



Weekly Clips, August 12, 2016  
Texas Pension Review Board  
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## **PRB PLANS**

### **The Dallas pension nightmare**

August 8, 2016, By Michael Taylor

I've become a bit obsessed with public pensions this month.

As a lesson in how pensions can go wrong, I began looking into the Dallas Police and Fire Pension System.

The city's Police and Fire Pension ranks as the 10th-largest in the state and easily qualifies as the most dire, the usual metrics of a public pension plan indicate.

Public pensions can confound us through both mathematical as well as political complexity, but let me tell you in the simplest terms the depths of the problems of the Dallas Police and Fire Pension System.

### **San Antonio Express-News**

#### **How Houston got into a \$4 billion pension mess**

August 9, 2016, By Ryan Holeywell

It's a huge sum - but what's even more staggering is just how quickly it accumulated. In 2000, it was \$0 (or, technically, slightly less, since its pension assets exceeded its liabilities).

The latest report from the Kinder Institute, "The Houston Pension Question," addresses a fundamental question: how did this happen? Perhaps more importantly, it explores the steps that city leaders, city employees and city taxpayers can take if they want to reverse the trend. The report is supported by a detailed analysis of each of the city's three pension plans, performed for the Kinder Institute by the Center for Retirement Research at Boston College.

### **Houston Chronicle**

#### **Here's how Houston can fix its pension problem**

August 9, 2016, By Joe Martin

The city of Houston's unfunded pension liability has ballooned to more than \$3.5 billion since 1992, and if something isn't done soon, the problem will continue to get worse.

That's according to a new report from Rice University's Kinder Institute for Urban Research outlining the current pension problem.

The report also outlines four strategies for the city and its pension boards to take in order to fix the ballooning pension problem. However, it adds that one solution won't fix all three pension problems and

that failure to act will only cause the problem to worsen. For what it's worth, Mayor Sylvester Turner is expected to release a comprehensive pension plan sometime this fall in order to submit to the Texas legislature for approval early next year.

### [Houston Business Journal](#)

#### **Battle over benefits pushes Texas behind other states addressing pension liabilities**

August 10, 2016

Texas falls short when it comes to restructuring pension funds to deal with changing economic times, part of a growing national trend of a failure to maximize pension benefits.

Wednesday morning at the National Conference of State Legislatures, a presentation called The State of Pension Funding and Underfunding highlighted the fact that underfunding is at a near record deficit as a percentage of state and local taxes.

Don Boyd, of the Nelson A. Rockefeller Institute of Government, estimated unfunded liabilities now total \$1.8 trillion, which falls short of deficit highs during the economic tumble of 2011.

### [Quorum Report](#)

#### **Can Dallas Police and Fire Pension fund be saved? Officials propose changes to head off insolvency**

August 11, 2016, By Tristan Hallman

Jim Aulbaugh, a battalion chief for Dallas Fire-Rescue, is skeptical of any attempts to save his and his colleagues' pensions.

"I don't think it will make any difference," said Aulbaugh, a 33-year veteran. "It's a sinking ship that can't be saved."

But Dallas Police and Fire Pension Fund board members still believe they can salvage the system. And on Thursday, they unveiled a new plan built mostly on big cuts, new revenue and the hope that the city will pump new money into the fund.

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

#### **Dallas police, fire pension board facing disaster**

August 11, 2016, By Brett Shipp

The past month has been an emotional roller coaster for Dallas police and firemen. Thursday afternoon, the bad news continued.

The Dallas Police and Fire Pension System is a billion dollars in the red, and the plan to bail the system out is already being called "unacceptable" by some.

The bailout plan, unveiled Thursday, is a proposal that police and fire employees knew was coming. But the fact is, the Dallas Police and Fire Pension System is actually closer to \$2 billion in the hole.

