



## Weekly News Clips, January 29, 2016

Texas Pension Review Board

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### **PRB PLANS**

#### **Houston Mayor Wants 'Shared Sacrifice' to Ease Pension Shortfall**

January 26, 2016, By Harry Weber

Houston isn't ready to boost property taxes like Chicago did even as it considers extending repayment of its debt and works to plug its more than \$5 billion pension shortfall, Mayor Sylvester Turner said.

Moody's Investors Service revised its Houston outlook to negative in July in part because of the unfunded pensions, which doubled between fiscal 2009 and 2014 to \$3.2 billion and rose to their current level amid accounting changes. Pensions, retiree medical care and debt consume about 30 percent of the city's budget, according to Moody's.

"We need to reverse the course of pension obligations," Turner said Tuesday in an interview at Bloomberg's Houston office. "The current course is unsustainable."

[Bloomberg](#)

### **TEXAS ECONOMIC INDICATORS**

#### **Dallas Fed: Texas Economy Fracturing Under Cheap Oil**

January 25, 2016, By Ciaran McEvoy

Crude oil's price collapse of more than 70% since June 2014 is messing with Texas in a big way, as the latest data continue to show that plunging oil prices are battering the state's energy-focused manufacturing sector.

The Dallas Federal Reserve's general business activity index fell to -34.6 in January, much worse than December's revised -21.6. The brutal score is the most negative since April 2009 during the last recession.

[Investor's Business Daily](#)

#### **Energy saver: Dallas, San Antonio and Austin keep Texas growing**

January 25, 2016, By Mitchell Schnurman

Call it the I-35 firewall, because it's the best defense against a big downturn in the Texas economy.

Three major metros along the interstate corridor - Dallas, Austin and San Antonio - keep adding jobs even as oil prices plunge. And their gains may be enough to offset the energy shock.

At least they were last year, and that's likely to continue, said Rob Kaplan, the new president of the Federal Reserve Bank of Dallas.

## [The Dallas Morning News](#)

### **State comptroller: Oil prices aren't wrecking Texas budget**

January 26, 2016, By Sean Collins Walsh

In a hearing Tuesday on how falling oil prices might affect the state budget, state Sen. Royce West, D-Dallas, had a question for Comptroller Glenn Hegar: "Is the sky falling in Texas?"

"No, sir. Is it something we need to continue to pay attention to and watch? Absolutely," Hegar said. "I would much rather be in this state than the other 49 states."

"I just don't want to be in the state of denial," West said.

Hegar, who in October lowered his projection for state revenue in the current budget by \$2.6 billion because of falling fossil fuel prices, on Tuesday told a leery Senate Finance Committee that, despite a continued decline in prices, the state budget isn't in jeopardy of being dragged down by the energy market.

## [Austin American-Statesman](#)

# **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

### **Cities' Pension Liabilities Are About to Look a Lot Worse**

January 22, 2016, By Charles Chieppo

A new rule from the Government Accounting Standards Board (GASB) requiring municipalities that participate in plans in which they share pension costs with states to allocate and disclose their share of unfunded pension liabilities provides states with some much-needed good news when it comes to pension finances, but it comes at the cost of cities' balance sheets. Hopefully the enhanced transparency will prompt cities to take measures to address their long-term liabilities.

The cost-sharing plans affected by the new GASB rule are those in which pension obligations and assets are pooled and the assets can be used to pay benefits for any participating government employer. A new issue brief from the Center for State and Local Government Excellence samples 173 municipalities and finds that 92 of them are affected by the new rule because they either participate exclusively in a state retirement system or both administer their own plan and pay into a state system.

## [Governing](#)

### **Supreme Court remands 2 ERISA cases to appeals courts**

January 25, 2016, By Hazel Bradford, Pensions & Investments

The U.S. Supreme Court on Monday remanded two ERISA cases to their respective appeals courts for reconsideration in light of recent high court decisions.

