State of Texas
Texas Senate

PO Box 12068
Austin, Texas 7871-2068
512-463-0107
512-463-8810 Fax

11451 Katy Freeway, Suite 209
Houston, TX 77079
(713) 464-0282
(713) 461-0108 - fax

Paul Bettencourt
DISTRICT 7

Paul.Bettencourt@senate.state.tx.us

For Immediate Release:
Tuesday, June 14, 2016

Contact Information:
Lauri Saathoff
(512) 463-0107

Sen. Bettencourt urges long-term, balanced pension reform solution to Houston's looming liabilities
Renounces Mayor Turner's blunt insistence that defined contribution plans are "off the table"

HOUSTON – The Texas House Committee on Pensions met at Houston City Hall yesterday to discuss the city's looming pension crisis. In his invited testimony, Houston Mayor Sylvester Turner promptly joined the leaders of the city's three pension boards by stating that he will not consider pension reform proposals to eliminate defined benefit plans in favor of defined contribution plans, despite it being done in the private sector years ago.

"**Defined contribution plans can never be off the taxpayers table,"** Senator Paul Bettencourt said. **"Defined contribution plans work in the private sector, they work in the counties - and we should have been switching new employees to these plans more than a decade ago. By immediately taking the possibility of moving to a defined contribution plan off the table, a long-term, balanced solution to Houston's pension problem will remain unattained. The numbers just don't add up."**

Under Government Accounting Standards Board Statement #68 (GASB 68), a much higher level of pension reporting and higher level of contributions are required than were discussed yesterday. Pension experts estimated that the $450 million contribution made was $250 million short of what was needed. The city is using an Annual Required Contribution (ARC) definition that is not the national standard in a GASB 68 pension-reporting environment. Because the city is using the antiquated ARC, Houston is claiming to be only $54 million underfunded. Despite this, 31 percent of the city's payroll will be used for pensions - and the city will spend $404 million to cover its pension obligations for the year. As noted during testimony by former Kemah Mayor and pension expert Bill King, this amount "… is roughly 40 percent of all property taxes that the city will collect." He also added that there is "… no permanent fix that doesn't involve some usage of defined contribution plans in the future."

"We have to recognize the obvious, which is that defined benefit plans are no longer sustainable in what is nearly a zero percent interest rate economy and with their continuing poor rate of return results," Senator Bettencourt continued. **"That is why I filled SB 1994 last session that would have given pension boards the authority to begin switching new employees to defined contribution plans."**

Because a defined contribution plan should be part of a long-term solution to public pension liabilities, Senator Bettencourt plans to refile this bill and related solutions in the upcoming legislative session.

###