

SUBJECT: Houston municipal employees pension system revisions

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 6 ayes — Ritter, Telford, McClendon, Martinez Fischer, Pena, Rose
0 nays
1 absent — Grusendorf

WITNESSES: For — Cary Grace, City of Houston; Erin Perales, Houston Municipal Employees Pension System
Against — None

BACKGROUND: V.T.C.S., art. 6243h, originally enacted in 1943, establishes the Houston Municipal Employees Pension System to provide pension benefits for city employees, except police officers and firefighters.

DIGEST: HB 601 would amend V.T.C.S., art. 6243h, to change the composition of the Houston municipal employees pension system board and establish procedures for agreements between the pension board and the city and for increasing pension benefits.

Pension board composition. The bill would reduce the pension board from 11 to nine members. Of the nine members, one public member would have to be a state resident, not a registered city voter as in current law, for three years preceding appointment. The appointee would be designated by a majority vote of the elected trustees of the pension board, not of the governing body of the city as in the current statute. The appointee could be removed at any time by a majority vote of the pension board's elected trustees.

Agreements. Notwithstanding any other law, the pension board could enter into a written agreement with the city regarding pension issues and benefits. An agreement would have to be approved by the pension board and signed by the mayor and the pension board or its designee. The agreement would be enforceable against and binding on the city and pension system's members,

retirees, deferred participants, beneficiaries, eligible survivors, and alternate payees. The agreement could not alter the composition of the pension board, reduce the amount of an earned benefit, reduce benefit accrual rates or the maximum allowable pension, or lengthen the schedule for retirement eligibility, specified elsewhere in art. 6243h.

Increase in benefits. A pension benefit or allowance could be increased if approved by a qualified actuary and agreed to in writing by the pension board and the city and if the increase would not deprive a member or retiree of the immediate or deferred retirement benefit that the person was eligible to receive prior to the increase, unless the member or retiree gave written consent.

HB 601 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003. The terms of three public members serving under the current law would expire on the effective date of this legislation. Not later than October 1, 2003, the pension board would appoint or reappoint, consistent with provisions in the bill, one public trustee whose term would expire in January 2004.

**SUPPORTERS
SAY:**

HB 601 would make three minor adjustments to the lengthy statute governing the Houston Municipal Employees Pension System. Both the pension system and the city of Houston have agreed to these revisions.

The bill would eliminate pension board members appointed by the Houston city council and replace them with a public board member appointed by the pension board. This would allow for a more manageable nine-member board while distancing the board from city politics.

The new board could enter into written agreements with the city regarding pension issues and benefits. Such agreements would be enforceable against and binding on the city and the pension system's members, beneficiaries, and retirees. The city still would have to agree to benefit increases.

HB 601 would require that any benefit increases be approved by a qualified actuary, the pension board, and the city, as long as the increase did not deprive a member or retiree without that person's written consent. This

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would help ensure that benefits were based on sound actuarial principles, not political promises.

These changes would be similar to those of the Houston police and firefighters' pension systems that successfully have reduced political influence from the pension process while protecting city employees, retirees, and beneficiaries.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The companion bill, SB 308 by Gallegos, was reported favorably, without amendment, by the Senate Intergovernmental Relations Committee on April 3 and recommended for the Local and Uncontested Calendar.