



PRB PLANS

Museum Tower should be sold for police, fire pensions

March 13, 2016, By Jason Whitely

The Museum Tower, the tall gleaming skyscraper of luxury condominiums on the edge of Klyde Warren Park and at the center of controversy over the glare it shines on the Nasher Sculpture Center, should be considered for sale to replenish the police and fire pension fund, said city Councilman Philip Kingston. "There have been no offers on Museum Tower," Kingston said on WFAA's Inside Texas Politics which aired this morning.

The councilman sits on the board overseeing the fund and is working to stabilize it after years of mismanagement.

When asked on Inside Texas Politics whether selling the 42-story Museum Tower should that be on the table, Kingston said "absolutely."

[WFAA](#)

Dallas Police and Fire Pension System Shows Signs of Life

March 14, 2016, By Stephen Young

Slowly, but surely under the leadership of new executive director Kelly Gottschalk, the moribund Dallas Police and Fire Pension System seems to be digging itself out of the chasm dug during the leadership of former director Richard Tettamant. According to new data released by the pension fund on Thursday and posted to Facebook by Scott Griggs, a member of the City Council and the pension fund's board, the toll the fund's deferred retirement option plan (DROP) · a lucrative inducement that allows officers and firefighters eligible for retirement to keep working, collect their pension checks and redeposit them in accounts that returned a guaranteed interest rate · may finally be getting healthy.

[Dallas Observer](#)

Texas Teachers general infrastructure executive resigns

March 14, 2016, By Rob Kozlowski

Indu Sambandam resigned as investment manager in the investments division of the Texas Teacher Retirement System, Austin, spokeswoman Juliana F. Helton said in an e-mail.

Ms. Sambandam led general infrastructure investments for the \$125 billion pension fund. She resigned earlier this month to pursue other opportunities, Ms. Helton said.

[Pensions & Investments](#)

Quintero: Lack of local control to blame for pension woes?

March 14, 2016, By James Quintero

Texas governments are making pension promises that Texas taxpayers might not be able to keep - at least not without massive future tax increases.

A recent report from the Pension Review Board reveals that state and local unfunded pension liabilities. In other words, the difference between what has been promised to future retirees and the amount of money actually on hand to provide for those benefits grew to more than \$60 billion in February 2016. In less than a year, the state's pension debt has jumped by a staggering \$2.7 billion.

Statesman

Op-ed: Houston's finances are worse than we thought

March 16, 2016, By Bill King

In his introduction to this year's annual audit, our recently departed city controller, Ron Green, reports that he is frequently asked, "Is Houston going to end up like Detroit?" He answered the question, "To me, that is inconceivable."

Of course, the real question Green euphemistically dodged is whether the city of Houston will have to file bankruptcy. Certainly the idea that our vibrant city, emerging from one of the all-time greatest booms, could go bankrupt is inconceivable. Or, at least, the idea of bankruptcy was inconceivable until the city issued its now infamous New Year's Eve annual financial report.

Houston Business Journal

TEXAS ECONOMIC INDICATORS

Texas' impressive January job growth trails only one economic rival

March 14, 2016, By The Associated Press

Employers stepped up hiring in 30 states in January, led by big gains in Florida, Texas and North Carolina, while 20 states shed jobs.

THE NUMBERS: The unemployment rate fell in 28 states, rose in eight and was unchanged in 14. The unemployment rate doesn't always decline, even when more hiring occurs, because more Americans may start job hunting and push up the rate even as others are hired.

Florida added the most jobs of any state, gaining 32,200. That was followed by Texas with 31,400 and North Carolina with 23,200. Florida's biggest employment gains were in restaurants, hotels and amusement parks.

The Dallas Morning News

Texas Oil Patch Towns Feel Price Decline as Bond Downgrades Loom

March 15, 2016, By Darrell Preston

In the west Texas plains that are home to the nation's biggest oil field, low energy prices mean residents are paying more and getting less.

To make ends meet, Pecos County officials increased property taxes nearly as much as state law allows and shelved a \$35 million bond sale to expand the local hospital. Midland, about 325 miles (523 kilometers) northwest of San Antonio, last year scrapped a 3 percent bonus for city employees.