Ruling in *Harris vs. Amgen Inc.*, the Supreme Court ordered an appeals court, for a second time, to reconsider a case challenging the legal standard for lawsuits involving employer stock in defined contributions plans. In reversing and remanding the 9th U.S. Circuit of Appeals in San Francisco,

decision allowing *Harris vs. Amgen Inc.* to continue after the District Court had dismissed it, the justices ruled that the appeals court had failed to properly consider a pivotal 2014 Supreme Court ruling in *Fifth Third Bancorp vs. Dudenhoeffer* when the case was initially remanded. The *Fifth Third* decision removed the presumption of prudence standard often used to defend the use of employer stock against fiduciary-breach lawsuits.

## [Business Insurance](#)

### **Applicability of Normal Retirement Age Regulations to Governmental Pension Plans**

January 27, 2016, A Proposed Rule by the Internal Revenue Service

This document contains proposed regulations under section 401(a) of the Internal Revenue Code (Code). These regulations would provide rules relating to the determination of whether the normal retirement age under a governmental plan (within the meaning of section 414(d) of the Code) that is a pension plan satisfies the requirements of section 401(a) and whether the payment of definitely determinable benefits that commence at the plan's normal retirement age satisfies these requirements. These regulations would affect sponsors and administrators of governmental pension plans, as well as participants in such plans.

## [Federal Register](#)

### **New bill would provide universal retirement coverage for U.S. workers**

January 28, 2016, By Greg Iacurci

New legislation introduced Thursday would establish a retirement plan for U.S. workers who have no access to a workplace plan, building on other recent retirement coverage initiatives undertaken at the federal and state levels.

The American Savings Act, sponsored by Sen. Jeff Merkley (D-Oregon), would establish a new universal savings account - called an American Savings Account - for all working Americans, regardless of whether they are full-time or part-time employees or the size of their employers.

## [Investment News](#)

# **NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION**

### **The Hidden Bill Young Teachers Pay**

January 21, 2016, By Marcus Winters

Where does your paycheck go? Your compensation is spread over not just salary but also retirement and other benefits. State and local governments take their share, of course. But for public school teachers in many areas there is another (hidden) line item: paying for the retirement of those who came before them.

By now we are all familiar with the crushing debt facing many states due to unfunded pension liabilities, much of which is tied to promises made to teachers. Pension benefits were too generous, assumed rates of return on investments too high and contributions to cover future obligations too low. These policy

failures have caught up to us. Many states and localities have been forced to make difficult budget decisions, and some are on the verge of bankruptcy.

## [U.S. News & World Report](#)

### **Obama to push retirement plans in 2017 budget, officials say**

January 26, 2016, By Hazel Bradford

President Barack Obama will offer a package of ideas to stimulate more workplace access to retirement savings when he unveils his fiscal year 2017 budget on Feb. 9, top administration officials said Monday.

"We have to promote new retirement security opportunities and test new models," National Economic Council Director Jeff Zients said during a press briefing call with Secretary of Labor Thomas Perez. Mr. Zients called the package "an opportunity to update our social contract."

The proposal will include requiring every employer not currently offering a retirement savings program to set up an auto-enrollment individual retirement account for workers, and tripling the startup credit that employers receive for offering a retirement plan.

## [Pensions & Investments](#)

### **Deal gives San Diego first pension reserve**

January 26, 2016, By David Garrick

San Diego City Council members brokered a compromise this week to protect the city against spikes in pension costs while simultaneously setting aside more reserves for neighborhood services and other priorities.

The deal was forged between Republicans, who wanted \$31 million in excess cash at City Hall to be used primarily to create a pension stabilization fund, and Democrats, who have lobbied to have most of that money augment city reserves but not be earmarked for retirement benefits.

The council eventually voted unanimously on Monday evening to use part of the money to create a pension reserve and part of the money to increase the city's reserve policy, which now requires at least 14 percent of annual expenditures be socked away at all times.

