Many changes have occurred since your Fund’s inception more than 97 years ago.

One of the most important changes is that your Fund is codified in state law under Vernon’s Civil Statute 6243(b). This statute lays down the rules of how your Fund is governed, what changes can be made, and how to change the Fund.

The statute establishes the basic rules the Fund and City of El Paso must follow, but more importantly, the statute allows the creation of your “Plan Document.” This Document, which is available on the Fund’s website, explains your benefits and what you are entitled to. The state of Texas also has laws by which the Fund abides.

A misconception has been that your Board of Trustees, through board action, determines member benefits, divorce allocations, refunds of contributions, and rules of how your benefits are calculated. This is just not the case as there are many rules and laws in place, some for decades - not to protect just members but also to protect the Fund. From time to time, some changes are needed.

Earlier this year the Board of Trustees voted to propose a benefit enhancement and contribution increase. The benefit enhancement is intended to start closing the gap in benefit differences between Tier I and Tier II.

When it comes to fighting to protect benefits we should have the same skin in the game. The contribution increase is both to pay for the enhancement and to make the fund healthier. The healthier the fund is, the more difficult it will be for anyone to try and eliminate or make negative changes to our benefit structure.

This article is not intended to change your mind, but instead show you what Tier I and Tier II members should be thinking about.

Everyone should understand that each member is contributing for the member who came before them. Police and Fire have raised their contributions no less than six times since 1980. With each increase, the active Tier I members have been subsidizing the retirees that came before them. Just like Tier II is subsidizing Tier 1 and our future members that are not even born yet will be subsidizing our current active members. This is no different than Social Security, Medicare, or any other legacy benefit. We have to take care of each other because no one else will.

This benefit enhancement and contribution increase is not purely for Tier I.
II. Both Tiers are getting something out of this change. For the Tier II member, they will have the ability to retire or enter the Forward Drop five years earlier. For Tiers I and II, the contribution increase will make the fund healthier to ensure that your retirement will be waiting for you unchanged.

Your defined benefit is under attack and all members should be fighting to improve benefits and be willing to contribute more so that our Fire and Police members will have a respectable retirement income. In Austin there are legislators who want your benefits gone or at least cut. Who will be coming to our rescue if we have to be reactive: the state, the city – generosity? This is why your Board is being proactive and working to ensure that we continue to make the fund healthier while providing benefit enhancements to close the gap between Tier I and II.

The benefit enhancement and contribution increase is not just a feel good moment; it’s a calculated business decision, nine months in the making, to make it harder to cut anyone’s benefits. If you would like to see what being reactive gets you, please just Google the Dallas fire and police pension fund and the Houston pension funds. Thinking no one will try and attack us because we are firefighters and police officers would be irresponsible.

If approved the Board would try to make it happen in sequence with pay raises so no one would actually see a reduction in pay. Unfortunately, there is no creative way to package this proposal. Pensions are a three-legged stool; benefits, investments, and contributions. We cannot cut benefits to give benefits; we are already number 1 in the state for investment returns, so the only option is contributions.

It is important to note that the national trend today is to create more Tiers when adversity hits. There are many public pension plans out there with several Tiers. We could create a Tier III today to make our fund stronger. Instead, your Board is bucking the trend and has put together a proposal to provide a benefit enhancement while making the fund stronger.

For most fire and police members our pension is the biggest asset we have or will ever have. The benefits you have are very good and you should know this by just the number of political groups who are trying to take it away. Just speak to any retiree and they will, without a doubt, advise you to hold on to every benefit you have because it is worth every penny and then some.

I understand that this is a lot of information and can be very confusing, but this decision to recommend benefit and a contribution change was not made on a whim. In the end, your Fund’s Board is committed, first and foremost, to protecting benefits. With this change they feel they are doing that and hope you would agree. Thanks for considering these facts as you help decide how we will proceed with the Fund.

members feel hurt by the rules of the Fund or laws of the state. For better or worse for members, the law places them as the second most important party when it comes to the Fund. The number one priority in the law’s eyes is protection of the Fund itself.

Because the Fund is the number priority, as the title suggests, life decisions are often the most devastating to your pension. The rules are set so you must understand how your choices affect your pension.

Listed are the most common things a member can have happen to them or that they can do to devastate their pension:

- Divorces are brutal to your pension! But the Fund does not decide what your ex-spouse shall receive in the settlement. You decide and then the court tells the Fund what to give. Make sure you and your lawyer understand what you are signing over to the other side.

