



Weekly Clips, March 24, 2016
Texas Pension Review Board
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PRB PLANS

Moody's Downgrades Houston's Credit but Mayor Turner Has a Plan. Sort Of.

March 18, 2016, By Diana Wray

There's a reason Houston Mayor Sylvester Turner has been talking about Houston's budget and money issues from pretty much the moment he was sworn into office in January: Houston's finances are not doing so hot, and we now have a downgraded credit rating to make that even more apparent.

Considering the steady stream of bad news we've had recently about the state of Houston's finances - the \$160 million budget shortfall that's expected to keep growing and the looming city layoffs and department budget cuts - this latest development shouldn't come as a surprise. Turner certainly seemed to take it in stride.

Houston Press

Moody's Downgrades Houston's Bond Rating, Cites Low Oil Prices & High Debt

March 18, 2016, By Jose Jimenez

Low oil prices, declining sales tax revenues, and unfunded pension obligations are some of the reasons cited for Moody's Investors Service decision to downgrade the City of Houston's bond rating.

In a report issued on March 16, the city's rating was dropped to an Aa3 from Aa2, affecting approximately \$3 billion in previously issued bonds. The move means that it will likely cost the city more money to repay its debt.

Houston Public Media

Houston Firefighters extinguishes 3 equity managers

March 23, 2016, By Meaghan Kilroy

Houston Firefighters' Relief & Retirement Fund terminated equity managers Victory Capital Management, Mercator Asset Management and Dimensional, said investment committee meeting minutes provided by Ajit Singh, chief investment officer.

Victory managed roughly \$141 million in domestic equities for the pension fund. Mercator and Dimensional managed about \$196 million and \$38 million in international equities, respectively.

Mr. Singh declined to comment on the reason for the terminations.

Pensions & Investments

TEXAS ECONOMIC INDICATORS

Dallas Fed: Texas economy pinched in oil-heavy regions, but still growing

March 18, 2016, By Collin Eaton

More businesses are going bankrupt and unemployment is on the rise in parts of Texas with strong ties to the battered oil and gas industry, but overall, the state's economy is still growing, the Dallas Fed says.

The oil-market collapse has slammed the Texas energy business and the downturn has thoroughly spilled over into manufacturing, with job losses climbing in both sectors last year and in February. Retail sales dropped last month for the first time since summer, and while Texas is still expanding payrolls, early signs point to slower statewide growth in 2016.

Still, the Federal Reserve Bank of Dallas described a bifurcated state in its regional economic update released Friday. The bulk of the economic turmoil seems to be contained in energy-dependent regions like the Houston area, which lost jobs at a 0.6 percent annualized rate in January while employers signed on plenty of new workers in the San Antonio, Austin, El Paso and Dallas areas.

Fuelfix

Russell: Investing in research now will help safeguard Texas' future

March 20, 2016, By David W. Russell

These are uncertain days for the Lone Star State's economy. A barrel of oil is selling for half of what it did just a year ago - and just a quarter of what it did the year before that. As energy companies announce round after round of layoffs, loan defaults could be on the horizon, creating a ripple effect throughout the state's economy. A drop in oil prices spurs a slowdown in energy production, which impacts our state's coffers. Credit agencies are predicting the state's \$4 billion surplus could disappear by the end of the year.

While this is already having a negative impact on employment and local and state tax revenues, Texas is in the fortunate position of having a much more diversified economy today than it did during previous oil and gas downturns. Thanks to rapidly growing research and technology sectors, the state will be able to better weather the current storm.

myStatesman

LEGAL PROCEEDINGS, LAWS & REGULATIONS

DOL fiduciary rule will cause retirement plan advisers to outsource liability

March 20, 2016, By Greg Iacurci

Outsourced investment advisory services for 401(k) plans stand to reap the benefits of the Labor Department's proposed rule to raise investment advice standards in retirement accounts.

The rule would make fiduciaries of any 401(k) adviser giving investment advice, and advisers who take on more liability by constructing and monitoring a plan's investment lineup as a result of the regulation may look to offload some of that risk.

Post-DOL, I imagine [outsourced services] will become even more popular,+ said Anthony Domino Jr., managing principal at Associated Benefit Consultants.

[Investment News](#)

Pressures rising for fiduciaries on company stock in 401(k) plans

March 21, 2016, By Robert Steyer

Pressure on defined contribution plan fiduciaries is expected to rise as recent legal filings by the Department of Labor and Securities and Exchange Commission appear to expand their responsibilities when it comes to managing company stock funds, several ERISA attorneys say.

