so the same outcome cannot be guaranteed.\*

### Fleet Mechanics Receive Pay Increase!

Approximately 18 months ago the Fleet Management Dept. requested a comparative study of salaries for its maintenance workers and realized their workers were getting paid less than other City depts. Based on the findings, HR recommended that the pay disparity be corrected. Scott Minix, acting Fleet Director at the time, and Mayor Parker supported and approved the increase. HOPE recently posted an article on their website taking full credit. We have verified that HOPE had absolutely no involvement in this matter!

# Voice of The City



## this issue

Firefighters Pension: If it Ain't Broken,  
Don't fix it! P.1

City Advocates Wins...Again! P.1

Fleet Mechanics Receive Pay Increase! P.1

Ask Your Council Member P.2

## Firefighters Pension : If it Ain't Broken, Don't fix it!

The Mayor states that Houston is the job producing capital of the nation. We are one of only two North American Cities ranked among the 40 fastest growing metropolitan economies in the world. We are the number one ranked City in the U.S. when it comes to manufacturing jobs, so we can conclude that the state of Houston's economy is the strongest that it has been in several years. In addition, Mayor Parker adds that our municipal employees, are among the hardest working, among the best anywhere... "it is they that enable the City of Houston to function at an amazingly high level and prevent problems". Given that the City is economically strong, and that we have great municipal employees, why are we sounding an alarm regarding the Houston firefighters' pension fund?

Everyone agrees that the City of Houston has turned the corner on the road to economic recovery. So, the question now becomes why is it that the City cannot meet its pension obligation to its municipal employees? The answer is quite simple. It is due to years of fiscal mismanagement. There has been a failure to provide the seed capital required to grow the funds properly through prudent investments. This lack of seed capital has resulted in anemic returns, and if continued at the current level cannot and will not provide the required future growth necessary to keep the pension funds sustainable. An underfunded pension like an under watered tree will bear very little if any fruit. Underfunded pensions result in an unfunded-liability.

One of the primary purposes of a pension program is to attract and retain high quality employees. In fact, the majority of municipal employees state that more often than not the most

compelling reason for longevity in the workplace is the security of knowing that they will have a secure pension. This rings true despite the fact that most public sector workers are grossly underpaid in comparison to their private sector counterparts in comparable positions. This is akin to a bait and switch tactic. Lure the best talent you can with the promise of a comfortable retirement in lieu of higher pay, but the comfortable retirement is now in jeopardy! This is disingenuous if not unethical to say the least. When it comes to pension obligations, a promise made should be a promise kept. Its called fiduciary responsibility! We simply request that Mayor Parker and Council take a careful look at the overall management of the municipal employee and police officer's retirement funds. It will likely reveal that the management and performance of these employees' pension funds are lack luster at best.

### THE BOTTOM LINE:

1. The Firefighter Relief Fund is the healthiest of the three funds?
2. The municipal and police officer retirement funds have been underfunded and are now in jeopardy of failing.
3. The Firefighters Relief Fund is the only fund of the three that has not been historically underfunded.
4. Underfunded pensions equal unfunded liability.
5. Fix the other two funds and leave the Firefighters' pension alone.



**Social Security Disability Appeals Clinic**

Challenging Denials and Other Common Issues

Attend a free legal clinic on appealing Social Security Disability benefit denials, legal representation and other common issues facing persons seeking disability benefits from the Social Security Administration.

Date: Saturday, June 23, 2012

Time: 10am - 1pm

Place: Black Firefighters Association Hall  
4919 Reed Road  
Houston, TX 77051

**Did You Know?**

Did you know that municipal employees are entitled to have a Loudermill Meeting and Loudermill Letter prior to the city department issuing an involuntary demotion or Indefinite Suspension? In 1985, the U.S Supreme Court ruled in *Loudermill v. Cleveland Board of Education* that public sector employees have a property interest in employment. Constitutional due process requires the government to afford public sector employees notice of the adverse action, and an opportunity to be heard before any adverse action is taken against them. Therefore, the city is required to give the employee an opportunity to be heard at a Loudermill meeting, and notice of the date and time of the Loudermill meeting prior to making a final decision on an involuntary demotion or termination.