- In divorces, members must remember that Texas law requires a 50/50 split of assets. This does not mean by law you have to give 50 percent of your pension. If you have $200,000 in assets: pension equals $100,000 and all your other assets equal $100,000 (house, cars, etc.), then there can be a 50/50 split. You and your lawyer should understand your options here.

- Divorces are brutal because your pension is being saved for one person, not two. One pension split two ways is financially devastating.

- If you leave the department before five years of service, you forfeit all your contributions to the Fund and the City’s contributions as well. You will get back no money. If this department is a steppingstone for you, this career move will come at a price.

- All Fund members’ benefits are calculated the same way. From the line to the Chief, there are no special circumstances.

- You cannot borrow money from your pension plan.

- If you leave the department after 10 years, but before you reach the minimum time required to retire (20/25 years), withdrawing your contributions is a costly mistake. With a deferred retirement you can collect a retirement starting at age 50. With only 10 years of service a person could collect $12,000 a year for the rest of his or her life. Not much you might say, but by age 55 you will have gotten back every penny you put into the Fund – and for the rest of your life your benefit is being paid by Fund investments (20 more years is $240,000).

The bottom line is, your pension is most likely your most valuable asset. Upon your retirement, it is worth $1.5 million and up. By law the Board of Trustees must place the Fund first. Like the Board the members must protect the Fund to ensure the benefits are there for them when they retire. But the benefits are fixed so the only one who can keep your benefits intact is you. Saving for retirement is a lifelong process so always way your options before making a pension decision.
Keeping Bad Legislation from Becoming Law

By Jerry Villanueva, EPFPPF Chairman

N ow that the 85th Texas Legislation has mostly ended, except for the forthcoming special session, I am happy to report that we were able to help keep any bad pension legislation from becoming law. I wish I could say it came easy but it was not.

Your Board and Staff spent a lot of time and effort making sure bad legislation did not make it to the legislation floor. This included meeting with key State Representatives in the offseason, testifying at the Texas Pension Review Board, and testifying at the State Legislature. Though no bad bills made it through there was a troubling trend that has been noticed over the past decade. Anti defined benefit proponents are trying harder and harder to ruin secure retirements for fire and police personnel in Texas.

Some of the worst bills I have ever seen were filed this year. Not only were some of these bills looking to switch defined benefit plans into defined contribution plans (401Ks), they were also asking to freeze or cut active and retiree benefits. Most lawmakers are still not on this bandwagon, but we as Fund members cannot become complacent. As a Board, we have done quite the opposite. We have become very active in setting the record straight, so our voice is always heard.

By becoming proactive your Board strives to act first and look to the future of effective pension management, rather than acting 10 years too late. The State’s Pension Committee commended your Fund on how its state statute is structured and how we have made changes to responsibly help ourselves. Your forward DROP is now shown as a model how a financially responsible DROP should work. Unfortunately, not all Funds in the state fared so well this year at the state capitol.

The Dallas fire and police and the Houston fire, police and municipal funds had a rough legislative session. Dallas fire and police were faced with the prospect of running out of money in 10 years. Lack of city contributions, risky investments, and rich benefits led to this underfunding. Their forward DROP was a major issue because members no longer had to contribute to the Fund and a guaranteed interest rate was given on their accounts. This was a huge flaw that EPFPPF did not repeat. What was worse for Dallas F&P was that they lost control of their board. The fire and police personnel are no longer the majority on their own pension Board. The Houston fire pension was forced to raise member contributions and lost about $1 billion in benefits with no new additional money from the city. These are the problems your Board is working hard to avoid by proactively working with local and state officials.

The assumption that your pension will just be there for all public employee retirees is a thing of the past. We as members of the Fund must be diligent in all areas when it comes to the protection of the Fund. As you have seen several times in letters and articles from the Fund: the only person who can protect your Fund is YOU! Please continue to educate yourself on what your Fund offers and help your Board protect it by paying attention to what is going on in the defined benefit pension world.

MISSION STATEMENT OF EL PASO FIREMEN & POLICEMEN’S PENSION FUND

To preserve the promise of benefits for members and beneficiaries of the El Paso Firemen & Policemen’s Pension Fund. As leaders in the provision of retirement benefits, we ensure financial security through sound investment decisions. Our service and dedication to our members and our community is unparalleled.
The legislature approved both Dallas and Houston pension bills which were considered must pass by stakeholders. And they have been touted as a big win for Texas’s two biggest cities. However, the final compromise required employees give up more than other stakeholders.

