

Restoring Local Control of State-Governed Pension Plans

CURRENT LAW

Thirteen City Retirement Systems Are Cemented in State Law

- Over the years, 13 local retirement systems in seven major metropolises have successfully lobbied the Legislature to have some or all of their pension plans codified in state law, making pension reform difficult, if not impossible, to realize without first getting legislation passed at the statehouse. Examples of codified systems include:



PROBLEMS

Local Retirement Systems Are Generally a Delegated Power

- Authority over most local public pension plans—that is, all but the thirteen systems referenced above—is delegated to local authorities for administration. Even the plans now carved into state law were once established by and under the authority of local government bodies.
- It is inconsistent for the state to permit some Texans to exercise complete discretion over their locally-run retirement systems while statutorily restricting the right of other Texans to employ similar powers.

Even Trivial Changes to Codified Systems Must Be Made at the Capitol

- The statutory language of some of the thirteen codified retirement systems does not allow community stakeholders to tweak, adapt, or change their pension plans at the local level. Instead, plan modifications must be approved by the Legislature.
- Example: During the last legislative session, Houston Mayor Annise Parker and the Houston Firefighters' Relief & Retirement Fund (HFRRF) reached a pension deal that would see each side make certain concessions in an effort to rehabilitate the city's 2nd largest retirement system. Though this agreement had been years in the making and both sides agreed on it, it remained tentative until approved by the Texas Legislature—something that never came about. The failure to adopt the proposed changes means that any pension plan adjustments will have to wait to be made until the next legislative session.

The Status Quo is Entrenched and Unsustainable

- Supporters of the status quo argue that state-governed pension plans could suffer financially if local control is restored. But these entrenched systems are already in difficult straits.
- According to the Pension Review Board's June 2015 actuarial assessment, unfunded liabilities for local retirement systems under state governance exceeded \$7.4 billion. The average unfunded liability per active member across all state-governed systems amounted to \$149,829.

SOLUTION

- Restore local control of state-governed pension plans by allowing the sponsoring authority of a municipal retirement system created under state statute to adopt provisions by ordinance or resolution that supplement or supersede the operative provisions contained in state law.

“Experience should teach us to be most on our guard to protect liberty when the Government’s purposes are beneficent. Men born to freedom are naturally alert to repel invasion of their liberty by evil-minded rulers. The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well meaning but without understanding.”

— Justice Louis D. Brandeis, *Olmstead v. United States* (dissenting)

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