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Dallas, Houston Pension Bills on Track for House Vote: Lawmaker

(Reuters) - Legislation addressing public pension problems in the two biggest cities in Texas are on track for a House vote this month, a key state lawmaker said on Wednesday.

A bill for Houston's retirement system passed the Texas House Pensions Committee on Wednesday and State Representative Dan Flynn, the committee's Republican chairman, said a Dallas measure should follow suit by next week.

"I believe both bills will make it to the House floor in the next couple of weeks," he said in an interview, noting the legislation is the culmination of 18 months of work to find fixes for the financially ailing pension systems.

With the Dallas police and fire pension system projected to become insolvent within 10 years, legislation would cut the nearly \$3.7 billion unfunded liability to \$2.18 billion and boost the funded ratio to nearly 50 percent from the current 36.8 percent, according to a bill analysis. To accomplish that, the measure would increase retirement ages, hike worker and city contributions, limit cost-of-living (COLA) increases for retirees, and restructure governance.

During a hearing on the bill this week, Dallas Mayor Mike Rawlings pushed for city control of the pension board and against "a taxpayer bailout."

Flynn dismissed the mayor's opposition.

"There's probably a little heartburn for everybody, which makes it a pretty good bill because if only one side was happy we'd still have problems," he said.

The Houston bill, supported by Mayor Sylvester Turner, would reduce the unfunded liability in the city's municipal, police, and firefighter funds to about \$5.5 billion from \$8.1 billion by boosting retirement ages, suspending and reducing COLAs, and increasing employee contributions. For its part, Houston would have to make actuarially required annual payments to the funds, which would lower their projected investment return rates to 7 percent, and sell \$1 billion of pension bonds.

Potentially complicating matters for Houston is another bill, which passed the Senate last week, requiring voter approval for the issuance of pension bonds by local governments.

"We do not believe in taking a tool away from municipalities solving pension problems, especially in a higher interest cost environment," said Darian Ward, the mayor's spokeswoman.

Flynn said his committee became involved because pension problems contributed to credit rating downgrades for both cities.

"If the two largest cities in Texas start getting downgraded, well, it could actually affect our Texas bond ratings," he said, referring to the state's triple-A credit standing.

By REUTERS

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(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)

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