# Ask Your Council Member

**Q&A with Councilman Jerry Davis**

**Q:** There has been much discussion about budget cuts and layoffs. How do you intend on implementing cuts without sacrificing jobs and services?

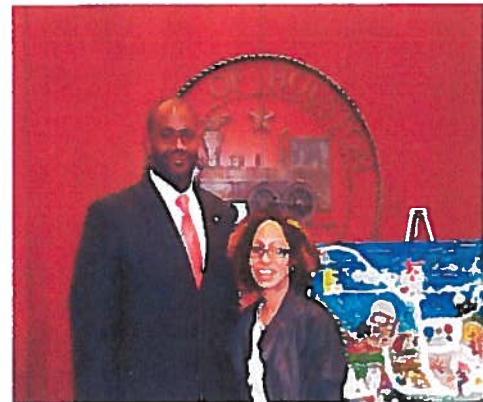
**A:** At this time, due to the improving economy and heightened fiscal management of the city, we do not expect to have any budget cuts that will lead to any additional layoffs or reduced city services.

**Q:** What is your plan to correct the stray dog problem in Fifth Ward before someone gets bitten?

**A:** Currently, my office is working day to day to first, get the dangerous dogs off of all District B streets, not just in the 5th Ward. We need the citizens to report all stray dogs to BARC and my office so that we can work in conjunction with BARC to capture the most threatening dogs. Unfortunately, the City of Houston has approximately 300,000 stray dogs on its streets, and we do not have the resources to house and feed all of those animals. Therefore, it is our responsibility as District B residents to help solve the problem. That means getting our pets spayed and neutered. It also means telling our neighbors and kinfolk that breeding is for the professionals. Lastly, all dog owners should keep their pets fenced, tethered or leashed 24 hours a day.

**Q:** District B has a problem with abandoned run down houses where undesirable activities go on. What is your plan to correct this problem and make this neighborhood safe for families, seniors and children?

**A:** The answer to a lot of issues in District B and the City are financial. We have over 7,000 tax delinquent properties and growing. A large number of the elderly in District B do not have wills, leading to property disputes which lead to tax delinquent, unkempt, unsafe dwellings, and no one to hold accountable. My office is working with the Department of Neighborhoods (DON) to have some of these properties demolished or secured by the rightful owner. We are also researching how other cities are transforming abandoned homes into productive and attractive real estate. Additionally, we plan to schedule a will writing seminar, hosted by the DON, that will assist District B residents with issues of this nature. The seminar will provide residents with access to attorneys that will assist residents with drafting wills that will clearly and accurately communicate the deceased wishes with regard to ownership of their property.



Councilman Jerry Davis and Director of City Advocates Association, Natacha S. Thompson at Houston City Hall.

*"If you don't like something, change it. If you can't change it, change your attitude".  
- Maya Angelou*

Have suggestions for upcoming newsletters?  
Contact Arthur Tanner at:  
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# Houston Bucks Slowdown Among Nation's Biggest Metro Areas

September 24, 2012

by: Andrew Schneider

A new study by the Brookings Institution shows Houston bucked a second-quarter trend that saw the rate of recovery slowing across much of the country.

Houston ranked number two out of the nation's hundred largest metro areas in terms of the strength of its recovery, according to the latest edition of the Brookings MetroMonitor. Research analyst Alec Friedhoff says even that may understate how quickly Houston is coming back from the Great Recession.

*"The first in our rankings is actually New Orleans. Part of that is because its recession buyer metrics center around Hurricane Katrina. And so it's been recovering for much longer from that devastation."*

The report notes that metro areas across Texas generally outperformed the national average. Friedhoff says that's in part because of strong employment tied to the oil and gas industry. He also credits the state's more conservative lending practices with helping Texas avoid the worst of the housing bust.

Home prices acted as a drag on most other regions of the country between April and June, with nearly ninety percent of metro housing markets hitting new lows.