"We've maxed out our tax rate," said Joe Shuster, the top elected official in Pecos, a 15,000-person county in the Permian Basin, where the assessed value of oil-rich property has tumbled along with the market price. "Next we may have to cut services and people."

[Bloomberg](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Minnesota pensions struggle to divest from Iran

March 9, 2016, By Maya Rao

Minnesota's pension funds are dumping millions of dollars in stock they invested with Russian oil and gas giants vying for business in Iran.

A seven-year-old state law requires the sell-off, revealing how states like Minnesota must continue pushing back against Iran's government even after President Obama and Western allies agreed to lift economic sanctions in exchange for Iran curbing its nuclear program.

[Star Tribune](#)

Bank of America wins round in ongoing pension-plan dispute

March 14, 2016, By Barbara Grzincic

A federal court sided with Bank of America Corp in a long-running battle over employee pensions on Friday, scheduling a November trial to determine whether the bank retained profits from a discredited investment strategy that led to a \$10 million fine from the Internal Revenue Service.

Senior U.S. District Judge Graham Mullen in Charlotte, North Carolina, agreed with Bank of America and its lawyers at Sidley Austin that the bank's profits should be determined in the aggregate, rather than individually for each plan participant.

[Reuters](#)

N.J. justices weigh pensioners' right to COLAs

March 15, 2016, By Andrew Seidman, Trenton Bureau

The New Jersey Supreme Court appeared skeptical Monday that public employees had a contractual right to annual cost-of-living increases upon retirement, signaling that it may shoot down a second legal challenge to Gov. Christie's 2011 overhaul of the pension system.

As part of that law, Christie and the Legislature suspended cost-of-living-adjustments for current and future retired public workers to help shore up the underfunded pension plans.

A group of retired prosecutors and unions argue that the law violated the contracts clauses of the state and U.S. Constitutions by impairing workers' contractual right to COLAs, which are tied to inflation. The state says the 1997 law that established that right applies only to basic pension benefits, not cost-of-living increases.

[Philly.com](#)

SEC backs DOL in BP stock-drop case

March 14, 2016, By Robert Steyer

The Securities and Exchange Commission endorsed Labor Department guidelines governing the proper behavior for fiduciaries who manage company-stock funds in defined contribution plans and who learn that employer stock is materially overvalued due to an undisclosed fraud.

The impact of the SEC's comments filed in an amicus brief in a stock-drop case, now before the 5th U.S. Circuit Court of Appeals in New Orleans will go beyond this single case because it should clarify gray areas that have existed at the intersection of securities laws and the Employee Retirement Income Security Act.

[Pensions & Investments](#)

Democratic Puerto Rico Debt Bills Give Pensions Preference

March 14, 2016, By Steven T. Dennis

Senate Democrats, led by Robert Menendez of New Jersey, put out Monday their version of a plan to tackle Puerto Rico's growing debt crisis -- an ambitious, broad restructuring of the territory's debt coupled with billions in tax breaks and other aid.

The plan is almost certain to be rejected by House Republicans, who plan on releasing their own legislative proposal this month.

A pair of bills released by Menendez on Monday would give Puerto Rican pensions preference over bondholders, who would face a steep haircut in court.

[Bloomberg](#)

Ethics of pension ruling questioned

March 16, 2016, By David Garrick

New ethical questions are being raised about a recent state labor board ruling against San Diego's 2012 pension cutbacks.

The man who wrote the ruling is a former San Diego labor leader who publicly opposed the city's voter-approved measure to reduce city employee retirement benefits, a potential conflict that City Attorney Jan Goldsmith says highlights that the ruling was based on politics instead of the law.

An attorney for the state labor board said "there is no reason to believe any improper conduct occurred" and that previous efforts to help pass or defeat proposed laws aren't grounds for recusal or disqualification.

[The San Diego Union-Tribune](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Public Pension Plans Need Governance Fixes, Report Says

March 9, 2016, By Sean Forbes

Better public pension plan board governance can help improve the poor condition that many of the nation's state and municipal public pension plans are in, scholars with the Manhattan Institute for Policy Research Inc. said in a report.

