



10.31.2015 through 11.6.2015

Weekly Clips

PRB PLANS

Real Asset Write-Downs Hit Dallas Credit Rating

November 2, 2015

RE: DFPF

Rating agency Moody's has downgraded the city of Dallas, Texas, amid ongoing funding problems for its \$3 billion pension fund for police and fire services.

Valuations and returns for its real estate assets portfolio had been overstated "since at least 2008," the Dallas Police & Fire Pension (DPFP) reported to members earlier this fall. This has so far resulted in write-downs totalling more than \$300 million.

The write-downs may not be over.

New investment managers were "in the process of assessing the path to maximize the value of the assets," according to DPFP advisors Buck Consultants. "Therefore, further adjustments may result from their analysis."

Moody's downgraded Dallas' credit rating by one notch—from Aa1 to Aa2—last week. The decision "reflects the city's very large and growing unfunded pension liabilities, a high fixed cost burden, and basic infrastructure needs which we expect to keep the direct debt burden elevated," the rating agency said.

<http://www.ai-cio.com/channel/RISK-MANAGEMENT/Real-Asset-Write-Downs-Hit-Dallas-Credit-Rating/>

FTSE Global Markets - ILPA ups the ante on fees and compliance

November 2, 2015

RE: TRS

In late October, the Institutional Limited Partners Association (ILPA) issued a draft reporting template for fees as part of its Fee Transparency Initiative that is looking for "more robust and consistent standards for fee and expense reporting". However, the scope of the initiative is broader and ILPA also hopes to produce recommendations for the role that third parties, such as administrators, auditors, consultants and lawyers, can play in ensuring compliance with a private equity fund's governing documents in the pursuit of formal best practice standards in compliance, fees and expense reporting. Once codified, they will become part of the 2011 ILPA Private Equity Principles.

The ILPA's mission includes promoting transparency and alignment of interests between private equity investors, called limited partners (LPs) and the managers or general partners (GPs) with whom they invest. Responding, it says, to a confluence of industry developments through 2014 and 2015, the ILPA has developed a fee reporting template that captures greater detail on fees, expenses and incentive compensation paid to GPs and their affiliates. ILPA hopes the template will encourage increased uniformity in the fee disclosures being provided to LPs to help reducing the compliance burden on GPs, who face a variety of bespoke template formats.

Providing LPs with an improved baseline of information that lends itself to more streamlined analysis and informed internal decision making. The proposed template draws from content found in several LPs' existing template formats.

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This latest initiative by ILPA does have heft, with large institutional investors, such as CalPERS, the **Teacher Retirement System of Texas**, Washington State and APG, providing vocal support for the initiative.

<http://www.ftseglobalmarkets.com/news/ilpa-ups-the-ante-on-fees-and-compliance.html>

Top 10 TEACHER RETIREMENT SYSTEM OF TEXAS Positions in Q3 2015

November 5, 2015

[Teacher Retirement System of Texas](#) just filed its quarterly 13F. Dated 04/11/2015, the 13f form reveals the investment manager has a portfolio value of \$12.71 billion, representing a decrease of \$577.00 million from the previous quarter when it was \$13.29 billion. Note: This filing represents only assets which are listed in the US.

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Fund New Positions

In this quarter, Teacher Retirement System Of Texas opened new positions in Valeant Pharmaceuticals Intl (VRX) for \$40.30 million, Westrock Co for \$27.11 million, Paypal Hldgs Inc for \$20.13 million, Zillow Group Inc for \$8.68 million and Welltower Inc for \$5.51 million. These were the 5 biggest new positions. In total the investment manager bought 35 new stocks.

http://www.octafinance.com/top-10-teacher-retirement-system-of-texas-positions-in-q3-2015/258695/?doing_wp_cron=1446672691.7153830528259277343750

Houston Chronicle - Straus asks lawmakers to study over 200 issues

November 4, 2015, BRIAN M. ROSENTHAL

AUSTIN – Texas House Speaker Joe Straus released a lengthy list of homework assignments Wednesday, asking committees in his chamber to spend the next year studying everything from the affordability of college and endlessly rising health care costs to more targeted concerns such as rowdiness on the San Marcos River and how windblown trash affects ranching.

The interim charges, the latest iteration of a list released after each legislative session by the speaker and lieutenant governor, offer a hint of some areas lawmakers could be expected to focus on when they convene again in early 2017.

If that is the case, the state House will be busy next session. Straus, R-San Antonio, issued a total of 216 charges, a third more than he doled out two years ago. A spokesman did not respond to a question about the reason for the increase.