> [RETURN TO PREVIOUS PAGE](#)







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## Houston Politics


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### Firefighters' pension among nation's best in investing

Friday, September 28, 2012

Houston firefighters' pension fund managers have been making big money investing in companies that aren't publicly traded. Kind of like Bain Capital, except the profits go mainly to pay the monthly checks of retired firefighters.

That's good news for firefighters and taxpayers, says Noah Theran, spokesman for the Private Equity Growth Capital Council, a trade association for the Bains of the world. For firefighters, it means more assurance that the money they've been promised in retirement will be there. For taxpayers, it means not as much money has to come from City Hall to fill pension coffers.




The Council recently researched the 151 largest public employee pension funds in the nation and found that over the past decade, the Houston Firefighters' Relief and Retirement Fund ranked seventh in annualized returns, averaging 11 percent a year.

The Fund spreads its money around, so only about 11.5 percent of it is in private equity. Its overall returns for the decade ending in June 2011 was 8.7 percent. That means, Theran said, "The private equity investments helped to buoy the total fund performance." There's a lot of ways to slice that, of course. In the past 3 years, the average private equity return has average 3.3 percent, which means the city would have to step up contributions to keep the fund whole.

It's another data point in the city's ongoing battle with the firefighters' pension. City officials want a new deal that would lighten its annual \$61.5 million firefighters pension bill and say escalating public employee pension costs threaten the city's future fiscal stability. The city has also sued the firefighters' pension to open their books. And the city's chief pension official recently crunched numbers to show that on average, public employees with at least 25 years' service got raises to retire last year – higher pensions than salaries.

The firefighters' pension leaders dispute the raise-in-retirement scenario, say the city already has enough information from the pension without the data they seek through the lawsuit and contend that the city has targeted pensions to cover up larger fiscal mismanagement issues.

Pension officials also say investment returns cover 68 percent of the fund's income. City officials, who did not comment for this item, say the returns are only possible because of the tens of millions of dollars taxpayers send to the fund annually.



"Our mission is to provide a secure retirement benefit plan with the delivery of benefits promised, unlike what the City of Houston is trying to do by going back on the promises made to the Houston firefighters and their families," pension chairman Todd Clark said in an email.



**STANDS FOR HOUSTON**

## Study says Houston considered most prosperous city in nation

by KHOU.com staff

khoul.com

Posted on February 8, 2012 at 3:20 PM

Updated Wednesday, Feb 8 at 3:23 PM

HOUSTON—Houston is leading the charge when it comes to economic recovery. A study in the **Business Journals** found Houston was the most prosperous city in the nation.

During a five-year period, between 2006 and 2011, the Bayou City gained more than 100,000 jobs.

Austin, Dallas-Fort Worth and San Antonio also made the top five.

**[Click here to see the entire list.](#)**

**Todd E. Clark**

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**From:** Miller, Robert <RMiller@lockelord.com>  
**Sent:** Thursday, September 20, 2012 9:32 AM  
**To:** LL Pension Clients  
**Cc:** Bonnen, Kim; LaBoon, Bruce; Midence Steen, Yuniedth; Miller, Robert; Partida, Neftali; Pate, Gardner, Smith Jr. Walter B.  
**Subject:** Austin American Statesman Eclitorial

## Don't mess with Texas pension funds

### *Editorial Board*

Published 7:04 p.m. Wednesday, Sept. 19, 2012

Funding crises have hit public pensions in other states, and prompted structural changes. But here in Texas, the retirement funds for teachers and state workers are in good shape. Changing public worker benefits is all the rage, but there is no reason to change Texas' state pension funds.

That's the clear takeaway from two reports issued this month and discussed last week by the Texas House Committee on Pensions, Investments and Financial Services. As the American-Statesman's Kate Alexander reported, several members of the committee, including key Republicans such as state Rep. Rob Orr of Burleson, who has hopes of chairing the panel during next year's legislative session, see little reason to change the state's public pensions.

Standing ready to fight for change are other Republican lawmakers who look upon anything modified by the word "public" with disdain. Driven by conservative groups such as the Texas Public Policy Foundation, they want to do away with guaranteed monthly retirement checks for public employees and push them into a 401(k)-style plan.

