



Weekly Clips, August 19, 2016
Texas Pension Review Board
P.O. Box 13498 Austin, TX 78711-3498
www.prb.state.tx.us

PRB PLANS

Pension changes

August 12, 2016

A key firewall came crashing to the ground last month in the battle over city pensions - Todd Clark stepped down as chairman of the Houston Firefighters' Relief and Retirement Fund. His resignation is the first solid sign that progress is being made on a pension deal.

Clark was elected chair of the board, which manages the firefighter pension fund, in January 2010, and over the next six years he served as Mayor Annise Parker's key adversary in her fight to fix Houston's pension mess. The total unfunded pension burden on taxpayers continued to soar during his tenure - about \$1.5 billion was added by all three pensions, according to a recent study by the Kinder Institute for Urban Research at Rice University.

Houston Chronicle

Pension leadership shake-ups seen as good sign for reform

August 14, 2016, By Mike Morris

Longtime firefighters pension fund chairman Todd Clark has retired from the department and resigned his post, a move City Hall observers interpret as perhaps the clearest sign yet that Mayor Sylvester Turner's push for pension reform may succeed.

The municipal pension also is in upheaval, having bought out former director Rhonda Smith's contract for nearly \$438,700 and replaced her with David Long, a controversial figure who played a central role in the 2001 benefit changes that created the city's pension funding shortfall, a gap that has now reached \$5.6 billion.

Houston Chronicle

Hitchhiker's Guide to Texas Pension Plans

August 14, 2016, By Michael Taylor

Douglas Adams's *Hitchhiker's Guide to the Galaxy* famously advised us on the book cover, "Don't Panic," and I think that's a useful starting point for discussing public pensions in Texas.

You see, I started by wondering "should we panic?" when I began a personal project of studying public pensions, for a variety of reasonable suspicions, which I'd share. After sharing my suspicions, I'd tell you what I think the informed citizen - that's you and me! - should worry about, and monitor, with respect to Texas pensions.

San Antonio Express-News

Texas County & District targets another \$25 million to direct lending co-investment

August 15, 2016, Christine Williamson

Texas County & District Retirement System, Austin, committed an additional \$25 million to Crescent (TX) Direct Lending Co-Investment Fund, a transaction report on the \$24.7 billion pension fund's website showed.

The pension fund previously committed \$100 million to the same Crescent co-investment fund in 2013, said Paul J. Williams, chief investment officer, in an e-mail.

Pensions & Investments

Proposal Seeks to Rescue Dallas Police Pension Plan

August 17, 2016, By David B. Brandolph

Dallas Police and Fire Pension System participants have an opportunity to reverse injuries to the plan that are catapulting it toward insolvency.

They must first, however, be persuaded to approve their own benefit cuts. And the timing of that decision couldn't be worse as officers are still dealing with the death of five of their own in July at the hands of a heavily armed gunman.

At the time of the tragedy, the city's police and fire pension plan was facing financial turmoil because of bad investments and generous benefits.

Bloomberg BNA

City, current and former police and fire would feel squeeze of pension fund fix

August 18, 2016, By Tanya Eiserer

Hundreds of former and current police officers packed pension board meeting Thursday to hear details of a bailout proposal to save their failing pension fund.

The plan would spread the pain all around.

It would increase the contributions of current police officers, reduce the cost-of-living increases for retired public safety workers, and place strict limits on lucrative special accounts called deferred retirement option plans (DROP).

WFAA

TEXAS ECONOMIC INDICATORS

NEW STUDY: Texas-Mexico Border Economy Threatened by Proposed Trade Agreement

August 18, 2016

Fair trade advocates released a new report today which finds the proposed Trans-Pacific Partnership (TPP) trade agreement threatens the Texas-Mexico border economy.

Since the implementation of NAFTA in the mid-1990s, much of Texas economy has transitioned from being a hub of production into a center for customs brokerage, logistics, distribution, transportation,

accounting and other services that support production operations in Mexico. According to the report, these Texan jobs, as well as Mexican maquiladora jobs, are both threatened by the TPP.

[KRWG](#)

Texas adds 23,600 jobs in July, while unemployment rate ticks up

August 19, 2016, By Lydia DePillis

The Texas economy continued to grow at a rate far below its oil-boom highs, with Labor Department data showing a seasonally adjusted increase of 23,600 jobs last month and an uptick in the unemployment rate to 4.6 percent.

The year-over-year job growth rate remained the same as it has been since May, at 1.5 percent. The annual addition of 173,000 jobs is substantially below Texas' five-year average of 301,100 positions.

[Houston Chronicle](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Public Pension Cuts Upheld by Sixth Circuit—Again

August 15, 2016, By Jacklyn Wille

A firefighter and a police officer challenging reduced cost-of-living adjustments in their public pension benefits lost their appeal to the U.S. Court of Appeals for the Sixth Circuit (*Puckett v. Lexington-Fayette Urban Cty. Gov't*, 6th Cir., No. 15-06097, 8/15/16).

The Sixth Circuit on Aug. 15 upheld a Kentucky municipal pension plan's attempt to weather financial difficulties by reducing the annual cost-of-living adjustments (COLAs) received by pensioners. The court issued a similar opinion on Aug. 12, affirming COLA cuts made by the Tennessee Valley Authority Retirement System.

[Bloomberg BNA](#)

Christie signs bill banning N.J. pension investments with businesses boycotting Israel

August 16, 2016, By Matt Arco

New Jersey on Tuesday became the third state in the nation to put a law on its books to oppose a movement that encourages a boycott of Israeli goods and services.

Gov. Chris Christie signed into law a bipartisan measure that bars the state's public worker pension fund from investing in companies that refuse to do business with Israel.