### [WFAA](#)

## **Once-Celebrated Dallas Pension Fund Runs Risk of Going Broke**

August 12, 2016, By Darrell Preston

The Dallas Police and Fire Pension System, once applauded for a diverse investment portfolio that included Hawaiian villas, Uruguayan timber and undeveloped land in Arizona, finds itself needing to dig out of a deep hole.

A \$1.2 billion change last year in the difference between the value of its assets and what the pension owes retirees left the \$2.6 billion fund with just 45 percent of the assets needed, down from 64 percent at the end of 2014. The pension, which was 90 percent funded a decade ago, could be out of cash in 15 years at the current rate of projected expenditures, according to a Segal Consulting report last month.

[Bloomberg](#)

## **TEXAS ECONOMIC INDICATORS**

### **Texas continues growth into auto industry powerhouse**

August 5, 2016, By Claudia Grisales

Like the state's burgeoning auto industry, the Toyota Motor Manufacturing plant in San Antonio has come a long way since its first Tundra truck rolled off the line nearly 10 years ago.

The plant came to Texas when the state's major auto industry operations were mostly limited to a General Motors plant in Arlington. That's changed dramatically since.

In addition to growth at its San Antonio plant, Toyota is now centralizing its North American headquarters and other operations in Plano. The news came on the heels of a GM announcement last year it would infuse its Arlington plant with a \$1.4 billion expansion.

[myStatesman](#)

### **Charles Schwab campus will bring 1,200 new jobs to growing North Texas financial cluster**

August 9, 2016, By Steve Brown

California-based Charles Schwab Corp. will create at least 1,200 new jobs with its planned regional office campus in northeast Tarrant County.

The 500,000-square-foot office center in Westlake has been given a \$6 million Texas Enterprise Fund grant to help pay for the project.

"We're excited to have this opportunity to expand our presence in Texas, and we'll be ramping up our recruiting efforts from among the great wealth of employee talent in and around Westlake," Schwab Executive Vice President Dennis Howard said in a written statement. "Like Austin, where we already have approximately 1,500 employees, and El Paso, where we are building our presence, the Dallas-Fort Worth area is an important location for Schwab to better serve our clients."

[The Dallas Morning News](#)

## **State has become “Health Care Texas”**

August 10, 2016, By David Hendricks

The Texas economy, long driven by manufacturing and oil, is now being fueled by something much more stable – the booming health care industry, a Texas Workforce Commission official said Wednesday in Live Oak.

No industry is growing as fast as health care, said Mick Normington, a commission business and industry specialist.

Texas isn't alone. The shift is nationwide as health care tops the lists of industries driving growth in 47 states, Normington added.

Manufacturing, mainly in East Texas, accounted for more than half of the state's economy in 1990, he said.

[San Antonio Express-News](#)

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

### **Multiemployer Pension Resubmits Rescue Plan to Treasury**

August 5, 2016, By David B. Brandolph

An Iron Workers local pension fund has withdrawn and resubmitted its application for benefit suspension approval from the Treasury Department, restarting the clock on the department's review.

The Iron Workers Local 17 Pension Fund withdrew July 26 its petition under a 2014 law to suspend the accrued benefits of its multiemployer defined benefit plan participants, according to a notice appearing on the department's website Aug. 4. The fund, based in Cleveland, made the petition in an attempt to avoid future insolvency.

[Bloomberg BNA](#)

### **Allianz Can't Duck ERISA Challenge to Mutual Fund Fees**

August 8, 2016, By Jacklyn Wille

Allianz Asset Management of America couldn't convince a federal judge to dismiss class action claims challenging the allegedly high-fee, in-house mutual funds in its 401(k) plan ( *Urakhchin v. Allianz Asset Mgmt. of Am., L.P., C.D. Cal., No. 8:15-cv-01614-JLS-JCG, 8/5/16* ).