<http://www.houstonchronicle.com/news/politics/texas/article/Straus-asks-lawmakers-to-study-over-200-issues-6611670.php>

To view the House Interim Charges please follow the link below (House Pensions Committee charges on p. 47):

<http://www.house.state.tx.us/media/pdf/interim-charges-84th.pdf>

TEXAS ECONOMIC INDICATORS

DMN - Hegar pins third dip in Texas sales tax receipts since June on declines in oil, gas production

November 4, 2015, ROBERT T. GARRETT

AUSTIN — State sales tax receipts last month declined by 5.4 percent from a year earlier, the third time they've posted a decrease in the past five months.

That's hard to get used to — in a state that notched more than five years' worth of continuous monthly increases in sales tax collections.

On Wednesday, Comptroller Glenn Hegar ascribed the tailing off to a recent decline in Texas oil and gas production, which also slows other economic activity.

"October state sales tax revenue was depressed, as expected, by declines in spending in oil and natural gas-related sectors," he said in a statement. "Other major sectors of the Texas economy, including construction, information and services, continued to show growth in tax remittances."

The state collected \$2.28 billion from its 6.25-cent sales tax last month — down from \$2.41 billion in October 2014, Hegar said. There were slight decreases from a year earlier posted in June and August; and slight increases in July and September.

<http://trailblazersblog.dallasnews.com/2015/11/hegar-pins-third-dip-in-texas-sales-tax-receipts-since-june-on-declines-in-oil-gas-production.html/>

Fitch Rates City of Dallas GOs 'AA+': Outlook Stable

November 5, 2015

Fitch Ratings has assigned an 'AA+' rating to the following City of Dallas, Texas (the city) obligations:

--\$227 million general obligation refunding & improvement bonds, series 2015.

The refunding bonds are scheduled for a negotiated sale the week of Nov. 9, 2015. Proceeds will be used to refund outstanding commercial paper notes and to finance public improvements.

In addition, Fitch assigns an 'AA+' rating to \$1.7 billion of the city's outstanding limited tax general obligation debt.

The Rating Outlook is Stable.

<http://www.businesswire.com/news/home/20151105005991/en/Fitch-Rates-City-Dallas-GOs-AA-Outlook>

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Audit slammed Jacksonville Pension Fund's \$370 million shortfall, others call it 'useless scenario'

October 31, 2015, DAVID BAUERLEIN

After City Councilman Bill Gulliford released a blistering investigation of the Police and Fire Pension Fund that said the fund's subpar investment performance put taxpayers on the hook for \$370 million, he threw down the gauntlet to anyone who disagreed with the report's findings.

"To those who say there are inaccuracies, my answer to you is, 'Prove it,' " Gulliford said.

The pension fund has met the report with silence.

But some public pension officials contacted by the Times-Union criticize the methodology used in the report, saying the figure of \$370 million is just a case of using 20-20 hindsight to proclaim that a different investment strategy would have earned more money.

<http://jacksonville.com/news/metro/2015-10-31/story/audit-slammed-jacksonville-pension-funds-370-million-shortfall-others>

Hartford Courant - Malloy Proposal To Split CT Pensions Could Save System

November 2, 2015

RE: Connecticut

Gov. Dannel P. Malloy's plan for avoiding fiscal catastrophe in 17 years by rejiggering the state employee pension system may be the only realistic option. But it's hard to know without more details.

It's concerning, however, that the state is conceding it won't be able to make contributions to the pension fund that it had pledged to make.

State budget chief Ben Barnes says annual pension fund payments will balloon by 2032 to \$6.6 billion — more than four times this year's \$1.5 billion payment. "Anybody think we're going to make this [2032] payment?" he asked a roomful of state commissioners and media last week. "It's not going to happen."

Refinancing The Pension System

The Malloy administration is proposing major changes to the state employee retirement system to avoid what The Connecticut Mirror's Keith M. Phaneuf describes as a fiscal iceberg.

It would split the system so that the state pension fund would cover only the benefits of those workers hired after 1984, which are less expensive than the benefits of pre-1984 hires.

<http://www.courant.com/opinion/editorials/hc-ed-state-pension-fund-rejiggering-questions-20151030-story.html>

AJC - Georgia Supreme Court sides with Reed, city in pension challenge

November 2, 2015, KATIE LESLIE

The Georgia Supreme Court has upheld Atlanta Mayor Kasim Reed's 2011 pension reform, ending a two-year legal battle brought by city employees who argued it was unconstitutional.