The two funds at issue here are the Teacher Retirement System and the Employees Retirement System. The Legislature in 2011 ordered each fund to report on its long-term health ahead of next year's legislative session.

The Teacher Retirement System released its report Sept. 1. The \$110 billion fund said it is healthy enough to cover its benefit obligations through 2075. The fund does face a long-term liability of \$24 billion, but it says that a switch to a 401(k)-style plan would increase that liability to \$35.7 billion.

Further, TRS says, 92 percent of retirees would receive less money from a defined-contribution, 401(k)-type plan than they receive from their defined-benefits plan.

More than 1.3 million public school and state university or college employees participate in the fund. Because most Texas school districts do not participate in Social Security, TRS provides school retirees their only guaranteed retirement income.

The fund's long-term liability does not represent a crisis. Small increases to contributions and other minor adjustments can meet the benefits promised by the fund.

The Employees Retirement System, with 137,000 members, has enough to pay its promised benefits for the next 70 years, according to its report, issued Sept. 4. Its findings were similar to those reported by TRS: a defined-



contribution plan would cost much more and would not erase ERS's unfunded liabilities, which can be met by modestly adjusting the current plan.

The findings in these reports are not surprising. Pooled investments such as pension plans generally have been shown to operate more efficiently than individual-based, 401(k)-type plans. Not only are costs lower, but also the promise of a defined pension contributes to a more stable workforce, and stability saves money.

A recent study by the Pew Center on the States declared Texas "a solid performer" when it comes to managing its pension liabilities. Both TRS and ERS have about 83 percent of the assets they need to cover future benefits — levels considered sustainable by experts.

Still, expect attempts to change the retirement plans for teachers and state workers during next year's session. "There is a high likelihood that changes will be made," Talmadge Heflin told Alexander in August. Heflin, who served in the Texas House from 1983 to 2005, is director of the Texas Public Policy Foundation's Center for Fiscal Policy.

If lawmakers persist in changing the state's retirement plans, they should start with their own. Legislators benefit from a generous state retirement plan. They don't base their pensions on their own \$7,200 legislative salary, but on the annual salary of a district court judge, which is currently \$125,000.

Legislators who meet the minimum service and age requirements they have set for themselves can collect an annual pension of \$2,875 for every year they were in office. Stay in office long enough and a legislator's annual pension can equal 100 percent of a judge's salary.

Any legislative battle to change the Teacher Retirement System and the Employees Retirement System will be an unnecessary one. Neither faces a crisis. Legislators should leave them alone.



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Updated 7:38 p.m. Friday, Sept. 14, 2012 | Posted: 7:21 p.m. Friday, Sept. 14, 2012

## Harrison: Public pensions don't need fixing

### Todd Harrison, Local Contributor




Public employee retirement systems and pensions are under attack. Those who are on the attack use such words as "unsustainable," "unfunded," and "bankrupt" to describe defined benefit pension funds. Words like "lavish," "overly generous," and "greedy" are used to describe the benefits afforded by these pension systems and the public employees who receive the benefits.

A recent Pew report, which is very critical of pension funds, admits that Texas' pensions are "generally in good shape with funding levels that exceed the national average."

Generally if a system is funded at 70 percent or higher, the fund is considered healthy. In Texas, according to the Texas Pension Review Board, the major statewide systems are funded as follows (as of May 2012):

- Texas Teachers Retirement System — 82.73 percent
- Texas Employee Retirement System — 82.61 percent
- Judicial Retirement System Plan — 94.59 percent
- Texas Municipal Retirement System — 85.08 percent
- Texas County and District Retirement System — 89.35 percent
- San Antonio Fire and Police Pension Fund — 90.57 percent
- El Paso Police Pension Fund — 82.25 percent
- Houston Police Officers Pension System — 82.84 percent
- Fort Worth Employees Retirement Fund — 71.42 percent
- Austin Police Officers Retirement Fund — 70.46 percent



San Bernardino, Calif., recently filed for bankruptcy protection. The press, pundits, and bloggers all pointed to the public employee pension liability as the cause of the financial crisis. But San Bernardino's annual pension bill is only \$1.9 million, which is less than 2 percent of the city's \$120 million annual budget. What accounts for the other \$43 million deficit shortfall? It is clear that other financial factors contributed to the city's fiscal crisis, not the employee pension plan.