Houston
The new Houston law SB 2190 (Huffman) requires firefighters, police and municipal employees contribute more to their pensions. It limits cost-of-living increases depending on the fund’s performance and reduces the number of years an employee can participate in the DROP (Deferred Retirement Option Plan).

If by July 1, 2021 the funded ratio is less than 65 percent, defined-benefit plan switches to a cash-balance plan for new employees. Cash balance plans are a hybrid that combines elements of 401(k) plans and defined benefits. While they provide a defined annuity, it will be less than what a defined benefit plan provides because the annuity is determined by its most recent five-year smoothed rate of return as opposed to returns based on 30 years of performance.

The success of this law depends on the passage of $1 billion pension obligation bond in the November elections. Municipal employees and police pension funds will be the recipients of the bond proceeds because the city borrowed from the funds.

Dallas
The new Dallas law, HB 3158 (Flynn), applies to municipal employees, police and firefighters. It will cut $1.4 billion; raise retirement age to 58; discontinue lump sum DROP account distributions; and limits Cost of Living Increases. The board will consist of 11 members: 6 appointed by mayor and 5 from associations. A 2/3 vote is required to increase or decrease benefits so that the city cannot change benefits without backing of the fund. The city cannot open a new plan in lieu of this plan.

At the end of 6 years the Pension Review Board (PBR) will appoint an independent actuary to review the pension plans financial health. The board is required to act on the PRB’s recommendations. In 2025 the legislature can make benefit changes if the fund is not acting “in good faith.”

Pension Review Board: Josh McGee Nomination Confirmed
Josh McGee’s confirmation as Chair of the State Pension Review Board was a disappointment. Mr. McGee is a vice-president at the John Arnold Foundation which has been throwing millions of dollars at efforts to end defined benefit pensions for public workers and convert their pension into 401(k)’s or individual retirement accounts favored by the financial industry. The McGee nomination was stalled for months because the Democrats had sufficient votes to block his confirmation, however, Sen. Huffman took advantage of the timely absence of Sen. Royce West from a day’s proceedings to put the nomination up for a vote. The Senate Republicans seized the opportunity to confirm McGee by one vote.

No study of defined contribution and alternative pension plans
On a positive note SB 509 which would have required study of converting public employee pensions in to defined contribution or 401(k) type of individual retirement accounts did not come up for a vote on the House floor.

Additional bills that passed:
State employee group benefits program and health benefit plans for University Employees
HB 4035 (Flynn): A retiree who is participating in the uniform program may authorize the retirement system to deduct the amount of the contribution and any other qualified health insurance premium from the retiree’s regular monthly service or disability retirement annuity.

University Park Firefighters
HB 3056: (Meyer): This bill allows University Park Firefighters to participate in the Texas Municipal Retirement System (TMRS). The system offers defined contribution benefits in the style of 401(k)’s.

Employee Retirement System
SB 301(Watson): Employee Retirement System (ERS) sunset review passed allowing the agency to function. The agencies next review will be the year 2029.

Ending retirement benefits of elected officials
SB 500 (Van Taylor): This bill takes away a retirement annuity received by an elected official that is convicted of a felony associated with duties of office.

Repealing obsolete pensions
SB 1735 (Hughes): Relating to the repeal of certain obsolete laws governing state pensions and other similar benefits. Includes removing from statute state pensions for Confederate soldiers, soldiers of the TX Revolution, TX Rangers who served before 1947.

Public School Retired Employees Group Benefits Act
HB 3976 (Ashby): Amends the Act to provide. Provides for a high deductible health plan, a basic plan and a Medicare Advantage and prescription drug plans for retirees 65 and older. A retiree, dependent, surviving spouse, or surviving dependent child who is not eligible to enroll in Medicare is eligible to enroll in a Medicare Advantage and prescription drug plans for retirees 65 and older. A retiree, dependent, surviving spouse, or surviving dependent child who is not eligible to enroll in Medicare is eligible to enroll in a Medicare Advantage plan or a Medicare prescription drug plan offered under the group program. A retiree, dependent, surviving spouse, or surviving dependent child who is eligible to enroll in Medicare is eligible to enroll in a Medicare Advantage plan or a Medicare prescription drug plan offered under the group program. There is also an optional basic coverage for graduate students if their compensation is more than the payments required for the coverage.

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