The unanimous decision, which affirms Atlanta's right to modify its pension program without increasing benefits, could have broad implications for governments across Georgia grappling with looming pension liabilities. Separately, the decision could be the first step in healing a fractured relationship between Reed and public safety workers, who have been denied raises while the lawsuit was pending.

"Atlanta is one of the bellwether cities in the United States of America. The issue is going to come up again and again and again, and I think the Supreme Court's decision and our work here is going to be looked at again and again and again," Reed said Monday. "I believe we are going to be able to make the argument that our approach is the right approach."

<http://www.ajc.com/news/news/local-govt-politics/georgia-supreme-court-reed-pension-reform-stands/npDjN/>

CALPERS - Private firms offer to run state retirement plan

November 2, 2015

A board working on a proposal to enroll most small business employees in a state-run retirement savings plan, unless they opt out, was told last week that small technology-focused financial firms could do the job.

The founders of three firms that offer 401(k)s and other retirement plans to small businesses did not object to competition from the state. They offered their services, acknowledging that several small firms may be needed due to the size of the job.

"We've got the systems, the people to support this type of an initiative, and we are all excited," said Pete Kirtland of Aspire Financial Services. "Whether or not we participate, it's the right thing to do."

Chad Parks of Ubiquity added: "You are looking at three companies here who have decided to tackle this problem. So, there are people out there who are willing and able to do this."

<http://calpensions.com/2015/11/02/private-firms-offer-to-run-state-retirement-plan/>

P&I - Defined contribution execs refining tools to reach millennials

November 2, 2015, ROBERT STEYER

As they court the defined contribution version of the youth vote, plan executives are seeking ways to convince their youngest workers to save more and save earlier.

They have found through research, focus groups and trial and error that the younger workers — the millennials, who are between 18 and 34 — respond to different strategies for education and communication than older workers. They do so not only because they are more tech savvy, but also because they have financial challenges that are more immediate than thinking about retirement decades in the future.

"Millennials already understand that they need to save, but they weren't saving enough," said William Gheres, director of retirement planning and administration for Erie Insurance, Erie, Pa., which has a \$556 million 401(k) plan and a \$563 million defined benefit plan. "They saw that their grandparents and parents worked longer than they wanted to."

Research by Fidelity Investments, Boston, shows millennials respond best to education campaigns that encourage them to talk with people who can help in a "more personalized way," said Nancy Emerson, managing director of customer experience.

Thanks to a special project conducted in late 2013 and 2014 with several clients — including Erie Insurance — and Fidelity executives, Fidelity compiled a list of millennial myths to share with clients. One of those myths: Social media is the preferred or trusted source for financial information.

<http://www.pionline.com/article/20151102/PRINT/311029970/defined-contribution-exec-refining-tools-to-reach-millennials>

Public pensions finally in line with Ohio law

November 3, 2015

Thanks to a strong stock market run and necessary tweaks to their contribution and benefits schemes, all five of Ohio's public pension funds now are in compliance with state law requiring

adequate financing to repay all obligations in 30 years or less. The recently achieved milestone marks the first time in 15 years that all the funds have satisfied this obligation.

That's excellent news for the funds, their members and for Ohioans. Members might not have liked being told they would need to contribute more or wait longer to collect benefits, but without these necessary tweaks, they very well could have faced much more pain down the road in deep and sudden cuts. And though Ohioans aren't technically on the hook for the funds' obligations as are taxpayers in some other states, it's likely that they would be asked to come to the rescue in the event of a catastrophic failure.

It's no surprise that the last fund to meet the threshold was the Ohio Police & Fire Pension fund, the last to make adjustments to bring it in line with the law. It recently dropped to the 30-year mark from the previous 33. All the others now are able to meet their obligations in 29 years or less, including the State Highway Patrol Retirement System (29 years); the State Teachers Retirement System (28.4 years); the School Employees Retirement System (28 years); and the largest fund, the Public Employees Retirement System (21 years).

The Police & Fire fund gets added credit for becoming the first in the nation to agree to post its checkbook-level spending on Ohio Treasurer Josh Mandel's OhioCheckbook.com. This added layer of transparency is a very good move.

THIS IS THE ENTIRE ARTICLE

<http://www.dispatch.com/content/stories/editorials/2015/11/03/1-public-pensions-finally-in-line-with-Ohio-law.html>

CNBC - Pension 'fix' by Congress could backfire

November 3, 2015, JOHN W. SCHOEN

The latest effort by Congress to save your pension may be putting it further at risk.

