LEGAL UPDATES

PUBLISHED: MARCH 12, 2019

Texas Supreme Court Affirms Cuts to Future Public Pension Benefits

FUTURE BENEFITS AND PENSION REFORM: REDUCTIONS TO "FUTURE" BENEFITS UNDER *EDDINGTON V. DALLAS POLICE AND FIRE PENSION SYSTEM*

Services

ERISA & Employee Benefits Litigation

Public Law

Retirement, Health, & Welfare Plans

Professional

SANDY HELLUMS-GOMEZ
HOUSTON:
713.525.6222
DALLAS:
214.999.6100
SANDY.GOMEZ@HUSCHBLACKWELL.COM

In doing so, the court held that the term "benefits" as used in Article XVI, Section 66 of the Texas Constitution did not apply to future benefits, meaning that the formula to calculate future interest under the DROP was not a protected benefit.

In 2014, the Dallas Police and Fire Pension System amended its pension plan to reduce the interest rate paid on DROP accounts. The reductions would have lowered the interest rate over a period of three years, beginning in 2015 and ending in 2018. After that, the interest rate would be based solely on investment performance and could, potentially, be as low as 0 percent. However, the reductions would not have affected any interest already accrued.

The petitioners, three pensioners who elected DROP accounts before the amendment to the plan, sued the system claiming a violation of Article XVI, Section 66 of the Texas Constitution, which prohibits the reduction of benefits under local public retirement systems. The petitioners argued that the DROP program itself was a benefit under Section 66, or alternatively the formula for calculating interest rates was itself a benefit.

The Supreme Court disagreed with petitioners, and held that "the interest rate that as-yet unearned DROP payments will bear" was not a benefit "accrued" under Section 66, and, as a prospective benefit, was not "accrued" or "granted" under Section 66. Because the amendment to the plan had no impact on funds

© 2026 HUSCH BLACKWELL LLP. ALL RIGHTS RESERVED

deposited before the amendments became effective, no Section 66 violation existed.

What This Means to You

The decision has ramifications for various troubled public pension plans across the state. Changes—even wide-ranging ones—to the formula by which future benefits are calculated are unlikely to be a violation of Section 66, providing flexibility to the administrators of public pensions going forward. However, if such amendments are enacted, it is also advisable to offer pensioners who have elected to participate in a DROP like the Dallas plan the ability to have a one-time opt-out of the plan. The Supreme Court favorably referred to such an opt-out in the Dallas plan as an additional factor showing that the plan's impact was only prospective.

Contact Us

If you have questions about this update, contact Kate David, Robert Eckels, Sandy Gomez, Arturo Michel, Mike Stafford or Ben Stephens.

© 2026 HUSCH BLACKWELL LLP. ALL RIGHTS RESERVED