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Houston Pension Bill SB 2190 Amended to Recognize the Obvious: New Pension Plans are Viable
Chair Huffman offers floor amendment to allow funding “triggers” for alternative cash balance pension plan

AUSTIN – Senator Joan Huffman (R-Houston) proposed a compromise on SB 2190, the “Houston Pension Plan” bill, that will automatically trigger new employees to be hired under an alternate plan, instead of a defined benefits plan, if pension funds do not hit specific performance targets. The compromise establishes that the pension funds must be 65 percent funded or more or they will automatically trigger a switch to a defined contribution plan for new employees after a grace period has expired. The bill passed by a vote of 25 to 5.

“This amendment is a recognition of the obvious. The citizens of Houston need an alternative to defined benefit plans that do not met their assumed rate of return. So, we must look to alternate plans, besides defined benefits, as a long term solution to the pension problem in Houston and, I believe, in other jurisdictions as well,” said Senator Paul Bettencourt (R-Houston). **“This was a good amendment by Chair Huffman.”**

The bill already contained language from SB 151 by Senator Bettencourt that allows for a vote by the public on pension bonds. Therefore, SB 2190 now has two important citizen/taxpayer protections. The first guarantees a vote on pension obligation bonds. The second is the new triggers for new pension plans as follows:

- Houston Firefighters Pension Fund must be at least 65 percent funded after a four year grace period.
- Houston Police Officers Pension Fund must be at least 65 percent funded after a four year grace period.
- Houston Municipal Employees Pension Fund must be at least 60 percent funded after a ten-year grace period.

In addition to the trigger mechanism, the bill includes that the public has the right to vote on pension obligation bonds and would take effect September 1 or upon the signature of the Governor if passed in the House by 2/3rds.

“Pension obligation bonds are the only general obligation bonds in the state that do not require voter approval,” continued Senator Bettencourt. **“When debts are secured with taxpayer money, the taxpayers deserve a vote, and I am pleased that they will have that opportunity under this legislation.”**

“After the House votes on SB 2190, I would hope the House passes SB 151 as well so all pension bonds around the state have voter approval as well,” added Senator Bettencourt. **“Every voter deserves the right to vote on pension obligation bonds in Texas as it is their property taxes that secure them.”**

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