Tucked away in last week's bipartisan budget deal was a provision to sharply raise the premiums on a government-run fund to backstop private pension funds that go bust. With the fund falling deeper in the red, the higher premiums charged to companies offering traditional defined benefit pensions are intended to help put the Pension Benefit Guaranty Corp. back on a solid financial footing.

But critics say the higher premiums — set to rise from \$57 per covered worker this year to \$78 in 2019 — could prompt even more companies to freeze or close out their traditional defined benefit pensions that pay retirees a guaranteed monthly check for life.

<http://www.cnbc.com/2015/11/03/pension-fix-by-congress-could-backfire.html>

NYT - Long Lives and Rocky Markets Have Some Pension Systems Recalibrating

November 4, 2015, MARY WILLIAMS WALSH

For decades, state and local pension systems thought of themselves as America's ultimate long-term investors.

Companies could go bankrupt by the thousand; corporate boards could show C.E.O.s the door. But the states and cities would be there forever. That meant their pension funds — and the local taxpayers who guarantee them — could invest aggressively, even if that meant taking more risk. In an infinite time frame, today's loss would always be offset by tomorrow's gain.

Or so the thinking went. Now, a long-living baby boom generation, rapidly fluctuating global markets and municipal bankruptcies are blowing holes in the notion that for public pension funds, time is infinite. It turns out that the short term matters too.

And it matters now more than ever. According to the National Association of State Retirement Administrators, virtually all public pension funds are in what is called a “cash-flow negative” state. That means that every year, they pay more in benefits to retirees than they receive in contributions. And that signals, for some at least, an urgent need to reconsider traditional investment strategies.

http://www.nytimes.com/2015/11/05/business/dealbook/long-lives-and-rocky-markets-have-some-pension-systems-recalibrating.html?_r=0

Saginaw outsources 50-year-old police and fire pension system

November 4, 2015, MARK TOWER

RE: Michigan

The city of Saginaw is officially out of the pension business.

City Council gave final approval on Monday, Nov. 2, to the outsourcing of Saginaw's police and fire pension system, the last vestige of city-run pension funds.

The decision to move firefighter pensions came on the heels of a decision earlier this year to transfer the other half of the system, police pensions, to the Municipal Employees Retirement System (MERS).

Once the firefighters' pension funds are transferred to MERS, which will happen on Jan. 1, the city's 50-year-old police and fire pension board will be abolished.

http://www.mlive.com/news/saginaw/index.ssf/2015/11/saginaw_abolishes_50-year-old.html

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

FT - QE 'acted like an opaque tax' on pension funds

November 1, 2015, ATTRACTA MOONEY

RE: EU Pensions

When central banks in the US, the UK and elsewhere in Europe announced plans to pump trillions of dollars into their economies in the wake of the global financial crisis, their aim was to stave off financial collapse.

But quantitative easing, the process in which central banks create new money and use it to buy government debt and other assets from banks to lower interest rates, has had significant unintended consequences for large investors.

QE might have prevented a re-run of the Great Depression of the 1930s, but around six in 10 pension funds say the central bank support has had a negative impact on their funding ratios, a measure of pension assets to obligations.

More than half of pension funds also say the influx of central bank money has sown the seeds of the next financial crisis, according to a study of 184 European pension funds collectively managing more than €1tn of assets.

The study points out that most EU countries now have high debt levels compared with their gross domestic product. Amin Rajan, chief executive of Create Research, the consultancy that carried out the research with French asset manager Amundi, says QE has been a factor in driving up this debt.

<http://www.ft.com/intl/cms/s/0/5ced6d00-7da2-11e5-a1fe-567b37f80b64.html#axzz3qRLdijtk>

WSJ - China's President Xi Jinping Lowers Economy's Bottom Line to 6.5%

November 3, 2015, MARK MAGNIER

BEIJING—Chinese President Xi Jinping said China's new bottom line for growth is 6.5%, according to state media, which released new details of China's five-year plan.

Mr. Xi signaled a range for China's five-year growth target by also saying that China could maintain its current pace of about 7%. His comments suggested that Beijing intends to continue prioritizing headline growth as it seeks to shift its economy to a slower-paced "new normal."

The official Xinhua News Agency on Tuesday said China's proposed five-year plan calls for supporting new growth drivers—especially expanding consumption—but also relies on old engines, such as exports and investment in infrastructure. Plans to integrate clusters of cities into new megalopolises and to build more highways and railways received specific mention.

