



## Pension Review Board Weekly Clips

December 5 – 11, 2015

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### **PRB PLANS**

#### ***JPMorgan's \$388 Million RMBS Accord Set for Court Approval***

December 4, 2015, BOB VAN VORIS RE: Fort Worth Employees' Retirement

JPMorgan Chase & Co.'s \$388 million settlement with investors who claimed the bank misled them about the safety of \$10 billion worth of residential mortgage-backed securities was set for final approval.

U.S. District Judge Paul Oetken agreed Friday with both sides that the settlement is fair and said in a hearing in Manhattan that he would sign off on the deal.

The **Fort Worth Employees' Retirement Fund** and other investors in nine offerings made before the financial crisis claimed in the suit that JPMorgan misled them about the underwriting, appraisals and credit quality of home loans underlying the securities.

[Bloomberg](#)

#### ***Laredo firefighters cuts Bahl & Gaynor***

December 7, 2015, MEAGHAN KILROY

Laredo (Texas) Firefighters' Retirement System terminated Bahl & Gaynor as an active domestic large-cap equity manager because of performance, said Jaime Jasso, administrator of the \$117.4 million pension fund, in an e-mail.

The pension fund had \$9 million invested in the strategy. A Bahl & Gaynor official could not immediately be reached for comment.

The assets will be invested temporarily in a BlackRock (BLK) iShares S&P 100 strategy. Discussions on a search for a permanent replacement manager are pending.

[Pensions & Investments](#)

#### ***And what of Turner's plans for pensions?***

December 8, 2015, MIKE MORRIS RE: Houston

We've scrutinized mayoral hopeful Bill King's pension reform proposals in recent days, in this Sunday story and in a follow-up post that better explains the math behind his idea.

In short, some financial experts worry about the market risks associated with King's plan, and estimates show it may save money over the coming decades but may cost more in the short term.

More to the point, however, as the Sunday story explained, King has made himself the details guy. And as the same story also made clear, his opponent in Saturday's runoff, Sylvester Turner, has, well, not.

[Houston Chronicle](#)

***UPDATED: More numbers on King's pension proposal***

December 9, 2015, MIKE MORRIS RE: Houston

First, some background: the costs of Houston's employee retirement benefits have risen sharply since city leaders, acting on flawed cost projections, agreed to increase pension benefits in 2001. Since then, the city consistently has fallen short on its annual payments to the retirement systems, leaving the police, fire and municipal workers' pensions underfunded by a combined \$3.2 billion. (King says the figure is closer to \$4 billion since the funds' investment returns have fallen short of their targets recently.)

King wants to issue bonds to erase that \$4 billion gap while moving new hires into less generous retirement plans similar to 401(k)s. The interest rate on the bonds, he reasons, would be lower than the rate applied to the pension debt, which is the 8 percent to 8.5 percent expected rate of investment return.

[Houston Chronicle](#)

***Federal lawsuit targets Dole Food buyout by CEO***

December 11, 2015, RANDALL CHASE, ASSOCIATED PRESS RE: San Antonio

DOVER, Del. (AP) — Two Texas public employee retirement funds have filed a shareholder lawsuit in Delaware challenging a deal in which Dole Food chairman and CEO David Murdock took the company private.

The proposed class action suit was filed this week in federal court in Wilmington by the **San Antonio Fire and Police Pension Fund and the Fire & Police Health Care Fund**, San Antonio.

The complaint claims that Dole, Murdock and former company president C. Michael Carter misled investors about Dole's operations and finances so that Murdock could buy the fruit and vegetable business on the cheap.

[San Antonio Express News](#)

## **TEXAS ECONOMIC INDICATORS**

***What \$37 per barrel oil means for the Eagle Ford***

December 7, 2015, SERGIO CHAPA

Producers in the Eagle Ford Shale region just south of San Antonio are keeping an eye on the market after waking up to near seven-year-low crude oil prices on Monday morning.

