



Weekly Clips, March 10, 2016  
Texas Pension Review Board  
P.O. Box 13498 Austin, TX 78711-3498  
[www.prb.state.tx.us](http://www.prb.state.tx.us)

## **PRB PLANS**

No PRB Plan articles this week.

## **TEXAS ECONOMIC INDICATORS**

### **BNSF Railway will spend \$210 million in Texas**

March 9, 2016, By Terry Box

Fort Worth-based BNSF Railway Co. will spend \$210 million on capital improvements this year in Texas, with much of it focused on maintenance projects.

Replacing rails, ties and ballast will be the main components of the project, the company said . part of BNSF's \$4.3 billion network-wide capital expenditure program this year.

The rail company operates approximately 32,500 miles of track in 28 states and is one of the industry's top transporters of consumer goods, agricultural products, coal, petroleum and chemicals.

### **The Dallas Morning News**

### **Could Austin – the ‘Silicon Hills’ of Texas – become the next biotech hub?**

March 9, 2016, By Sarah C.P. Williams

The Texas capital is best known for its music, barbecue, %keep it weird+mentality, and . kicking off this weekend for the 30th time . the annual South by Southwest festival. But there's another player in the local economy: biotechnology.

Within a 25-mile radius of the State Capitol building here, close to 200 life science companies have sprung up, many of them small startups that have put down roots within the past few years, hoping to get a foothold in the industry while the city is still affordable.

The University of Texas at Austin already brings in around \$60 million annually in grants from the National Institutes of Health. And this summer, it will open the doors to the new Dell Medical School, which promises to bring even more intellectual property, brain power, lab space, and grant money to Austin.

### **STAT**

### **McKesson to invest \$157M and create nearly 1,000 jobs in Texas expansion**

March 10, 2016, By Candace Carlisle

San Francisco-based McKesson Corp. has announced Thursday it plans to spend \$157 million in a Texas expansion in Irving, which will bring nearly 1,000 new jobs to the region.

The health care services and information technology company had been shopping for a new regional hub for some time. Real estate sources said in February that McKesson was working a deal to fill the former NEC buildings near State Highway 161 and State Highway 114 in Irving.

McKesson plans to add at least 975 new jobs in its expansion efforts in addition to the 900 already working in North Texas.

The company went through a thorough selection process and is excited to invest and consolidate into a modern facility, said David Evangelista, a senior vice president and general manager of McKesson Financial Center.

[Dallas Business Journal](#)

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

### **CalSTRS to join lawsuit against Volkswagen**

March 4, 2016, By Randy Diamond

CalSTRS will join a proposed German securities lawsuit against Volkswagen AG over the automaker's admission that it deliberately installed software that misrepresented air quality and emissions levels on millions of vehicles it had labeled clean diesel, spokesman Ricardo Duran said in an interview.

The planned suit is being financed by litigation funding group Bentham Europe Ltd. The group announced in October that it was coordinating a German shareholder action against Volkswagen AG.

Numerous lawsuits have been filed around the world, including in the U.S., against Volkswagen. However, Jack Ehnes, CEO of the \$179.4 billion West Sacramento-based California State Teachers' Retirement System, said in a news release that unlike U.S. securities class-action suits, stockholders in German companies are not entitled to a pro-rata share of recovery unless they affirmatively join a case.

### **Pensions & Investments**

#### **Managers, sponsors set for changes from final fiduciary rule**

March 7, 2016, By Hazel Bradford

Retirement service providers and managers are nervously bracing for a whole new world in the coming weeks when the Department of Labor is expected to release a final conflict-of-interest rule. But for some plan sponsors, it can only mean good news.

"We're ready and we think it's the right thing to do," said Robin Diamonte, chief investment officer at United Technologies Corp., Hartford, Conn., and a past chairwoman of the Committee on Investment of Employee Benefit Assets, Washington, whose members manage \$2 trillion of retirement plan assets.

"I don't think it's going to be a big burden on the plan sponsor, but I think it will help us keep our participants. We spend our whole lives trying to help people save for retirement, and there are so many people trying to lure them away, a lot of the time with inaccurate information," said Ms. Diamonte, who oversees \$24 billion in defined benefit assets and \$20 billion in defined contribution assets.

