

Bond Case Briefs

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PENSIONS - TEXAS

Klumb v. Houston Municipal Employees Pension System

Supreme Court of Texas - March 20, 2015 - S.W.3d - 2015 WL 1276557

City employees who had been transferred to a local government corporation brought action against municipal pension board, asserting constitutional violations and breach of contract and seeking declaratory and injunctive relief in connection with system's determination that plaintiffs remained municipal employees and were therefore not entitled to begin receiving retirement benefits or to defer their retirement status. City intervened. The District Court granted defendants' plea to the jurisdiction. Plaintiffs and city appealed. The Houston Court of Appeals affirmed. Plaintiffs and city petitioned for review.

The Supreme Court of Texas held that:

- Pension board did not act ultra vires;
- Pension board did not violate employees' equal protection rights; and
- Pension board did not violate employees' state constitutional due process rights.

Municipal pension board did not act ultra vires, as an exception to unavailability of judicial review of the action under statute governing pension boards in cities of 1,500,000 or more, by interpreting term "employee" to include city employees who had been transferred to a third-party local government corporation. Definition of "employee" was composed of essential terms that were undefined in statute, board had authority to supplement the statute, and the supplemental language the board adopted neither inherently nor patently conflicted with the terms of the statute.

Municipal pension board did not act ultra vires, as an exception to unavailability of judicial review of the action under statute governing pension boards in cities of 1,500,000 or more, by delegating authority to a committee to determine whether city employees who had been transferred to a third-party local government corporation remained municipal employees, even if the delegation of authority violated a meet-and-confer agreement between board and city. Any claim that board violated meet-and-confer agreement was a breach-of-contract claim that could not be maintained absent a waiver of sovereign immunity.

Municipal pension board did not violate the equal protection rights of city employees who had been transferred to a third-party local government corporation by determining that the employees remained municipal employees required to pay into pension fund, even if board treated them differently than other former city employees who had been transferred separate legal entities due to municipal outsourcing, since action was rationally related to board's legitimate interests in preserving sources of pension funding and in lessening the risk of overpaying pensioners or allowing them to "double dip."

Municipal pension board did not violate the state constitutional due process rights of city employees who had been transferred to a third-party local government corporation by determining that the employees remained municipal employees required to pay into pension fund, since the action did not deprive employees of vested property rights. Employees had no vested property right to the pension

plan contributions or future retirement benefits.