West Texas Intermediate was trading as low as \$37.60 per barrel early Monday afternoon, dipping well below this year's previous low of \$38.22 per barrel, which was set less than four months ago on Aug. 24. Figures from the U.S. Energy Information Administration show that the previous record low for WTI crude oil prices was reported at \$34.03 per barrel on Feb. 12, 2009.

University of Texas at San Antonio researcher Thomas Tunstall said that how today's price downturn affects producers in the Eagle Ford depends on how low it goes and how long it lasts.

[San Antonio Business Journal](#)

***BBVA Compass economists: Texas economy to return to potential in '17 after staving off recession***

December 9, 2015

HOUSTON, Dec. 9, 2015 /PRNewswire/ -- Shifts in global growth fundamentals such as the strengthening of the U.S. dollar and repressed oil prices may have weakened the outlook for Texas, but the economy is still expected to grow 1.9 percent in 2015 before returning to its full potential in 2017, BBVA Compass economists say in their latest report.

Three factors contributed to the Lone Star state's ability to stave off a recession, the bank's economists say: the discordant timing of the impact from a strengthening dollar and the mining sector slowdown; the evolution of the oil and gas industry structure so that it's more innovative and flexible; lower systemic risks to the financial sector as a result of its lower risk appetite and a more cautious lending environment.

[PR Newswire](#)

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

***Calstrs under pressure to reveal private equity fees***

December 6, 2015, CHRIS FLOOD

Calstrs, the second-largest US public pension plan, is under growing pressure to end its silence regarding unreported performance fees paid to some of Wall Street's largest money managers.

US public pension schemes have paid tens of billions of dollars to private equity managers in performance fees, known as "carried interest", but only a tiny fraction has ever been disclosed.

[Financial Times](#)

***SDCERS sets \$125 million for private equity, infrastructure in 2016***

December 7, 2015, ARLEEN JACOBUS

San Diego City Employees' Retirement System plans to commit roughly \$125 million to private equity and infrastructure investments in 2016, down from the \$170 million projected for 2015, according to a private equity and infrastructure investment plan for the \$6.7 billion pension plan.

So far, SDCERS has committed \$115.9 million to 15 new investment opportunities for its \$390 million private equity and infrastructure portfolio, according to a report by SDCERS' private markets consultant StepStone. All of those commitments were to private equity.

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***State pension fund recovery stalled by accounting changes***

December 7, 2015, ASSOCIATED PRESS

It had looked like Mississippi's main public employee pension fund had turned the corner in 2014, but changes in financial projections left the Public Employees Retirement System losing ground again in the year ended June 30, 2015.

Actuaries reported in October that the PERS funding percentage — the share of future obligations covered by current assets — ticked down to 60.4 percent from 61 percent the year before.

The unfunded accrued liability, the amount of money that the system is short of being fully funded, rose by \$1.5 billion to nearly \$16 billion.

Those changes are not because the pension fund lost money in the stock market. The fund returned 3.4 percent on its investments during the 12-month period.

[Mississippi Business Journal](#)

### ***PSERS opposes Senate's pension payment collars***

December 8, 2015, MARY WILSON

Pennsylvania's largest retirement system is slamming a state Senate-approved pension overhaul that would further reduce, or "collar," state payments into its pension funds.

"Typically the retirement system does not take positions on legislative proposals," said Glen Grell, executive director of the Public School Employees' Retirement System (PSERS) on Tuesday, "but we as fiduciaries are concerned about collaring the rate, which is another word for underfunding the plan."

The state's two pension systems together are underfunded by more than \$50 billion, a debt fueled in part by legislative actions to reduce what the state contributes to the plans.

A Senate proposal passed by the chamber on Monday would reduce the state's payments by \$170 million dollars, a short-term boon that will cost more to pay back.

[WITE](#)

### ***Hedge Funds Leave U.S. Pensions With Little to Show for the Fees***

December 8, 2015, DARRELL PRESTON

Here's what U.S. state and city pension funds are getting this year for the hundreds of millions of dollars in fees they're forking over to hedge funds: almost nothing.