### **Pensions & Investments**

## **SEC picks managing executive of compliance inspections, adds new office**

March 8, 2016, By Hazel Bradford

Robert M. Fisher was named managing executive of the Securities and Exchange Commission's office of compliance inspections and examinations, the SEC announced Tuesday.

Mr. Fisher succeeds Peter B. Driscoll, who was named chief risk and strategy officer in OCIE's newly created office of risk and strategy. The new office, which will streamline risk assessment, market surveillance and quantitative analysis, "will lead our exam program's risk-based, data-driven, and transparent approach to protecting investors," said Marc Wyatt, director of the office of compliance inspections and examinations, in a statement.

Mr. Driscoll will also manage staff members who examine investment advisers and companies.

Mr. Fisher will oversee the office's business operations, technology services, examiner training, and tips, complaints and referrals programs. He served as OCIE assistant director since 2014.

### **Pensions & Investments**

## **Lack of federal action has spurred state pension initiatives**

March 9, 2016, By Alicia H. Munnell

At any given moment, only about half of private sector workers are covered by any sort of employer-sponsored retirement plan. This lack of coverage has two implications. First, a substantial share of households . roughly one-third . end up with no coverage at all during their work lives and must rely exclusively on Social Security in retirement. And, even under current law, Social Security will provide less in the future relative to pre-retirement earnings than it has in the past. Second, with median job tenure of about four years, many employees move in and out of coverage so that they end up with inadequate 401(k) balances.

Since most of those without coverage work for small employers, policymakers for decades have tried to solve the problem by introducing simplified retirement plans. But these initiatives have not improved coverage because plan administration costs are only one of several reasons that small businesses do not offer plans. Equally important considerations include too few employees, lack of employee interest, and unstable business income. Recognizing the difficulty in getting small businesses to adopt plans, the Obama Administration proposed "Automatic IRAs" in 2009 to cover the uncovered, and others have come up with alternative proposals. But no progress has been made in passing federal legislation. Into this breach have stepped the states.

### **Market Watch**

## **Senate approves Jacksonville pension bill, now ready for Gov. Scott's signature**

March 9, 2016, By Tia Mitchell

The Florida Senate signed off on House Bill 1297 in a 35-1 vote. The measure would allow Jacksonville voters to decide whether to create a half-cent sales tax to pay down pension debt.

There was no debate. Sen. Jeff Brandes, R-St. Petersburg, cast the lone "no" vote. He has voiced opposition all along about a pension tax because he is doubtful that it can create a solid, long-term solution for the city's financial issues.

The House approved the pension bill on Feb. 24.

The measure will be sent soon to the governor's office. He will sign the bill into law, veto it, or allow it to become law without his signature. Scott will have 15 days to make that decision once the document is sent to him.

## [The Florida Times-Union](#)

### **CalPERS settles with Moody's for \$130 million**

March 9, 2016, By Rob Kozlowski

CalPERS announced on Wednesday it settled a lawsuit against Moody's Investors Service for \$130 million, a news release from the pension fund said.

The settlement ends a suit filed in 2009 by the \$285.7 California Public Employees' Retirement System, Sacramento, against Moody's and Standard & Poor's for losses from three structured investment vehicles in 2006 and 2007, alleging that the investments relied on inaccurate risk assessments in that assets such as subprime residential mortgage-backed securities, collateralized debt obligations and other asset-backed securities believed to be liquid were in fact illiquid.

CalPERS settled with S&P on its part of the lawsuit in early 2015 for \$125 million, and the new settlement with Moody's brings the total recovery to \$255 million.

## [Pensions & Investments](#)

### **Judge calls for open MBTA pension files**

March 9, 2016, By Beth Healy

A Suffolk Superior Court judge ruled Wednesday that the records of the MBTA pension fund should be open to the public because the system receives tens of millions of dollars in taxpayer funding from the transit authority each year.

The decision by Judge Kenneth W. Salinger concluded that the Board does indeed receive public funds from the MBTA, and thus that the Board's records are now subject to mandatory disclosure under the public records law.

The ruling could end decades of secrecy by the \$1.6 billion retirement system for transportation workers, which has shielded its records because it says it is a private trust. Less than two hours after the ruling was issued, the pension fund released a detailed consultants report defending the accuracy of its financial reports from 2011 through 2013.

