



Weekly Clips, April 8, 2016  
Texas Pension Review Board  
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## **PRB PLANS**

### **Facing censure, Dallas City Council member apologizes**

April 1, 2016, By Brett Shipp

A Dallas City Council member chose to apologize Friday for something he said on WFAA's Inside Texas Politics three weeks ago.

Philip Kingston apologized to the Dallas Police and Fire Pension System Board for suggesting the board-owned Museum Tower is in such financial distress that it's up for sale at a discount.

The pension system is already under scrutiny over questionable and risky real estate deals. Among those deals the controversial Museum Tower condos in downtown Dallas.

The building is three years old, half-full, and drenched in controversy over the punishing summertime reflections onto its neighbor, the Nasher Sculpture Center.

### **WFAA**

### **After Philip Kingston's apology, pension board votes against punishing him for Museum Tower remarks**

April 1, 2016, By Rob Wilonsky

After an often contentious and occasionally confusing meeting that lasted nearly three hours, the Dallas Police and Fire Pension System board voted Friday not to take action against City Council member Philip Kingston for going on TV last month to discuss selling the \$200 million Museum Tower for around \$100 million.

Rather than censure or sanction Kingston, the board voted to accept an apology, which says, in part, that he was not speaking on the board's behalf, and issue a statement from the board.

That statement says, among other things, that the board has not authorized the "bulk sale" of the remaining units in the 42-story tower owned entirely by the pension system, "nor has it sought such offers and no unsolicited credible offers have been received."

### **The Dallas Morning News**

### **Dallas police-fire pension sues advisor for millions over "reckless and improper" advice**

April 5, 2016, By Steve Thompson

The troubled police and fire pension fund is trying to recover millions of dollars from an advisory firm that the fund says led it into risky deals while scoring improperly high fees and other perks.

A legal claim filed late Tuesday by the Dallas Police and Fire Pension System pension fund alleges “multiple breaches of fiduciary duties” by CDK Realty Advisors, which at one time managed more than \$700 million for the fund. For many years, the small firm had its offices in the fund’s headquarters building.

### [The Dallas Morning News](#)

#### **FBI raids offices of investment firm tied to Dallas Police and Fire Pension System**

April 6, 2016, By Tristan Hallman and Robert Wilonsky

Federal investigators served a warrant Monday at the office of an investment firm that once advised the beleaguered Dallas Police and Fire Pension System.

The FBI declined to confirm the report of the raid at CDK Realty Advisors at 4100 Harry Hines Blvd.

But Kelly Gottschalk, executive director of the pension system, confirmed the FBI was indeed at the offices of CDK, which shares a building with the pension system.

“They were in vests that said ‘FBI,’ so you can assume it was the FBI,” she said.

Pension system trustee Joe Schutz also announced on Facebook that authorities served a warrant at CDK.

### [The Dallas Morning News](#)

## **TEXAS ECONOMIC INDICATORS**

#### **Dallas Fed economists: Low oil prices ‘greatest risk’ to Texas job growth**

April 1, 2016, By Jill Cowan

Texas managed to add jobs in 2015 despite sharply falling oil prices — but that might not be the case this year, if prices average less than \$30 per barrel, a new report says.

“Besides further decreasing energy and manufacturing employment, low oil prices could increase problem loans at financial institutions with exposure to the industry,” Keith R. Phillips and Christopher Slijk wrote in the most recent edition of *Southwest Economy*, which was released by the Federal Reserve Bank of Dallas.

Oil closed at \$36.79 per barrel on Friday, a 4 percent drop from Thursday. Economists have said they don’t expect prices to drop significantly again soon, but oil prices are notoriously tough to predict.

### [The Dallas Morning News](#)

#### **Oil/Gas Rout Makes Its Mark on Texas Economy**

April 4, 2016, By Joe Fisher

Texas oil and natural gas industry employment fell 19.4% last year amid a nearly 66% decline in the price of oil and a 75% reduction in the number of active drilling rigs, according to economists at the Federal Reserve Bank of Dallas. Within the state, though, regions vary in their economic performance.

"Job growth was weak in metropolitan areas such as Midland, Odessa, Longview, Corpus Christi and Houston that have a larger share of jobs in mining [which includes oil and natural gas extraction]," the Dallas Fed said in a note published last week. "Conversely, regions more closely linked to the U.S.

economy, such as Dallas, or to sectors benefiting from low energy prices, such as leisure and hospitality in San Antonio, continued growing robustly."

## [NGI Shale Daily](#)

# **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

## **Will More Transparency Help With Public Pension Plan Financing?**

March 30, 2016, By Joe Lustig

That's the premise behind a bill introduced in Congress to require state and local government pension plans to be more candid, but whether it turns out to be true will depend on what accounting standard is used to determine plan liabilities, a public sector actuary and an economist told Bloomberg BNA.

