Mayor Turner's Talking Points from October 25, 2016 News Conference

Today is a special day for the City of Houston! All three City employee pensions systems have now signed off on the previously announced package of pension reforms. This is a historic turning point in what has been months of good faith negotiations by both sides. For the first time ever, all three pension systems have been willing to work with the City in a productive manner. We are all on the same page and moving forward as a united front. I am proud of how far we have come since January and want to thank the employee groups for recognizing that maintaining the status quo is not an option if we are to be able to continue to meet our pension obligations to employees and our responsibility to provide services to a growing population.

I know this has been stressful for City employees. I want each of you to know that I appreciate your service and dedication and I am committed to ensuring you have secure and sustainable pensions you can rely for years to come. I am also committed to delivering pensions that do not require us to increase taxes. This plan meets both commitments while permanently solving our pension issues.

The next step is to obtain a strong endorsement from City Council on Wednesday. After that, we head to the Texas legislature for enactment into state law. I want the pension systems to know that what they've agreed to is what we will take to Austin. I will fight any attempt to tinker with our language.

The proposal on the Council agenda will lower the City's annual costs now and in the future, immediately reduce the $7.8 billion unfunded pension liability by more than 30 percent, set a hard 30-year payoff date for the remaining debt and force a return to the negotiating table, and automatic changes if no agreement is reached, if annual pension costs begin to exceed pre-agreed limits.

We are coupling new management and investment principles with changes in benefits put forth by the pension systems for each of their respective retiree groups. These include scaling back cost-of-living adjustments, higher employee payroll contributions and phasing out of the Deferred Retirement Option Plan, known as DROP, which allows employees to begin receiving retiree benefits while continuing to work for the City. The benefits adjustments will be coupled with strict adherence to the following management and investment principles:

- Utilization of a 30-year fixed payoff period for the $5.3 billion in unfunded pension liability that will remain after the immediate $2.5 billion reduction from the benefit changes offered by the three systems. With this plan we will see significant cost avoidance from what would have to paid in the absence of reform

- Recognition of all investment gains and losses as of June 30, 2016 for all three pension systems
- Requirement to fully fund each pension system on an annual basis
- Adoption of a more conservative seven percent assumed rate of return on pension investments
- Issuance of $1 billion in pension obligation bonds to make up for years of prior underfunding of the municipal and police pension systems. This was required in return for the benefit concessions they put on the table
- Improved information sharing between the City and pension systems for better projection of pension liability to ensure compliance with the required pay down timeline
- A mechanism to control rising future costs

We are closer than ever to solving what no one else has been able to solve. The finish line is within reach. I look forward to crossing it hand-in-hand with each of you!