In fact, local public employer payments to pension plans account for less than 3 percent of total expenditures. In 2012 local governments will spend about \$37 billion on pensions out of a total expenditure of over \$1.6 trillion. That's less than 2.5 percent of the budgets for these governmental entities.

So to insinuate that pension costs are uniformly budget busters is just another fallacy propagated by those against defined benefit plans.

If there is a funding problem, it is generally related to situations where politicians elect to take a "pension holiday" or "kick the can down the road" by deferring payment of their required contribution to the pension fund. When pensions are underfunded, it's overwhelmingly because states or local governments have failed to pay their part into the pension fund even though the employee's contribution is deducted from every pay check they receive.

And in Texas, most public safety employees are not eligible for Social Security retirement benefits. Their defined benefit pension plan is the only pension these employees will receive upon retirement.

Behind the scenes, there is a well-financed effort to force 401(k) plans as the solution.

The potential earnings that would become available to 401(k) investment fund managers would be vast. A recent article published on Asset International's Chief Investment Officer web site reported that 50 state pension funds paid almost \$8 billion to pension fund asset managers.

But the real question is, is a 401(k) a viable alternative to a defined benefit pension plan? 401(k) plans were always intended to supplement — not replace — one's retirement income.

In the end, Texans can be proud of our conservatively funded, well managed, and financially healthy retirement plans that allow our hometown heroes to have an income when they are too old and sick to work the streets.

Harrison is president of Combined Law Enforcement Associations of Texas.

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Posted: 6:20 p.m. Tuesday, Dec. 11, 2012

## Patterson: There's plenty of pension fund transparency

By Max Patterson



State Comptroller Susan Combs released a report last week urging greater transparency for state and local pensions, recommending that they "report on a public website such line items as their actual investment returns for the past 10 years and the plans' assumed rates of return."


As the representative of more than 80 local pensions around the state, our reaction was, "Fair enough; it's hard to argue with transparency. We can do that."

The trouble is that, the more we thought about it, all local pensions across the state already operate in the fashion Combs suggests. They are public entities, and they operate as such, with the information Combs requests being readily available. Let's review the status quo.

First, each local pension submits quarterly reports to the Texas Pension Review Board, including such information as beginning and ending quarterly market values, numbers of active members and retirees, numbers of new and total beneficiaries, the total of quarterly contributions by employees and employers, the quarterly benefits paid out, and any plan changes made during the quarter. All of this information is available to members of the public through the review board. It uses this and other information provided by local pensions to create actuarial snapshots of accrued liabilities, values of assets, funded ratios, amortization periods and all other sorts of information, such as boards of directors and detailed system information.

Second, all local pension board meetings are posted per the Open Meetings Act requirements, and taxpayers are welcome to attend. Taxpayers may request to see and get copies of local fund records, except for the private records of individual members and retirees, information that is protected under the Texas Public Information Act.

We've never heard of a single situation where pension fund trustees and staff have refused to answer or address the questions and concerns of a single taxpayer, if they ask. In fact, at the last House Pensions, Investments & Financial Services Committee hearing in September, a number of taxpayers made it clear that they had been in contact with pension boards and had gathered a great deal of information that they were concerned about and bringing to the attention of the committee members.



Which brings us to a third point: Beyond the above noted access to their local pension systems, taxpayers are free to attend Pension Review Board meetings and Senate and House committee meetings dealing with pensions. Taxpayers may talk to review board members and staffers and/or their elected officials to get information. Taxpayers' local elected officials are required by law to review key plan documents every five years. And the review board already posts great quantities of information on its website.

