

SUBJECT: Increasing contribution rates to the Austin firefighter retirement fund

COMMITTEE: Pensions, Investments and Financial Services — committee substitute recommended

VOTE: 6 ayes — Truitt, Anchia, Creighton, Hernandez Luna, Nash, Veasey
1 nay — Orr
2 absent — C. Anderson, Legler

SENATE VOTE: On final passage, May 5 — 31-0, on Local and Uncontested Calendar

WITNESSES: *(On House companion bill, HB 1677:)*
For — Lee Crawford, City of Austin; Rich Mackesey, Bill Stefka, Austin Firefighters Relief and Retirement Fund; *(Registered, but did not testify:* Art Alfaro, City of Austin; Randy Aylieff, Chuck Campbell, Ryan Falls, Keith Johnson, Austin Firefighters Relief and Retirement Fund; Delbert Cain, Austin Retired Fire Fighters Association; Mike Higgins, Texas State Association of Fire Fighters)

Against — None

BACKGROUND: VTCS, art. 6243e.1 regulates the firefighters relief and retirement fund in a municipality with a population between 600,000 and 700,000 (Austin).

DIGEST: CSSB 1286 would increase the contribution rates paid by the city of Austin and by member firefighters to the firefighter relief and retirement fund established in VTCS, art. 6243e.1. Beginning in October 2010, the city of Austin's contribution rate would increase incrementally from 18.05 percent to 22.05 percent in 2012, and the member firefighter's contribution rate would increase incrementally from 13.70 percent to 18.70 percent in 2016.

The bill would take effect September 1, 2011.

SUPPORTERS CSSB 1286 is a local bill that would affect only the Austin Firefighters

SAY: Relief and Retirement Fund. The bill simply would codify increases in contribution rates that already have been negotiated and agreed to by the city of Austin, the Austin Firefighters Association, and the Austin Retired Fire Fighters Association in 2009 and 2010.

The bill would have no fiscal impact to the state, nor would it put new demands on Austin taxpayers. In the last collective bargaining agreement, the city of Austin unanimously agreed with the firefighters' request to use money already budgeted for firefighter pay raises to instead increase its contributions to the retirement fund, so CSSB 1286 would have no additional fiscal impact to the city of Austin. CSSB 1286 would codify changes made to improve the actuarial soundness of the retirement fund via increased contribution rates, as recommended by the fund's actuary and verified by the Pension Review Board. The fund's health would improve because contributions would be higher while benefit levels would remain constant.

Codifying these agreements between the city of Austin and its firefighters is important because it would allow the fund's actuary to use the new contribution rates in future valuations, which are the determining factor in whether a cost-of-living adjustment (COLA) is possible. Austin firefighters do not participate in the Social Security system, which protects against inflation, so COLAs in the Austin Firefighters Relief and Retirement Fund are their only safeguard against inflation's corroding effects on their annuities. Retirees have not received a COLA in nearly a decade, since 2002.

Codifying these contribution rate increases also is needed because the 2009 bargaining agreement that raises the city's contribution rate has language stating that the increase would be incorporated into the governing statute. Similarly, when the firefighters voted to increase their contribution rate in 2010, they did so with the expectation that the change would be incorporated into statute. However, there would be no guarantee that the employee rate increase would take place if CSSB 1286 did not pass. Firefighters, both active and retired, have worked painstakingly with the city to strengthen the health of their retirement system, and that hard work should be recognized and codified to ensure its full execution.

The only opposition to this bill comes from outside the city of Austin. What the state can and cannot do for its employees is irrelevant to this bill,

and Austin's leaders are best positioned to judge what is and is not prudent or fair management of its employees' retirement systems.

OPPONENTS
SAY:

CSSB 1286 inappropriately would ask the state to statutorily enshrine a plan for Austin to take several generous measures for its firefighters' retirement fund that the state itself, in these difficult economic times, cannot take for its retirement funds. Austin would like the state to approve increasing employer contributions to its firefighters' retirement fund while the state's workforce is suffering under dropping employer contributions to the Employees Retirement System, the Teacher Retirement System, and other state retirement funds. The city would like the state to enable the granting of COLAs to its firefighters, while the state has been unable to do this for its employees. Austin also would like the state to sign off on a pension system in which the employer contribution rate is higher than the employee contribution rate, which is rarely the arrangement in state pension plans.

CSSB 1286 would codify contradictory decisions. This session, Austin has brought another bill to the Legislature that would create a less generous retirement program for newly hired non-uniformed employees. The city needs to curb benefits for its new hires because it cannot afford the current system for non-uniformed employees. At the same time, Austin is asking the Legislature to approve of increased contribution rates to the firefighters' retirement program. Although CSSB 1286 would not directly increase firefighters' retirement benefits, the bill would cost the city more money as the contribution rate rose in the coming years, reducing budgetary flexibility the city may need. The city has made a choice to support firefighters' pensions over other employees' pensions. It does not need the Legislature to codify and execute this deal.

NOTES:

The House companion bill, HB 1677 by Rodriguez, failed to pass the House on third reading by 54-84 on May 13.

The committee substitute differs from the bill as originally filed and as passed by the Senate, as well as from HB 1677, by removing all provisions related to the appointment, instead of election, of a sole nominated candidate to the retirement fund's board of trustees.