In largely denying Allianz's motion to dismiss the case, the judge dealt a blow to the financial companies being hit by an ongoing flurry of lawsuits challenging the in-house mutual funds in the 401(k) plans for their employees. So far, these lawsuits have been gaining traction, with judges declining to dismiss the claims against Putnam Investments LLC, BB&T Corp. and now Allianz.

[Bloomberg BNA](#)

## **Yale, NYU, MIT Hit With Coordinated ERISA Lawsuits**

August 10, 2016, By Jacklyn Wille

Schlichter Bogard & Denton LLP, the law firm that led the litigation charge against 401(k) plan fees, filed three new ERISA class actions against Yale University, New York University and Massachusetts Institute of Technology.

The lawsuits, filed Aug. 9 in different federal courts, accuse the universities of charging excessive record-keeping and administrative fees in connection with their retirement plans for faculty members. The complaints raise a novel challenge to the way the retirement plans are managed—namely, that the plans included too many duplicative and unnecessary investment options, which caused investors to suffer from decision paralysis and interfered with the ability of plan fiduciaries to negotiate lower fees.

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

#### **4 more top universities targeted for fiduciary breaches in 403(b) plan management**

August 11, 2016, By Robert Steyer and Greg Iacurci

Duke University, Johns Hopkins University, University of Pennsylvania and Vanderbilt University became the latest universities to be sued over allegedly breaching their fiduciary duties in the management of their 403(b) plans.

Allegations among the lawsuits are nearly identical.

Defendants failed to use the plan's bargaining power, causing the plan to pay unreasonable and greatly excessive fees for record-keeping, administrative and investment services, said the Duke lawsuit, filed Wednesday in U.S. District Court in Greensboro, N.C.

### **[Pensions & Investments](#)**

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

#### **Unforeseen consequences one legacy of the Pension Protection Act**

August 8, 2016, By Hazel Bradford

Like many pension-related laws, the Pension Protection Act that passed a decade ago was designed to address a crisis.

At the time, underfunded pension plans were threatening the financial stability of the Pension Benefit Guaranty Corp. But while the act did help strengthen the federal agency, it also had the unintended effect of discouraging defined benefit plan sponsors and hastening the switch to defined contribution plans, observers say.

It was sold on the basis that we were going to shore up funding to protect workers, but most people involved in passing the PPA didn't understand the impact that new funding rules would have on the cost and volatility of funding plans, and how that would scare away thousands of plan sponsors, said Earl Pomeroy, a former North Dakota Democratic representative and House Ways and Means Committee member who now works with the Washington law firm Alston & Bird LLP.

### **[Pensions & Investments](#)**

## **New Mexico pension funds confront lower returns**

August 10, 2016

New Mexico's two major public pension funds have missed targets for investment returns for a second straight year.

The Public Employees Retirement Association that oversees pension funds for state, county and municipal workers is reporting a return on investment of less than 1 percent for the fiscal year ending in June. The Educational Retirement Board that oversees school district pensions is reporting a return of 2.6 percent after fees.

### [News Channel 10](#)

## **Where To Find Retirement Income That Rises With Inflation**

August 11, 2016, By Kerry Hannon

One problem with being a retiree on a fixed income is that a *fixed* income. But living costs rise with inflation, so you'd want your investment income to do so, too.

How can you? I've talked with a few smart financial advisers and will share four of their suggestions momentarily.

I realize inflation, overall, isn't much to worry about at the moment.

### [Forbes](#)

## **For pension reform, no time to waste**

August 12, 2016, By Mike Turzai

Everyone involved in the debate over Pennsylvania's public pension crisis needs to understand one vital truth:

Pension reform isn't simply about saving money. It's about saving the pensions — benefits earned by thousands of public school teachers and state workers.

If we don't find a way to reduce the expanding debt around our public pensions, no contract will overcome the unforgiving laws of mathematics. It's this plain: without meaningful reform, taxpayers and our retirees could be at risk.