The Texas Association of Public Employee Retirement Systems urges all of its members to provide complete and proactive transparency of their systems' operations to their media; local, state and elected officials; and taxpayers. In our view, there's nothing to hide, and most funds' performance is routinely solid, enabling cities to keep municipal, fire and police salaries low, but competitive, in exchange for future retirement benefits. A study of Texas pensions found that 60 percent of those benefits come from investment performance, with the remainder from the city and employee contributions. That's a pretty good deal for taxpayers, especially considering that more than 50 percent of Texas public employees don't receive any Social Security benefits.

At her press conference, Combs singled out the San Antonio Fire and Police Pension Fund website, and indeed that website sets a good precedent for other systems. It's important to observe that website development and maintenance creates additional costs for local systems, and they only provide information that is already – and has been – available to taxpayers through the Pension Review Board.

We at TEXPERS compliment the comptroller on her wide-ranging efforts to make sure all aspects of local governance are transparent and available to taxpayers. But we would reject any implication that this has not been the case for local pensions. Combs might be creating more work for web developers and more costs for taxpayers by calling for the information to be more at-your-fingers, but that should not be understood to be a change from what is already occurring, albeit in different fashion, through the Pension Review Board or the pension itself.

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Tab 7

**Pensionomics 2012**

*Measuring the Economic Impact  
of DB Pension Expenditures*

**National Institute on  
Retirement Security (NIRS)**



# TEXAS

## Pensionomics 2012:

Measuring the Economic Impact of DB Pension Expenditures

### Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Texas.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

In 2009, expenditures stemming from state and local pensions supported...

- 128,204 jobs that paid \$6.0 billion in wages and salaries
- \$20.2 billion in total economic output
- \$2.5 billion in federal, state, and local tax revenues

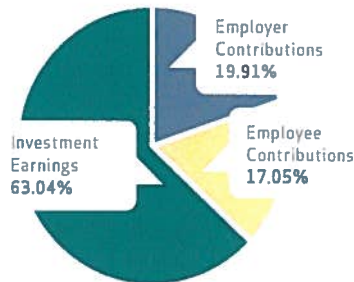
... in the state of Texas.

Each dollar paid out in pension benefits supported \$1.98 in total economic activity in Texas.

Each dollar "invested" by Texas taxpayers in these plans supported \$9.93 in total economic activity in the state.

### Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Texas communities and the state economy. In 2009, 478,767 residents of Texas received a total of \$10.2 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,776 per month or \$21,318 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2009, 19.91% of Texas' pension fund receipts came from employer contributions, 17.05% from employee

contributions, and 63.04% from investment earnings.\* Earnings on investments and employee contributions—not taxpayer contributions—have historically made up the bulk of pension fund receipts.

### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 128,204 jobs in the state. The total income to state residents supported by pension expenditures was \$6.0 billion.

To put these employment impacts in perspective, in 2009 Texas' unemployment rate was 7.6%. The fact that DB pension expenditures supported 128,204 jobs is significant, as it represents 1.1 percentage points in Texas' labor force.

### Economic Impact

State and local pension funds in Texas and other states paid a total of \$10.2 billion in benefits to Texas residents in 2009. Retirees' expenditures from these benefits supported a total of \$20.2 billion in total economic output in the state, and \$11.2 billion in value added in the state.

\$7.5 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$7.0 billion in indirect impact resulted when these businesses purchased additional goods and services. \$5.7 billion in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures.