The wording of the proposed plan incorporates some previously announced initiatives and was short on specifics, including the exact growth target, which won't be unveiled until March. Many economists predict Beijing will cut the goal to 6.5% from its current level. The final version of the 13th five-year plan is scheduled for release in March by China's rubber-stamp parliament.

<http://www.wsj.com/articles/chinas-president-xi-jinping-says-economy-to-grow-by-at-least-6-5-1446566259>

P&I - Italy's Arco pension fund taps State Street for securities lending

November 3, 2015, RICK BAERT

Arco Fondo Nazionale Pensione Complementare, Milan, hired **State Street** to manage the €466 million (\$513 million) pension fund's securities lending program, said the pension fund's website.

The Arco pension fund, whose participants are from Italy's wood furniture manufacturing industry, was granted approval in January by COVID, Italy's national pension regulator, to begin a securities lending program.

The supplemental pension fund made its first securities loan transaction last month, the website said.

Massimo Malavasi, Arco general manager, said in a State Street news release that the hiring would give the pension fund "the option of using direct securities lending" as another way to increase the fund's investment performance.

Efforts to reach Mr. Malavasi or other officials at Arco were unsuccessful.

THIS IS THE ENTIRE ARTICLE

<http://www.pionline.com/article/20151103/ONLINE/151109980/italys-arco-pension-fund-taps-state-street-for-securities-lending>

P&I - Pension fund consortium acquires Spanish infrastructure manager

November 3, 2015, SOPHIE BAKER

Three pension funds and providers agreed to acquire Spanish infrastructure management company Globalvia Infraestructuras for up to €420 million (\$462 million.)

Dutch pension fund provider PGGM; £48 billion (\$74 billion) Universities Superannuation Scheme, London; and OPTrust, which manages the C\$17.5 billion (\$13.4 billion) Ontario Public Service

Employees Union Pension Plan, Toronto, announced the acquisition Monday. The firm will be acquired from Fomento de Construcciones y Contratas and Bankia.

A spokesman for PGGM, which has €186.6 billion in assets under management, and manages the assets of the €161.7 billion Pensioenfonds Zorg en Welzijn, Zeist, Netherlands, confirmed the agreement.

<http://www.pionline.com/article/20151103/ONLINE/151109994/pension-fund-consortium-acquires-spanish-infrastructure-manager>

Reuters - Polish court says moving pension fund assets to state was legal

November 4, 2015

Poland's Constitutional Tribunal ruled on Wednesday that a government shakeup of the pension system that transferred assets from private pension funds to the state did not violate the constitution.

The decision means that Poland will not face a significant rise in public debt, as some had feared, especially lawmakers in the Law and Justice (PiS) party which won a parliamentary election last month and is now forming a new government.

The pension reforms introduced by the previous centre-right government in 2014 shifted assets from the privately owned pension funds to the state balance sheet. The move reduced Polish public debt by about 8 percent of gross domestic product GDP, giving Warsaw greater scope to borrow and spend.

The transfer moved 153 billion zlotys (\$39.34 billion) of bonds from the funds to the state-run Social Security Office (ZUS), effectively halving the value of assets managed by the private funds.

<http://www.reuters.com/article/2015/11/04/poland-pensions-tribunal-idUSL8N12Z47N20151104#ZL0f4UjgaifpLuUt.97>

LEGAL PROCEEDINGS, LAWS & REGULATIONS

P&I - Georgia Supreme Court upholds Atlanta pension reform

November 4, 2015, ROB KOZLOWSKI

The Georgia Supreme Court on Monday upheld an earlier Fulton County Superior Court dismissal of a lawsuit challenging the constitutionality of higher employee contributions for participants in Atlanta's three pension funds.

A group of participants in the Atlanta General Employees' Pension Fund, Atlanta Firefighters' Pension Fund and Atlanta Police Officers' Pension Fund filed a lawsuit in November 2013 challenging the city's reform, which was effective Nov. 1, 2011.

Those reforms increased contributions to 13% from 8% for employees who had designated beneficiaries and 12% from 7% for those without designated beneficiaries.

A Fulton County Superior Court judge dismissed the lawsuit in November 2014. The group of participants appealed the dismissal to the Supreme Court the following month.

http://www.pionline.com/article/20151104/ONLINE/151109963/georgia-supreme-court-upholds-atlanta-pension-reform?utm_campaign=ramp_rss&utm_source=rss&utm_medium=rss