If city officials get their way, Dallas police and firefighters who got rich off their beleaguered pension fund wouldn't get much more money, if any, out of the retirement system.

Or, as Mayor Mike Rawlings said Saturday, some retirees already "got their benefits early."

A City Council briefing posted online late Friday night provided the first glimpse into the city's plan to save the Dallas Police and Fire Pension System from insolvency within the next decade or so. Rawlings and the City Council will discuss the plan Wednesday.

While the presentation is short on details, Rawlings said he can be clear about a few aspects. The city won't pay the $1.1 billion bailout that pension officials want. Taxpayers will chip in, but he doesn't want to issue debt to pay for it. Base benefits will be protected. And the city's general philosophy is that those who profited from the overly generous benefits will have to take part in the banquet of consequences.

"We want to do it in a fair manner," Rawlings said. "We want to make sure that the state doesn't have to bail us out. We want to make sure everyone gets their benefits, and that nobody is treated in an inequitable fashion."

Chairman Sam Friar attended a Board of Trustees meeting at Dallas Police and Fire Pension System headquarters in October. He says he believes it's illegal to penalize members for benefits they've received and accrued.

(Jae S. Lee/Staff Photographer)

Pension Board Chairman Sam Friar said he was happy to work with the city but called the proposal a "non-starter." And although he and Rawlings both say they want to work together, the city's stance will almost certainly lead to a showdown at the state Legislature next year. Pension officials hope active police and firefighters will vote to support a package of benefit cuts that they believe will pass legal muster.

Friar believes it's illegal to penalize members for benefits they've already received and accrued.

"This is the one issue that we're just not going there," Friar said. "We will not do it. The pension board — we will just not go there. ... You cannot put toothpaste back into the tube."

Ultimately, the Legislature is the biggest unknown. The pension system is governed by state law, not city ordinance. The City Council has four of 12 seats on the board but otherwise has no real power over the fund even though taxpayers have been paying more than $110 million into the pension system each year.
Texas House committee vows support, but absolutely no money, for Dallas Police and Fire Pension fixes

City officials want local control of the fund, which state Sen. John Whitmire, D-Houston, has vowed to filibuster. He recently told board members that local politicians would muck up the fund, which is already set to go bust because of risky and overvalued real estate investments and the overly generous benefits members gave themselves.

The rest of the city's solution is also complex. City officials want the pension system to allow inflation to catch up to the unusually high 4 percent automatic annual cost-of-living increases that the system has awarded since 1989. That means many retirees wouldn't see another cost-of-living increase for years.

The Deferred Retirement Option Plan, known as DROP, is the city's biggest target. DROP gave officers and firefighters the right to essentially retire in the eyes of the system while they continued working. Meanwhile, their pension benefit checks were sent to a separate account, which guaranteed them at least 8 percent annual interest for years.

DROP also had few limits on withdrawals. Retirees were also allowed to remain in DROP and continue to accrue interest.

The result was that hundreds of police officers and firefighters became millionaires while insulated from the whims and risks of the markets. Currently, 517 DROP accounts total in excess of $1 million, according to the city's presentation.

Mayor Mike Rawlings tells state board pension crisis could help bankrupt Dallas

That meant when the fund's investments didn't return at least 8 percent, the entire fund, which all their colleagues depend upon in retirement, paid the price.

The lack of withdrawal restrictions led to a run on the bank once retirees caught wind of the pension system's proposed benefit cuts, which include new limits on DROP. Since Aug. 11, the fund paid out nearly $500 million in lump sums.

A liquidity crisis remains a risk. If money continues to flow out at that pace, the pension system will have to sell its assets to pay out the withdrawals. That will mean the fund goes insolvent even sooner.

Mike Rawlings, the mayor of Dallas, stood in front of the city landscape last month. The city's pension fund for police and firefighters is near collapse and is seeking an immense bailout, a request that threatens to push the city into bankruptcy.
Rawlings demanded earlier this week that the pension board cease withdrawals temporarily to "stop the bleeding." He said the board needed to think of the majority of officers and firefighters, who aren't in DROP.

"When we talk about fighting for the firefighters and the police officers, we're really trying to keep the pension system for those individuals," he said.

The city's plan will have the same goal. It would essentially negate those guaranteed-interest gains by stopping or reducing payments on future monthly benefit checks for DROP recipients for a while.

Rawlings said he knows the plan will face political and legal hurdles. Some officers and firefighters sued the pension system after members voted in 2014 to gradually lower DROP's guaranteed interest rate.

**Dallas Police and Fire Pension benefit cuts will only be the beginning of solution for 'big, hairy mess'**

But the mayor said the city has to act now to make sure the retirements are secured for retired, active and future public safety workers.

Taxpayers will still share some of the cost, though it's not clear how much. Rawlings said he doesn't want to use pension obligation bonds.

He said he still hasn't received "straight answers" about the city's use of the risky taxable bonds, approved by voters in 2004, to save the city's civilian employee pension fund. The mayor wants to have the money come from the annual operating budget.

That may mean cuts elsewhere.

"There will be less officers on the streets or folks behind library counters or hours in recreation centers," he said. "But I don't believe it's best to get it in a debt in that fashion."

City Manager A.C. Gonzalez said it could mean more than that: Higher taxes and bigger fees could be in play.

"Obviously, when you're faced with that kind of cost, there is just no end to the bad things that would be happening," he said.

**Judge rules Dallas police and firefighters can vote on pension cuts**

Still, Rawlings said he is unwilling to stand down on ambitious ideas in his final years as mayor.

"I say that every great organization needs to learn to walk and chew gum at the same time. You've got to be able to do both," he said. "You have to be able to do the basics, and you have to be able to do transformational projects."