The Public Employee Pension Transparency Act, or PEPTA, introduced March 21 by Rep. Devin Nunes (R-Calif.), "would require state and local government pension plans to disclose their liabilities in a uniform and transparent manner based on widely accepted accounting principles," Nunes said in a news release.

## [Bloomberg](#)

## **California attorney general sues Morgan Stanley over MBS sold to CalPERS, CalSTRS**

April 4, 2016, By Randy Diamond

The California attorney general's office sued Morgan Stanley (MS) on behalf of CalPERS and CalSTRS, saying both pension funds lost hundreds of millions of dollars after the financial firm misrepresented the safety of subprime mortgage-backed securities and structured investment vehicles.

The lawsuit, filed in state court in San Francisco on April 1, said Morgan Stanley sold the investments to institutional investors but never disclosed it had concerns about riskiness of the debt.

Both the \$290.7 billion California Public Employees' Retirement System, Sacramento, and the \$178.7 billion California State Teachers' Retirement System, West Sacramento, lost billions of dollars overall buying subprime debt from a variety of financial institutions.

## [Pensions & Investments](#)

## **Puerto Rico Investors Sue to Stop Development Bank Payments**

April 4, 2016, By Christie Smythe, Laura J. Keller and Michelle Kaske

Hedge funds holding debt in Puerto Rico's Government Development Bank sued to stop the island's key fiscal entity from making payments to local government agencies as it faces a growing cash shortage and the prospect of insolvency.

The funds, which include affiliates of Brigade Capital Management, Claren Road Asset Management and Solus Alternative Asset Management, accused the bank in a lawsuit filed Monday in San Juan federal court of seeking to "prop up" local agencies at the expense of other creditors. The situation may imperil restructuring efforts for the bank, which its regulator says is facing a cash shortfall of as much as \$1.3 billion in June.

## [Bloomberg](#)

## **Saving for Retirement? The Rulebook Is About to Change**

April 4, 2016, By Jason Zweig

New rules aimed at stockbrokers will have enormous impacts on the way Americans save for retirement.

The rules aren't coming from the government's financial regulatory apparatus but from the Labor Department. This week, it is expected to release final regulations that will require brokers getting paid to provide investment guidance on a retirement account to act solely in the best interest of the investor.

Brokers' recommendations to this point have only had to be "suitable"—a less rigorous standard that critics say has encouraged some advisers to charge excessive fees, favor investments that offer hidden commissions and recommend securities that can be difficult for investors to sell.

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

## **Brokers Upended as Obama Toughens Rules for Retirement Accounts**

April 6, 2016, By Robert Schmidt and Margaret Collins

U.S. brokers managing retirement accounts must adhere to tough new standards under an Obama administration rule released Wednesday that aims to protect millions of savers from conflicted investment advice.

The Labor Department regulation, which gave the industry some concessions from an earlier proposal, puts a capstone on President Barack Obama's efforts to rein in Wall Street and level the playing field for investors who hold some \$12 trillion in Individual Retirement Accounts and 401(k) plans. For the brokerages, mutual funds and insurers that fought the plan for more than five years, it will bring compliance headaches and likely more lawsuits from disgruntled clients.

### **[Bloomberg](#)**

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

### **Opinion: How the Teamsters pension disappeared more quickly under Wall Street than the mob**

April 4, 2016, By Elliot Blair Smith

Real estate investments in Las Vegas casinos and hotels once threatened the integrity of a Teamsters pension fund that the federal government wrested away from corrupt trustees and organized crime after five years of legal battles.

A quarter-century later, the professionals who replaced them—Central States Pension Fund administrators; the Goldman Sachs & Co. and Northern Trust Global Advisors fiduciaries; and Department of Labor regulators—stood watch while the financial markets accomplished what the mob had failed to: which was to smash the fund's long-term solvency with massive money-losing investments.

The debacle unfolding at the \$16.1 billion Central States fund in Rosemont, Illinois, is a cautionary tale for all Americans dependent on their retirement savings. Unable to reverse a decades-long outflow of benefits payments over pension contributions, the professional money managers placed big bets on stocks and non-traditional investments between 2005 and 2008, with catastrophic consequences.

### **[Market Watch](#)**

## **Oregon investment success turns into complex problem**

April 4, 2016, By Arleen Jacobius

Oregon Investment Council was a victim of its investment success.

The council's investment portfolio had grown so rapidly and become so complex that operational and risk management problems put its long-term investment track record in jeopardy.

Now, it is boosting its compliance and risk management systems to better manage its portfolio — and maintain its top-quartile investment track record. Council officials also changed how the investment staff was organized.