By the most recent estimates, public pension plans have accumulated about \$4 trillion in obligations, but assets to handle those liabilities total only about \$3 trillion, leaving a shortfall that threatens public employees' retirement, as well as potentially impacting spending on essential public services such as health, education and infrastructure, according to the report, released March 9.

Bloomberg

Public Employee Pensions Aren't Taking More Investment Risk? You're Kidding Me

March 11, 2016, By Andrew Biggs

In December 2014 I wrote an article for the Wall Street Journal . which drew on some work in an earlier AEI piece . showing that state and local pension plans are taking substantially greater investment risk today than in the past. That's not a controversial position . you simply need to look at pensions' investment portfolios, which over time shifted from bonds to stocks and, increasingly, toward even-riskier alternative investments+ such as private equity, hedge funds and real estate. What I added in the AEI article was to show that pensions have grown larger relative to the budgets of the governments that sponsor them. So not only are the chances of large investment losses greater, but the call on the sponsor's budget to make up those losses would be larger. The overall budgetary risk of public employee pensions is far higher today than in the past.

But in a new article, the National Conference on Public Employee Retirement Systems (NCPERS) pushes back hard . but ineffectually . on that conclusion. NCPERS claims that our analysis of historical data from the Census of Governments, US Bureau of Census, shows that state and local pension funds are not taking higher risk than before.+

Forbes

U.S. Treasury Secretary Jacob Lew stumps for retirement savings

March 11, 2016, By Katie Leslie

The U.S. Treasury Department really wants Americans to better prepare for retirement.

Now, it's promoting a government-backed savings program designed to encourage workers to squirrel away even small amounts of money for the future. A myRA account, the feds say, could help the more than 3 million Texans without employer-provided retirement savings plans get ahead.

Far too many Americans have not saved for their retirement and are not in a position, when they realize that they haven't saved [from] the beginning of their working life, to catch up,+ Treasury Secretary Jacob Lew said in a round-table discussion with reporters Friday.

[The Dallas Morning News](#)

UC pension overhaul shifts away from guaranteed benefits

March 11, 2016, By Alexei Koseff

The University of California is set to adopt a new pension tier for its underfunded retirement system that it calculates will save nearly \$1.5 billion over the next 15 years.

President Janet Napolitano will ask UC's governing board to approve the proposal . which will dramatically lower the compensation cap for guaranteed benefits and result in some new employees signing up for 401(k)-style defined-contribution plans . at its meeting later this month.

[The Sacramento Bee](#)

Retired union workers rally at Minnesota State Capitol over pension cuts

March 12, 2016, By Liz Sawyer

Several hundred retired union workers and their families rallied Saturday at the State Capitol in St. Paul to denounce proposed deep cuts to Teamsters pensions.

Trustees of the giant Central States fund want to reduce the pensions of nearly 275,000 people nationwide by an average of 34 percent. The proposal would affect more than 15,000 Minnesota retirees.

The protesters, many of them retired truckers and their families, denounced the cuts via song, chant and speech, waving U.S. flags and placards.

[StarTribune](#)

CalSTRS backs IEX effort to operate as U.S. stock exchange

March 14, 2016, By Rick Baert

CalSTRS is supporting IEX Group's attempt to get SEC approval as a stock exchange.

In a comment letter released March 11 by the Securities and Exchange Commission, Anne Sheehan, director of corporate governance at the \$179.4 billion pension fund, wrote that an additional exchange would increase market liquidity and cut trading costs through more competitive pricing.

"We believe IEX can provide a market alternative for investors who wish to utilize their trading platform,+ Ms. Sheehan wrote. "With a public equity portfolio valued at over \$100 billion, we have a vested interest to ensure the markets in which we operate function as efficiently as possible.+"

[Pensions & Investments](#)

Goldman Sachs Buys Online Retirement Benefits Business

March 14, 2016, By Anne Tergesen and Peter Rudegeair

Goldman Sachs Group Inc. is buying an online retirement-savings startup that is barely a year old, as the Wall Street bank adjusts to the growing influence of technology in finance.