The investment pools gained 0.4 percent through November, putting them on pace for the worst year since 2011, according to data compiled by Bloomberg. The industry's struggle was underscored over the past two months as BlackRock Inc., Fortress Investment Group and Bain Capital closed hedge funds after running up losses.

[Bloomberg](#)

### ***House members, UPS call for denial of Central States rescue plan***

December 8, 2015, HAZEL BRADFORD

A benefit reduction application by the Teamsters Central States, Southeast & Southwest Areas Pension Fund, Rosemont, Ill., should be denied, 18 House of Representatives members told the Treasury Department in a letter to Kenneth Feinberg, the special master who is overseeing the suspension process created by the Multiemployer Pension Reform Act of 2014.

The members said Central States' proposed cuts will affect 270,000 people and their communities. "We do not believe placing an inordinate burden on middle-class workers and retirees is the only option for Central States," the letter, sent Monday, said. One signer, Rep. Marcy Kaptur, D-Ohio, has sponsored legislation to repeal the MPRA's benefit suspension

provision and instead reduce the Pension Benefit Guaranty Corp.'s multiemployer program deficit by closing two tax loopholes.

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#### ***Virginia Retirement System names director of portfolio strategy***

December 9, 2015, HAZEL BRADFORD

Kristina Koutrakos was named director of portfolio strategy for the Virginia Retirement System, Richmond.

It is a new position for the \$66 billion pension fund, spokeswoman Jeanne Chenault said in an interview.

Ms. Koutrakos, who started Nov. 30, "will develop, implement and manage a systematic ongoing process for identifying cross-asset class investment ideas with the potential to enhance returns and/or reduce risk," Ms. Chenault said. Ms. Koutrakos will report to Charles Grant, managing director of strategy, research and risk management.

Before joining VRS, Ms. Koutrakos founded Kyria Capital Management, which focuses on women in alternative investing by providing access to and research on women-run alternative investments. Further information on Kyria could not be learned by press time. Ms. Koutrakos also was previously a portfolio manager at BlackRock(BLK).

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#### **THIS IS THE ENTIRE ARTICLE**

#### ***New mortality tables – again!***

December 9, 2015, DAN ATKINSON & MICHAEL CLARK

In October, the Society of Actuaries published an update to the mortality tables that were released in the fall of 2014. The update consists of a new mortality improvement projection scale (MP-2015). Unlike the mortality table and projection scale from 2014, this new improvement scale will actually result in a decrease to pension liabilities! This pronouncement was a bit of a surprise, so we are asking ourselves a bunch of questions.

Why are we getting new tables so soon?

When the 2014 tables were published, the SOA indicated it would update the projection no later than every three years as new data become available. In our opinion, an update one year later was definitely unexpected. It turns out that the mortality improvement over the past two years, based on data released by the Social Security Administration, was not as strong as expected. Thus, an adjustment to the improvement scale was needed sooner rather than later.

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#### ***Kentucky teacher's pension liabilities skyrocket under new rules***

December 9, 2015, EDWARD KRUDY

The unfunded liability at Kentucky's troubled public pension fund for teachers leapt by more than \$10 billion last fiscal year under new accounting rules intended to provide a more realistic picture of the worst funded public pension plans.

Kentucky Teachers Retirement System's (KTRS) unfunded liability jumped to \$24.43 billion in the fiscal year ended June 30, 2015, using new accounting rules known as GASB 67, compared to \$14.01 billion in the prior year, a meeting of board members was told on Wednesday.

Under the rules Kentucky had to use a discount rate of 4.88 percent to calculate the net present value of its liabilities, compared to the 7.5 percent it would have used normally, said Beau Barnes, an executive and general counsel for the fund.

[Reuters](#)

### ***West Virginia Public Employees Insurance Agency Approves Benefit Reduction***

December 11, 2015, IAN HICKS

WHEELING - The West Virginia Public Employees Insurance Agency board voted Thursday to slash health benefits for more than 200,000 state employees and retirees unless the Legislature comes up with \$96 million in additional funding for the program.