Some of these comments will turn fiduciaries, in effect, into in-house securities regulators,+ said Stephen Rosenberg, a partner in The Wagner Law Group, Boston.

Fiduciaries have obligations to participants and beneficiaries,+ added Nancy Ross, a partner at Mayer Brown, Chicago. They are not to be the watchdog for the entire company. It's a quagmire.+

[Pensions & Investments](#)

Colorado governor signs bill forcing pension fund to divest companies boycotting Israel

March 21, 2016, By Meaghan Kilroy

Colorado Public Employees Retirement Association will be required to divest from companies with economic prohibitions against Israel under a bill signed by Gov. John Hickenlooper.

The measure was signed on Friday, a little more than a week after it passed the full Legislature.

HB 1284 calls for the \$43 billion Denver-based pension fund to identify international companies with economic prohibitions against Israel in which it has direct investments by Jan. 1, 2017, and under certain circumstances, withdraw from those investments.

[Pensions and Investments](#)

GOP lawmaker targets state pension transparency with new bill

March 21, 2016, By Sylvan Lane

A Republican lawmaker Monday reintroduced a bill to bolster transparency for state and local government pensions.

The Public Employee Pension Transparency Act (PEPTA), authored by Rep. Devin Nunes (R-Calif.), would force state and local governments to publish on a searchable website their pension liabilities. Those that don't would lose the ability to offer tax-free bonds.

Many state and local pension funds are hiding vast debts through accounting gimmicks,+ said Nunes. The taxpayers- who will be forced to pay off these enormous debts if pension systems go insolvent- have a right to know the true condition of these pension plans, and the systems participants need to know how secure their benefits are.+

[The Hill](#)

PBGC Reporting Changes Account for Pension 'Smoothing'

March 22, 2016, By Sean Forbes

The Pension Benefit Guaranty Corporation finalized changes to its annual financial and actuarial information reporting regulations for pension plans to account for funding stabilization provisions passed and then extended by Congress in recent years.

The rule, issued March 22, makes changes involving pension plans' funding target attainment percentage and that percentage's relationship to requirements that plans report to the PBGC. It also modifies waivers from reporting and adds new ones.

The modifications codify changes made by the 2012 Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway Transportation and Funding Act of 2014 (HAFTA) and the Bipartisan Budget Act of 2015. Those laws included pension smoothing provisions designed to ease the impact low interest rates have had on single-employer plans' minimum funding requirements.

[Bloomberg](#)

Chicago's Plan to Overhaul City Pensions Dashed by Top Court

March 24, 2016, By Margaret Cronin Fisk, Elizabeth Campbell, Janan Hanna

Chicago's plan to ease its \$20 billion public-worker pension deficit was ruled illegal by the Illinois Supreme Court, a decision that the city warned may lead to the funds running out of money and worsen its financial strains.

The Chicago plan, passed in 2014, violates the Illinois Constitution, which bars the diminishing of public pensions, the court said Thursday. The finding upholds a lower court decision from July and follows a similar ruling by the Illinois Supreme Court last May preventing changes to the state's pension funds.

The city, the third-largest in the nation, shortchanged its pensions over the last decade, creating a shortfall that left it with a lower credit rating than any big U.S. city except once-bankrupt Detroit. Its projected annual payment of \$886 million due this year to its four retirement funds is more than twice what it was a decade ago, spurring officials to adopt a record property-tax increase to ease the impact on the budget.

[Bloomberg](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

California's pension debt puts it \$175.1 billion in the red

March 18, 2016, By Dan Walters

Although its 2014-15 budget was balanced, California's state government ended the fiscal year \$175.1 billion in the red, thanks largely to state retirement obligations that had to be included in its balance sheet for the first time.

Under new rules by the Governmental Accounting Standards Board, state and local governments must list unfunded pension liabilities as debts alongside the more traditional bonds and other forms of debt.

Counties and other local governments have been rolling out their annual financial reports this year, some showing multibillion-dollar deficits for pension obligations, so the state's report was not unexpected.

[The Sacramento Bee](#)

Social Security Administration Beneficiaries Top 60,000,000

March 18, 2016, By Terence P. Jeffrey

The number of people receiving benefits from the Social Security Administration topped 60,000,000 for the first time at the beginning of 2016.

In December 2015, according to data published by the Office of the Chief Actuary of Social Security, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds paid benefits to 59,963,425 beneficiaries. In January 2016, that increased to 60,084,225, and in February 2016 to 60,199,914.

The average monthly benefit paid per beneficiary in December was \$1,228.12. In January, it was \$1,229.85. In February, it was \$1,230.70.