## **Pensions & Investments**

### **Cheap Oil Means Record U.S. Trade Surplus With OPEC**

April 5, 2016, By Jeffrey Sparshott

Cheap oil, a strong dollar and slow growth abroad continue to break historical U.S. trade patterns.

In February, the average price per barrel of imported crude slipped to \$27.48, the lowest mark since December 2003. Petroleum imports fell to the lowest level since September 2002. And the U.S. registered a trade surplus with Organization of the Petroleum Exporting Countries nations—the highest on record—according to Census Bureau data.

OPEC has felt the full force of rising U.S. oil production and a slowdown in many overseas markets that have translated into a global energy glut. A stronger dollar has also helped push down commodity prices while making American goods more expensive overseas.

## **The Wall Street Journal**

### **Panama Papers Should Scare U.S. State and Local Public Pensions**

April 5, 2016, By Edward Siedle

On Sunday, the International Consortium of Investigative Journalists published more than 11 million leaked documents which date back four decades and are allegedly connected to the Panama law firm Mossack Fonseca. According to the ICIJ, the leaked financial and legal records expose a system that enables crime, corruption and wrongdoing, hidden by secretive offshore companies.

Unbeknownst to most American taxpayers, U.S. state and local public pensions today are also very much at risk as a result of investing in secretive offshore companies based in the Cayman Islands, British Virgin Islands and other tax havens.

Coincidentally, certain U.S. elected politicians and politically influential Americans are known to be current and former investment managers to, as well as investors in, these offshore funds.

## **Forbes**

### **Should Hawaii's State Government Stop Hiring So Many Temps?**

April 5, 2016, By Chad Blair

Agencies have long relied on temporary contracts to get jobs done in Hawaii's state government.

Now Gov. David Ige and labor unions are pushing legislation to severely limit those types of contracts — saying they lessen the flow of money into the state retirement system and deny workers collective bargaining rights.

But House Bill 2008 is strongly opposed by some of the governor's own departments that say they need the flexibility and firepower the contracts provide.

## [AZ Central](#)

### **The Rich Are Living Longer Than The Poor--What Does That Tell Us About Retirement Security?**

April 4, 2016, By Andrew Biggs

The Government Accountability Office (GAO) has released a new report which looks at how disparities in life expectancies affect retirement security. Or at least it's supposed to.

The GAO report, titled "Retirement Security: Shorter Life Expectancy Reduces Projected Lifetime Benefits for Lower Earners," focuses on how the fact that high earners live longer than low earners partially undoes Social Security's progressivity. The GAO was responding to a request from Sen. Bernie Sanders in which Sanders, in GAO's words, "asked us to examine disparities in life expectancy and the implications for our nation's policies with respect to retirement security." There's a lot of detail in the GAO's report, some of it extraneous and some of which is misleading. But I don't think GAO really answers the questions Sen. Sanders was asking.

## [Forbes](#)

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

### **Change to UK pension fund disclosure rules eases reporting fears**

April 4, 2016, By Stephen Bouvier

The UK Department for Work and Pensions (DWP) has published new regulations that remove the need for UK pension funds to make what many experts see as largely redundant investment disclosures.

The new disclosure regime takes effect from 1 April and affects disclosures by pension funds rather than corporate scheme sponsors.

Advisers who spoke to IPE welcomed the move, not least because it aligns the statutory disclosure regime with UK GAAP.

Philip Briggs, a partner in RSM's pensions group, said: "This is a positive move to reduce the red tape surrounding disclosure requirements for pension schemes.

## [Investment & Pensions Europe](#)

### **Pension funds not a sure thing in Canadian infrastructure plan**

April 4, 2016, By Rick Baert

The Canadian government plans on seeking institutional investment to help it make C\$120 billion (\$92.2 billion) in infrastructure investments across the country over the next 10 years. But it's uncertain whether large public plans within Canada's borders — some of the world's largest infrastructure investors — will join in.

In its 2016 budget released March 22, the Canadian Finance Ministry announced a plan to commit to projects in public transportation, water and wastewater systems, affordable housing and protecting

existing infrastructure from climate change. The budget document said the government would work with “global institutional investors and older stakeholders” in plans for infrastructure investments.

## **Pensions & Investments**

### **Greek public sector workers strike over pension reforms**

April 7, 2016, By Renee Maltezou

Flights were disrupted and hospitals ran on skeleton staff in Greece on Thursday in a strike called by public-sector workers against the pension and tax reforms sought by Greece's foreign lenders.

Thursday's 24-hour walkout called by public sector union ADEDY coincides with a review by lenders of Athens's compliance with terms of an international bailout agreed last year.

Greeks have seen their incomes and services slashed under austerity measures agreed as part of its international bailouts.

## **Reuters**

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