### [Tribune-Democrat](#)

## **Nevada Public Employees returns 2.3% for fiscal year, below benchmark**

August 12, 2016, By Rob Kozlowski

Nevada Public Employees' Retirement System, Carson City, returned a net 2.3% in the fiscal year ended June 30, underperforming its market benchmark of 2.7%, said an investment report posted on the \$34.9 billion pension fund's website.

The best-performing asset class was private real estate, which returned a net 8.7% in the year ended June 30, followed by private equity at 7.8%. Domestic fixed income returned 6.3%, domestic equity returned 4% and international equity returned -9.8%.

### [Pensions & Investments](#)

## **No love, actuary August 2016**

When it comes to funding the pensions of their workers, American states and local governments have not been doing a good job. Back in 2000, the average pension plan was fully funded, according to the Centre for Retirement Research (CRR); at the end of 2015, the official funding ratio was just 72%.

So a report from a pension-finance task force into the way economic principles apply to public pension funds ought to make compulsory reading. But the paper, commissioned by the American Academy of Actuaries (AAA) and the Society of Actuaries (SoA), is not going to see the light of day. That is very disappointing, since the report (a draft of which has been seen by *The Economist*) highlights how the approach to valuing American public pensions is highly questionable.

### **[The Economist](#)**

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

### **Canada's Biggest Pension Fund Delivers 1.5% Quarterly Return**

August 11, 2016, By Ben Dummett

Canada's largest pension fund generated a net investment return of 1.5% in its fiscal first quarter, driven by private-market holdings, investments in North American publicly traded equities and its exposure to debt markets.

Canada Pension Plan Investment Board said Thursday that net assets for the quarter ended June 30 totaled 287.3 billion Canadian dollars (\$219.9 billion), up from C\$278.9 billion at the end of its prior fiscal quarter. Investment income generated C\$4.1 billion of the C\$8.4 billion increase in assets, and pension contributions accounted for the remainder.

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

### **Sentiment Shattered Even as Europe Stocks Erase Brexit Loss**

August 11, 2016, By Aleksandra Gjorgievska and Camilla Naschert

European stocks may have bounced back from Britain's vote to leave the European Union. You can't say the same for investor sentiment.

The Stoxx Europe 600 Index needed seven weeks to recover after the Brexit referendum result that triggered its biggest slump since 2008, much longer than shares in the U.S., Asia and even the U.K. But even as that wound heals, evidence of the trauma lingers in options, volume and fund flows. The gauge was little changed at 8:17 a.m. in London.

While recent economic data have beaten forecasts and financial results at companies including Munich Re and LVMH Moët Hennessy Louis Vuitton SE have topped projections, investors have been shunning Europe's equities, with funds tracking the shares seeing outflows for 26 straight weeks. This month, volume in shares of Stoxx 600 companies was about 13 percent lower than this year's average.

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

## **Turkish parliament approves private pensions law**

August 11, 2016

Turkey's parliament approved on Wednesday evening a law requiring workers younger than 45 years old to be automatically registered with a private pension plan, a move aimed at boosting domestic savings.

"The Turkish Parliament has just approved a major reform. Auto-enrolment in private pension schemes is likely to boost domestic savings," Deputy Prime Minister Mehmet Simsek wrote on his Twitter account.

The contribution for employees would amount to around 3 percent of their annual income, according to the law.

### **Reuters**

## **U.K. buyout, buy-in transactions dip in first half of 2016 on several factors**

August 11, 2016, By Sophie Baker

A combination of low yields, decreased affordability and the implementation of capital requirement rules under Solvency II have led to a slower start in bulk annuity transactions this year compared to the last couple of years, said Lane Clark & Peacock.

An analysis by the consultant showed that a total of £2.7 billion (\$3.5 billion) of buy-ins and buyouts have been completed by U.K. pension funds in the first six months of 2016, compared with £4.4 billion for the same period last year and almost £7 billion in the first half of 2014.

### **Pensions & Investments**

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