Goldman's investment-management division said it would buy Honest Dollar, an Austin, Texas, company that sells retirement plans consisting of portfolios of low-cost exchange-traded funds to small companies, charging \$8 to \$10 an employee a month. Terms of the deal were not disclosed.

[The Wall Street Journal](#)

Indexing State Pension Funds

March 15, 2016, By Mel Lindauer

Bogleheads are astutely aware of the saying "Cost matters." In fact, our friend, mentor and namesake, John C. (Jack) Bogle, founder of Vanguard, created what he called the CMH (the cost matters hypothesis).

Here's how Jack Bogle described his Cost Matters Hypothesis in *The Relentless Rules of Humble Arithmetic*, which appeared in the November/December 2005 issue of *Financial Analysts Journal*.

"The overarching reality is simple: Gross returns in the financial markets minus the costs of financial intermediation equal the net returns actually delivered to investors. Although truly staggering amounts of investment literature have been devoted to the widely understood EMH (the efficient market hypothesis), precious little has been devoted to what I call the CMH (the cost matters hypothesis). To explain the dire odds that investors face in their quest to beat the market, however, we don't need the EMH; we need only the CMH. No matter how efficient or inefficient markets may be, the returns earned by investors as a group must fall short of the market returns by precisely the amount of the aggregate costs they incur. It is the central fact of investing."

[Forbes](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Carey sells int'l pensions arm to Overseas Trust and Pension

March 15, 2016, By Mark Battersby

Carey Pensions and Benefits, which is being sold as part of a strategic review by the group, will become part of Overseas Trust and Pension (OTAP) with effect from 3 May this year.

According to a statement by OTAP, the acquisition will give greater scale and capability, making it one of the largest international pension providers in Guernsey and accelerating its development into the global corporate pensions and benefits market.

[International Adviser](#)

Pension Funds Urge Trudeau to Think Big on Infrastructure

March 15, 2016, By Scott Deveau

Canada's largest pension funds have advice for Justin Trudeau's government as it prepares to double its infrastructure investments over the next decade: follow the Australian model and think big.

The funds, which manage more than C\$760 billion (\$568 billion) in combined assets, say they need large projects like airports, toll roads and ports to justify their time and investment with so many global assets competing for their cash.

[Bloomberg](#)

UK government accused of pension tax overhaul 'via back door'

March 16, 2016, By Jonathan Williams

The UK government has shied away from a complete overhaul of pension taxation, but it stands accused of introducing reforms ~~via~~ the back door.

The shift to a taxed-exempt-exempt (TEE) model over the current exempt-exempt-taxed (EET) model was widely feared after chancellor of the Exchequer George Osborne last year launched a review of taxation and signaled his interest in promoting individual savings accounts (ISAs).

During his 2016 Budget speech, Osborne today nevertheless announced the introduction of a Lifetime ISA, which would allow those under 40 to save up to £4,000 (" 5,120) annually and receive tax relief of 25%.

Investment & Pensions Europe

Principal Financial, Beijing-based CCB announce strategic cooperation agreement on pensions

March 17, 2016, By Douglas Appell

Principal Financial Group and China Construction Bank, partners since 2005 in a Beijing asset management joint venture, Thursday announced a strategic cooperation agreement and memorandum of understanding to pursue a similar partnership in China's pension sector.

In an interview, Thomas Cheong, Hong Kong-based vice president of Principal Financial Group's North Asia business, said the pension company CCB set up recently after obtaining an unprecedentedly broad license from China's pension regulator in November will be the foundation for that partnership.

Pensions & Investments

Study Finds Public Pension Promises Exceed Ability to Pay

March 17, 2016, By Mary Williams Walsh

When Detroit went bankrupt in 2013, investors were shocked to learn that the city had promised pensions worth billions more than anyone knew - creating a financial pileup that ultimately meant big, unexpected losses for Detroit's bondholders.

Now, researchers at Citigroup say the groundwork has been laid for similar conflicts across the developed world: Governments have promised much more than they can most likely pay to current and future retirees, without revealing the disparity to investors who bought government bonds and whose investments could be at risk.

The New York Times

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.