[CNS News](#)

After record tax hike to fund pensions, Chicago borrows \$220M for pensions

March 22, 2016, By Austin Berg

In his most recent budget address, Chicago Mayor Rahm Emanuel said his 2016 budget would eliminate the structural deficit once and for all.

But mere months after passing a record-setting property-tax hike, nearly all of which will go to fund pensions for police and firemen, Chicago still doesn't have enough cash on hand to make payments to those systems.

The city borrowed \$220 million from its short-term line of credit to meet a March 1 deadline for demonstrating it is able to pay the state-required contributions to the two pension funds. The city will pay a 3 percent interest rate on that loan.

[Chicago Now](#)

Kentucky House passes bill for teachers' fund to receive actuarially required contributions

March 23, 2016, By Meaghan Kilroy

The Kentucky House passed a bill that would require the state to pay the full actuarially required contribution rate for the \$17 billion Kentucky Teachers' Retirement System, Frankfort, starting in fiscal year 2017.

The measure passed the House by an 86-11 vote on Tuesday and is now headed to the Senate.

An amendment to phase in the actuarially required contribution over the next four years was defeated, said a news release on the Legislature's website.

The additional amount required above what is appropriated to meet the full ARC in fiscal 2017 is \$520 million.

[Pensions & Investments](#)

Rating firm revises N.J.'s credit outlook to 'negative;' urges pension reform

March 22, 2016, By Salvador Rizzo

The Wall Street agency did not downgrade New Jersey's bond rating, already one of the lowest in the country. But Standard & Poor's did revise New Jersey's outlook from stable to negative, usually the first step before a downgrade.

Analysts pointed to a familiar problem, years in the making: a mountain of debt in the area of pensions and health-care packages for retirees.

John Sugden, an S&P analyst who studies New Jersey, said those costs continue to bring significant long-term pressures that could worsen over the next year or two.

[North Jersey](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Schaeuble Says Don't Let Greek Review Founder on Pension Impasse

March 21, 2016, By Rainer Buergin and Birgit Jennen

German Finance Minister Wolfgang Schaeuble said there's leeway for Greece to meet the terms of its bailout review if Prime Minister Alexis Tsipras's government can't pass more cuts in retirement benefits.

As Greece struggles to deal with an influx of refugees and fulfill demands to stabilize its debt, Schaeuble suggested that the overseers of Greece's third aid program take into account the opposition to pension reductions sought by the International Monetary Fund.

It is likely that there will be no majority in Greece's parliament for further cuts in pensions, Schaeuble said at an event with French Minister Michel Sapin in Berlin on Monday. To that extent, one is looking for a way to fulfill in principle what was agreed on in the summer.

[Bloomberg](#)

European Pensions Plea for Political Help

March 21, 2016, By Nick Reeve

Europe's floundering pensions have called for political intervention after the continent's central bank pushed interest rates deeper into negative territory.

Underfunded retirement systems rely on immediate action from politicians and can't be saved by a structural overhaul, according to the co-chairmen of one of the Netherlands' leading funds.

The economy is the problem, not the pension system, Benne van Popta of Dutch metalworkers' pension PMT told Dutch newspaper *Algemeen Dagblad*.

The ECB's interest rate is extremely low, and we fear that it will be for some while, van Popta said. We are in danger of coming to some sort of Japanese scenario with prolonged low economic growth and low interest rates.

Chief Investment Officer

Greece lags in implementing overhauls: Schäuble

March 23, 2016, By Andrea Thomas

German Finance Minister Wolfgang Schäuble said Wednesday Greece is still lagging behind in implementing economic overhauls promised last summer to its creditors in exchange for bailout money, expressing however optimism that a solution will be found.

Greek creditors--the European Commission, the European Central Bank and the International Monetary Fund--and Athens have yet to reach an agreement on the reforms that Greece must adopt.

Without such a deal, creditors cannot complete a review of its up-to-EUR86 billion (\$96 billion) bailout program.

Market Watch

EFAMA calls on European Commission to pursue pan-European PEPP

March 21, 2016, By Susanna Rust

The European Fund and Asset Management Association (EFAMA) has reiterated its call for a pan-European personal pension product (PEPP), saying it would strengthen Europe's three-pillar pension system and help address the fragmentation of the market for retirement savings.

The comments were made in response to a European Commission (EC) consultation on retail financial services, which closed on Friday.

EFAMA is a strong supporter of actions to deepen the European single market for retail financial products and services, and argued for replicating the success of UCITS investment funds in the area of personal pensions.

Investment & Pensions Europe

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