

MICHAEL S. RAWLINGS
Mayor of Dallas



April 12, 2017

Delivered via email: David.Erinakes@house.texas.gov

Dear Chairman Flynn:

Thank you again for your efforts to save the Dallas Police & Fire Pension System while considering the needs of taxpayers. I am also dedicated to a responsible solution to this pension crisis, which is why I called your staff yesterday with two modifications to my April 7, 2017, letter proposal to you.

The first modification extends the city's floor on contributions to seven years instead of two. The second modification gives taxpayers an appropriate voice on the board through the state comptroller, an elected official. For me to support your bill, it is imperative that both modifications be included together.

As to the first modification, the pension's actuarial soundness is vital, and we all want to avoid the pension's predicted insolvency in 10 years, maybe even sooner. To date, all the city's proposals have been actuarially sound, including the current compromise of a seven-year floor. As you have requested, we are diligently working with the Pension Review Board to fine-tune the actuarial analysis of the bill with the seven-year floor.

Deloitte has already concluded, though, that placing a seven-year floor on the city's contribution will fully fund the pension in 29 years. Even after altering our assumptions to be more conservative about the rate of return on pension assets, Deloitte concluded the pension will still be fully funded in 36 years.

Under either scenario, this proposal exceeds the Pension Review Board's 40-year benchmark for fully funding a public pension.

The second modification concerns the 11th trustee, who should be selected by the state comptroller if the city manager and nominations committee cannot agree on a trustee within 60 days. By allowing an elected official like the state comptroller to break the tie in the event of a deadlock, you will be giving taxpayers the representation they deserve and are paying for with their increased contributions. Below is suggested language amending CSHB 3158.

Taxpayer Funds:

“(d) Subject to Section 4.025 of this article, the city shall make contributions to the pension system biweekly in an amount equal to the sum of:

(1) the greater of:

(A) 34.5 percent of the aggregate computation pay paid to members during the period for which the contribution is made; or

(B) the applicable amount set forth below:

(i) \$4,830,000 for the biweekly pay periods beginning with the first biweekly pay period that begins after September 1, 2017, and ends on the last day of the first biweekly pay period that ends after September 1, 2018;

(ii) \$5,082,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (i) of this paragraph;

(iii) \$5,255,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (ii) of this paragraph;

(iv) \$5,414,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (iii) of this paragraph;

(v) \$5,600,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (iv) of this paragraph;

(vi) \$5,812,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (v) of this paragraph;

(vii) \$6,024,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (vi) of this paragraph;

(viii) 34.5 percent of the aggregate computation pay paid to members during the period for which the contribution is made following the last biweekly pay period described by Subparagraph (vii) of this paragraph and continuing every biweekly pay period thereafter; and

(2) except as provided by Subsection (e) of this section, an amount equal to 1/26th of \$11 million.

(e) Beginning with the first biweekly pay period following the last biweekly pay period that ends on or after September 1, 2019, the city is only required to pay the contribution amount described by Subsection (d)(2) of this section if the board determines, based on the most recently completed actuarial valuation, that with the contribution, the unfunded actuarial accrued liabilities of the fund can be amortized within 35 years, as confirmed by the State Pension Review Board. The board and the State Pension Review Board shall annually make the determination required under this subsection.”

-Amends 4.02(d) and 4.02(e) of the statute; Section 11, Page 35: Line 19 thru Page 37: Line 12 of the CSHB 3158.

Governance

"If the city manager and nominations committee do not fill the vacancy under Subsection (b)(3) of this section within 60 days, then the state comptroller shall fill that vacancy."

-Amends Section 3.01(d-1) of the statute; Section 5, Page 18: Lines 11-14 of CSHB 3158.

I want to save this fund intensely. I believe this compromise makes tremendous strides to reach the goals you have set. I urge you to adopt these changes, which will protect the taxpayers and ensure the pension's solvency.

Best regards,



Michael S. Rawlings
Mayor of Dallas

cc: Honorable Members of the Texas House Dallas Delegation
Council member Lee Kleinman, Chairman of the City Council Ad-Hoc
Legislative Committee