## [The San Diego Union-Tribune](#)

### **New York City's Pension System in Danger of 'Operational Failure,' Report Says**

January 26, 2016, By Susanne Craig

New York City's pension system, which encompasses \$160 billion in retirement funds, is rife with problems that leave it vulnerable to an "operational failure," according to an independent report commissioned by the city comptroller's office.

The report found that the city's retirement system, the fourth largest in the country, needs additional resources, is understaffed and lacks many basic tools required to gain insight into the complicated risk embedded in its investments. Some managers rely on fax machines to send and receive vital information.

In some cases, the system, known as the Bureau of Asset Management, does not even have the internal controls necessary to ensure individuals cannot circumvent compliance, the report concluded.

### [The New York Times](#)

#### **Public Pension Reform Advocacy Group Launches**

January 26, 2016, By Kyle Glazier

Well-known figures in municipal finance and local government are leading a new advocacy group created to help local governments face what it describes as the "uncertain future" of public pension plans.

The Retirement Security Initiative launched publicly Tuesday.

Leaders include municipal bankruptcy expert Jim Spiotto, former New York Lt. Gov. Richard Ravitch, Lois Scott, Chicago's former chief financial officer, and former San Jose, Calif. Mayor Chuck Reed.

### [The Bond Buyer](#)

#### **Despite Cuts, More Pension Woes**

January 26, 2016, By Timothy W. Martin

Kentucky's new governor is preparing a fresh overhaul of the state's pension plans, a sign of greater pain coming in states that already implemented rounds of cutbacks after the financial crisis.

Three years after trimming benefits to head off a looming funding gap, the Bluegrass State has less than half of the money it needs to fund future obligations for about 345,000 public employees and retirees. One of its plans has just 17.7%, making it the worst-funded U.S. pension of the past 15 years. Standard & Poor's Ratings Services cut the state's bond rating to the nation's third-lowest in September, citing mounting retirement liabilities.

### [The Wall Street Journal](#)

#### **Arkansas attorney general calls Fayetteville fire pension move legal**

January 29, 2016, By Dan Holtmeyer

The city's old firefighter pension fund can be combined with the statewide pension program, the Arkansas attorney general said this week, though the city attorney has long disagreed.

Attorney General Leslie Rutledge said Fayetteville wouldn't violate the Arkansas Constitution by consolidating the Firemen's Pension and Relief Fund with the larger and sturdier Arkansas Local Police and Fire Retirement System, commonly referred to as LOPFI. The fund's board asked the City Council last year to allow the combination in a last-ditch effort to save the fund, which pays benefits to about 50 former firefighters or widows and is losing money faster than it's replenished.

### [Northwest Arkansas News](#)

# **WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION**

## **Returns diminish in challenging year for pension funds worldwide**

January 25, 2016, By Sophie Baker

In a year of exciting macroeconomic and market situations · with unprecedented monetary policy, the return of volatility, and the bottoming out of the commodities supercycle · one would be forgiven for expecting great things from pension fund investment returns in 2015.

But interesting happenings in the macro environment failed to translate into strong investment returns of pension funds in six of the world's major markets.

The average pension fund in each of Australia, Canada, Japan, the Netherlands, the U.K. and the U.S. all produced investment returns lower than in 2014.

## **Pensions & Investments**

### **Japan's Public Pension Fund: Asset Managers Can Be Better Shareholders**

January 27, 2016, By Eleanor Warnock

Despite a national push to increase dialogue between stockholders and companies, Japan's asset-management companies still have room to become better shareholders on behalf of their customers, says one of the country's biggest investors.

The \$1.1 trillion Government Pension Investment Fund said Thursday in a report that some asset-management companies haven't done enough to address conflict of interest issues and engage with companies whose stocks they hold as part of passive investment strategies that track an index, based on hearings with 20 firms that it pays to manage Japan stocks. Going forward, the GPIF will give more weight to passive asset managers who are talking with companies and giving good suggestions to management.

## **The Wall Street Journal**

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