

Testimony before the Texas House Committee on Pensions *Regarding House Bill 13*

Chairman Callegari and Members of the Committee:

My name is James Quintero and I am an analyst for the Center for Fiscal Policy at the Texas Public Policy Foundation, a non-profit, non-partisan, free market think tank based here in Austin. I would like to take this opportunity to thank the committee for investigating such an important matter: public pension transparency.

My testimony today will center on the need for greater disclosure in Texas' pension systems and to register the Foundation's support of House Bill 13.

The need for greater government transparency clearly exists.

- More than 15 percent of all Texas workers are employed by state or local governments;
- The Pension Review Board (PRB) oversees 89 defined benefit and hybrid pension plans, covering an estimated 2.3 million active and retired members;
- Generally speaking, public pension plans depend on investment income for roughly two-thirds of their funding. Employer and employee contributions supported by taxes and fees comprise the remaining one-third;
- Despite the enormous size of Texas' pension plans and their dependence on public monies for support, basic financial information, like budgets and check registers, are for the most part unavailable online to the general public.

Without this information at their fingertips, the public is incapable of knowing the true nature of the future liabilities they face.

- According to the Texas Comptroller's latest report on pensions, *Texas It's Your Money: Your Money and Pension Obligations*, "the unfunded liability for all Texas pension plans was \$43.8 billion as of November 2012."¹ That works out to be about \$1,700 per Texan;
- Unfunded liabilities could increase significantly when GASB's new rules go into effect in 2014.²

Keeping the public in the dark on pensions can have negative consequences.

- As the Comptroller notes, the failure to disclose information on pensions has perpetuated a crisis in some states and cities across the nation whereby these entities "are discovering large unfunded liabilities because of unreasonable assumptions, insufficient contributions or unsustainable benefits."
- In June 2012, Stockton, California became the largest city in America to file for bankruptcy. The city's financial difficulties were driven by large, unfunded liabilities;
- The latest estimates of Chicago's unfunded liabilities total \$26.8 billion, "nearly 14 times its anticipated tax revenues for 2012."³

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Support of House Bill 13

- Giving Texas taxpayers the information they need to make informed decisions about their state and local pension systems is critical to the sustainability of these systems;
- A more educated and engaged public will improve the governance and health of these systems.

Thank you for your time. I look forward to answering any questions that you may have.

¹ Texas Comptroller of Public Accounts, *Texas, It's Your Money: Your Money and Pension Obligations* (Dec. 2012).

² Ibid.

³ Ibid.