Lawmakers haven't put additional funding into PEIA since 2011, and officials have projected a \$120 million shortfall for the program for the 2017 plan year. In an accompanying vote Thursday, PEIA board members said they would throw out the changes if the Legislature can make up 80 percent of the shortfall, or about \$96 million, meaning less severe increases in deductibles and out-of-pocket spending caps.

[Wheeling Intelligencer](#)

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

### ***Ban on Israel divestment angers pension officials***

December 6, 2015, MADISON MARRIAGE

The UK government has angered some of the country's most senior pension officials over proposed rules that have been widely interpreted as political interference in pension funds' investment decisions.

The ruling Conservative party published a statement in October outlining "new rules to stop politically motivated boycott and divestment campaigns against UK defence companies and against Israel".

[Financial Times](#)

### ***Canada Pension Plan among group taking stake in Postal Savings Bank of China***

December 9, 2015, RICK BAERT

Canada Pension Plan Investment Board, Toronto, is among a group of investors that acquired a combined 17% stake in Postal Savings Bank of China, the country's largest bank by branches and customers.

The board, which manages the assets of the C\$272.9 billion (\$204 billion) Canada Pension Plan, Ottawa, invested 3.2 billion renminbi (\$500 million) for a 7.1% share in the bank, CPPIB said in a news release.

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### ***US pension funds raise the bar in low carbon investment***

December 9, 2015, JOHN AUTHERS

The falling oil price is helping fund managers deal with a difficult conundrum. Pressure to divest from polluting companies, especially those that deal in fossil fuels, is intense. But so is the pressure to maintain investment returns in an unforgiving investment environment.

Over the past 18 months, the collapse in the oil price has rendered this dilemma moot. Tanking profits for oil companies have made excluding energy companies very profitable. Since crude oil peaked in June of last year, the S&P 500 is up 5.27 per cent, but the S&P 500 energy index has dived 38.19 per cent. Excluding energy, the S&P has gained 10.58 per cent, according to S&P Dow Jones Indices.

[Financial Times](#)

### ***10 largest Canadian public pension funds' assets top \$1 trillion — report***

December 10, 2015, RICK BAERT

The 10 largest Canadian public pension funds' current combined assets of more than C\$1.1 trillion (\$822 billion) equals 45% of Canada's gross domestic product, according to a study released Thursday by Boston Consulting Group.

The top three plans — the C\$272.9 billion Canada Pension Plan Investment Board, Toronto; C\$240.8 billion Caisse de Depot et Placement du Quebec, Montreal; and the C\$154.4 billion Ontario Teachers' Pension Plan, Toronto — are among the top 20 plans worldwide in terms of assets, according to the study. CPPIB, which manages assets of the Canada Pension Plan, Ottawa, ranks eighth; the Caisse, which oversees Quebec pension and other assets, was 14th; and OTPP was 20th.

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## **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

### ***Senate Republicans Introduce Bill for Puerto Rico Relief***

December 9, 2015, MARY WILLIAMS WALSH

Under pressure to help Puerto Rico avoid a bond default on Jan. 1, Senate Republicans introduced a bill on Wednesday to extend several forms of assistance to the island.

But the measure stopped well short of embracing proposals from the Obama administration, which include giving Puerto Rico access to bankruptcy court.

The senators acted as Antonio Weiss, a counselor to Treasury Secretary Jacob J. Lew, warned that without congressional action, Puerto Rico risked "another lost decade."

The Republicans' measure would include up to \$3 billion in cash relief, a payroll tax break for residents of the island and a new independent authority that could borrow for Puerto Rico — but with no taxpayer guarantee.

"Consistent with the views of Congress and the administration that there will be no 'bailout' " of Puerto Rico, said a bill summary, "the full faith and credit of the United States is not pledged for the payment of debt obligations issued by the authority."

The bill also called for Puerto Rico — and all the states — to disclose, for the first time, the true financial condition of their pension systems for government workers. Currently, governments use actuarial numbers, which can significantly understate a pension plan's cost. Shifting to fair-value numbers could help with coming negotiations in which Puerto Rico has said it plans to divert money from its bondholders and use it to pay pensions.

[New York Times](#)