

Bond Case Briefs

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PENSIONS - TEXAS

City of Houston v. Houston Firefighters' Relief and Retirement Fund

Court of Appeals of Texas, Houston (14th Dist.) - September 8, 2016 - S.W.3d - 2016 WL 4705928

City brought action against city firefighters' pension fund, seeking declaration that the statute establishing the fund was unconstitutional.

The 190th District Court granted fund's motion for summary judgment. City appealed.

The Court of Appeals held that:

- Fund's board of trustees was a public entity;
- Statute was not an unconstitutional delegation of legislative duties;
- Statute was not an unconstitutional local or special law;
- Statute did not violate constitutional provision directing legislature to provide for creation of local retirement systems; and
- Statute did not violate constitutional requirement that pension benefits be reasonably related to a participant's contributions.

Board of trustees of pension fund for city's firefighters was a "public entity," and thus statute establishing the fund was not subject to eight-factor test used to analyze constitutionality of legislative delegations to private entities. State constitution expressly authorized legislature to create pension systems for public employees with administration by a board of trustees, the active or retired firefighters who served on board did so solely to administer benefits to public employees, a fundamentally public concern, even if they had a private interest in the matters they were administering, and board was treated as a governmental body in that it enjoyed governmental immunity, its decisions could be appealed to district courts, and it was required to comply with open meeting laws.

Statute establishing pension fund for city's firefighters was not an unconstitutional delegation of legislative duties to the fund. Statute provided reasonable standards for calculating city's contributions to fund, even though actuarial valuations used to calculate those contributions were performed by actuary chosen by fund's board of trustees and there was no review of the actuary's conclusions, statute conditioned any increase in benefits over those otherwise set by statute on approval by actuary, majority of fund members, and State Pension Review Board, and while statute permitted board to adopt rules, policies, and procedures consistent with the statute, it did not grant the board rogue authority to act in an arbitrary manner.

Statute establishing pension fund for city firefighters was not an unconstitutional local or special law, even if legislature, by limiting statute to a certain minimum population bracket, ensured that the statute only applied to city of Houston. Legislature could have reasonably determined that treating Houston differently than other major cities was warranted because certain factors, such as

its large size and heavy industry, translated into more service calls for firefighters and greater risk of injury or death.

Statute establishing pension fund for city's firefighters did not violate state constitutional provision directing legislature to provide for creation of local retirement systems by cities and counties. Nothing in the provision stated that city-created systems were the exclusive ones permitted for a city or that legislature was prohibited from creating other systems for a city, legislature had broad powers under constitution to create pension systems for public employees, and provision was merely intended to consolidate existing constitutional provisions regarding pension systems into one provision, not to make locally-created systems exclusive for cities and counties and invalidate legislature-imposed systems.

Statute establishing pension fund for city's firefighters did not violate state constitutional requirement that pension benefits be reasonably related to a participant's contributions. Requirement only applied to pension systems created by a city or county or a statewide system in which a city or county may choose to participate, while statute was enacted pursuant to separate constitutional provision granting the legislature power to enact general laws establishing systems for retirement benefits for public.