## [Boston Globe](#)

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

### **Florida state pension plan finds profits with hedge funds**

March 6, 2016, By Jeff Ostrowski

The head of Florida's \$140 billion pension plan admits that hedge funds are complicated, costly and fraught with potential pitfalls.

But properly managed, the contentious investment vehicles produce a handsome profit, says Ash Williams, executive director and chief investment officer at Florida's State Board of Administration, which oversees the retirement fund for public workers.

For the three years that ended Nov. 30, Florida made an average annual return of 9.6 percent on its hedge fund investments after expenses, Williams said. That outpaced the pension plan's overall annual return of 8.9 percent.

### [St. Augustine Record](#)

#### **U.S. companies set to contribute \$15.6 billion to pension funds**

March 7, 2016, By Rob Kozlowski

U.S. corporations tracked by *Pensions & Investments* so far in 2016 revealed plans to contribute a total of \$15.6 billion to their pension funds, 10-K filings with the Securities and Exchange Commission said.

Of the 31 companies that plan to contribute at least \$100 million in 2016 whose 10-K filings are tracked by *P&I*, four reported the intent to contribute at least \$1 billion each.

At this time last year, 51 companies had announced they intended to contribute \$17.35 billion to their plans in 2015. Of that, 35 companies were planning to contribute at least \$100 million to their U.S. plans, totaling \$11.6 billion.

### [Pensions & Investments](#)

#### **U.S. corporate pension funding continues 2016 slide in February — 3 reports**

March 8, 2016, By Meaghan Kilroy

The funded status of U.S. corporate defined benefit plans fell in February due to rising liabilities, said reports from Milliman, Aon Hewitt and BNY Mellon.

The funded status of the 100 largest U.S. corporate pension plans fell 170 basis points to 79.1% in February, the Milliman 100 Pension Funding index showed Tuesday.

Liabilities rose 1.75% to \$1.74 trillion over the month, the result of a 13-basis-point drop in the discount rate to 4.06%. Asset values declined 0.36% to \$1.376 trillion during the period, the result of a -0.02% investment return.

### [Pensions & Investments](#)

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

#### **Europe Faces Pension Predicament**

March 6, 2016, By Juliet Samuel

Krystyna Trzciska, 68 years old, has farmed a strip of land in this corner of eastern Poland for more than four decades. Retired now, she grows clover between neat rows of raspberry bushes to feed her rabbits. The rabbits she eats the berries she sells.

The berries bring in the equivalent of about \$1,300 a year. To survive, she and her husband depend on pensions provided by Poland's government.

State-funded pensions are at the heart of Europe's social-welfare model, insulating people from extreme poverty in old age. Most European countries have set aside almost nothing to pay these benefits, simply funding them each year out of tax revenue. Now, European countries face a demographic tsunami, in the form of a growing mismatch between low birthrates and high longevity, for which few are prepared.

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

#### **Canadian pension fund Caisse opens first office in India**

March 9, 2016, By Matt Scuffham

Canada's second biggest pension fund Caisse de depot et placement du Quebec said on Wednesday it will open its first Indian office in New Delhi and invest \$150 million in a renewable energy project.

Canadian pension funds are expanding into new territories and investing directly in assets such as infrastructure and real estate as they seek alternatives to volatile global equity markets and low-yielding government bonds.

### [Reuters](#)

#### **Bailout inspectors are back in Greece for talks on the rising number of non-performing loans and plans to overhaul the country's troubled pension system**

March 9, 2016, By By Derek Gatopoulos and Elaine Ganley

Bailout inspectors returned to Greece on Wednesday to complete a review of the government's economic reforms, which is needed before the country can get more rescue loans and much-needed debt relief.

The officials representing Greece's European creditors and the International Monetary Fund are expected to discuss the government's plans to manage the rising number of banks' bad loans and to overhaul the troubled pension system.

The inspectors are monitoring progress of measures demanded under Greece's third international bailout agreed last year with left-wing Prime Minister Alexis Tsipras.

"There are differences between the two sides, but that is the subject of our negotiation," Economy and Development Minister Giorgos Stathakis told parliament before meeting the inspectors. He denied claims the negotiations have stalled.

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

*The information contained in the PRB Weekly Clips is for informational purposes only and does not represent the views, positions or opinions of the Texas Pension Review Board.*