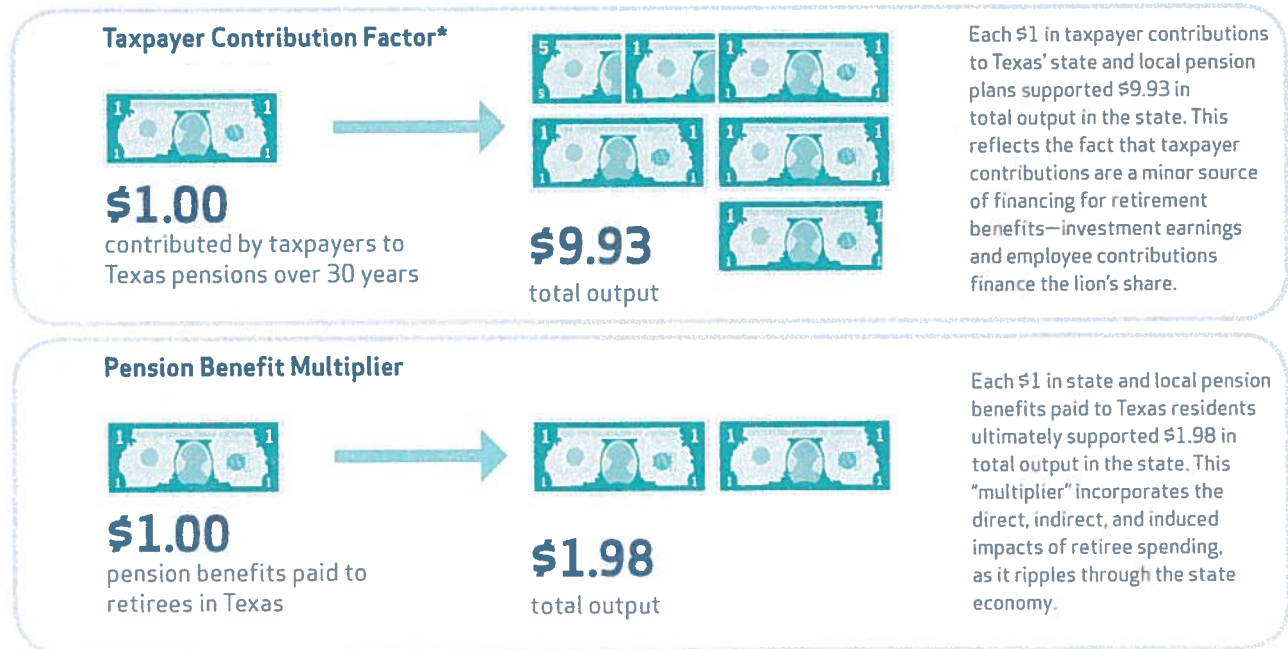
————— Total Economic Impact \$20.2 billion —————

**DIRECT  
IMPACT**  
\$7.5 billion

**INDIRECT  
IMPACT**  
\$7.0 billion

**INDUCED  
IMPACT**  
\$5.7 billion

## Economic Multipliers



\*Caution should be used in interpreting these numbers. See the Technical Appendix of the full Pensionomics report for details.

## Impact on Tax Revenues

State and local pension payments made to Texas residents supported a total of \$2.5 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$172.5 million. Taxes attributable to direct, indirect and induced impacts accounted for \$2.3 billion in tax revenue.

Federal Tax	1.5 billion
State/Local Tax	948.5 million
<b>Total</b>	<b>\$2.5 billion</b>

## Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Texas. The ten industry sectors with the largest employment impacts are presented in the table below.

Industry	Employment Impact (# Jobs)	Labor Income Impact	Value Added Impact	Output Impact
Food Services and Drinking Places	10,856	\$237,168,918	\$339,644,068	\$660,661,734
Real Estate Establishments	6,421	\$115,915,847	\$867,250,565	\$1,197,007,896
Private Hospitals	5,633	\$417,356,818	\$445,802,967	\$873,883,457
Physicians, Dentists, and other Health Practitioners	5,463	\$468,529,833	\$499,787,453	\$812,064,884
Nursing and Residential Care Facilities	4,097	\$136,753,106	\$147,548,507	\$258,198,530
Private Household Operations	3,409	\$28,740,784	\$28,740,784	\$29,802,665
Home Health Care Services	2,972	\$74,556,386	\$79,462,100	\$133,973,897
Retail Stores - General Merchandise	2,663	\$78,079,705	\$127,041,441	\$144,380,450
Wholesale Trade Businesses	2,535	\$216,600,041	\$373,971,054	\$508,815,015
Retail Stores - Food and Beverage	2,517	\$77,394,620	\$125,593,211	\$143,517,023

Industry totals include impacts from in-state pension payment only, and do not account for the recaptured "leakage" impacts from other states.