The Garden State joins Florida and Illinois, which have similar laws. It's a public pushback against businesses participating in the Palestinian-led "Boycott, Divestment and Sanctions" movement.

[NJ.com](#)

Columbia Joins List of Schools Sued Over Retirement Fees

August 16, 2016, By Jacklyn Wille

Columbia University is the ninth prominent college to be sued this month over the fees charged by its retirement plan (*Doe v. Columbia Univ.*, S.D.N.Y., No. 1:16-cv-06488, complaint filed 8/16/16).

Last week, St. Louis law firm Schlichter Bogard & Denton filed coordinated ERISA lawsuits against Yale, Duke, MIT and other top colleges. The lawsuits all focus on the large number of investment options offered in the colleges' 403(b) retirement plans, among other things.

[Bloomberg BNA](#)

Puerto Rico's Rescue Plan Represents a Troublesome Trend, Economists Say

August 17, 2016, By Mattie Quinn

While many in Puerto Rico are no doubt relieved that Congress struck a deal to save the U.S. territory from total financial breakdown, economists are worried that recent rescue plans are creating a potentially troublesome precedent.

PROMESA, the Puerto Rico Oversight, Management and Economic Stability Act that President Obama signed last month, is the latest debt restructuring that takes unprecedented measures to get out of fiscal distress. For one, it calls for the creation of a control board to oversee the restructuring -- something that's never occurred beyond the municipal level. It also offers a layer of protection that technically shouldn't be available to a state or territory, many economists say, because neither is legally allowed to file for bankruptcy.

[Governing](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Chicago teacher pension fund overpaid 234, wants its money back

August 13, 2016, By Katie Drews

For two years, the Chicago Teachers Pension Fund used incorrect dates to calculate retirement benefits, records obtained by the Better Government Association and the Chicago Sun-Times show.

As a result of that error, a total of \$2.78 million in overpayments went out to more than 200 retirees, the records show.

Now, the fund - which oversees pensions for more than 28,000 retired Chicago Public Schools teachers and administrators - is asking for its money back.

[Chicago SunTimes](#)

Hedge Funds Are Losing Endowments After Exodus of Pensions

August 15, 2016, By Janet Lorin

Following the lead of pensions, some U.S. endowments and foundations are souring on hedge funds.

Hedge fund fees and lagging performance are cause for concern for nonprofit investors, who are reducing their allocation, according to a survey published Monday by NEPC, a Boston-based consulting firm with 118 endowment and foundation clients with assets of \$57 billion.

More than a quarter of 59 respondents said their investment committees reduced or were considering lowering their allocations to hedge funds. Of those that made changes, almost half said they put that money into public equities. NEPC conducted the survey in July, polling business officers of universities, foundations and other nonprofits on their market outlook and asset allocation. About one-third of the respondents were universities.

Bloomberg

Mississippi PERS reports 1.15% return for fiscal year

August 15, 2016, By Meaghan Kilroy

Mississippi Public Employees' Retirement System, Jackson, returned a gross 1.15% for the fiscal year ended June 30, compared to its benchmark return of 0.98% said spokeswoman Shelley Powers in an e-mail.

Real estate was the top performer, returning 13.31%, followed by private equity at 10.62%, fixed income, 6.84%; U.S. equities, -0.37%; global equities, -3.31%; and international equities, -7.99%.

Pensions & Investments

Calpers Braces for Lower Returns in 'Most Challenging Market'

August 15, 2016, By James Nash

The California Public Employees Retirement System, the largest U.S. public pension fund, is ratcheting down expected investment gains over the next decade as low interest rates and a gloomier stock market depress returns.

The \$306.2 billion pension fund expects an average return of 6.21 percent, which is 90 basis points, or 0.9 percent, less than the forecast two years ago, Chief Investment Officer Ted Eliopoulos said Monday at an investment committee meeting. The forecast came from consultant Wilshire Associates, which issued a rosier long-term prediction: a 7.83 percent return over 30 years.

Bloomberg

The \$6 trillion public pension hole that we're all going to have to pay for

August 16, 2016, By Ed Bartholomew and Jeremy Gold

U.S. state and local employee pension plans are in trouble - and much of it is because of flaws in the actuarial science used to manage their finances. Making it worse, standard actuarial practice masks the true extent of the problem by ignoring the best financial science - which shows the plans are even more underfunded than taxpayers and plan beneficiaries have been told.

The bad news is we are facing a gap of \$6 trillion in benefits already earned and not yet paid for, several times more than the official tally.

Market Watch

Dissident actuaries target pension debt

August 15, 2016, By Ed Mendel

Two actuarial associations did not publish a controversial paper by their joint task force, reflecting a split in the profession over whether public pension debt should be measured with risk-free bonds or the earnings forecast for stock-laden investment funds.

Using safe but low-yield bonds to offset or discount future pension obligations would cause pension debt to soar, creating pressure to raise the annual rates paid by state and local governments that are already at an all-time high for many.

Capitol Weekly

IEX exchange readies for mainstream debut

August 17, 2016, By Kevin McCoy

At the start and end of each trading day, an IEX Group staffer rings a silver-colored bell near the work stations and computers that function as the nerve center for the new stock exchange that's among the most anticipated launches in recent Wall Street history.

The ritual, unlike the highly public bell-ringing ceremonies at the long-established Nasdaq Stock Market and New York Stock Exchange, has been an inside-the-company-family event for IEX's approximately 70 employees.

USA Today

The Growing Urgency for Serious Public Pension Reforms

August 18, 2016, By Charles Chieppo

In June, I wrote that public-sector pension plans were facing an existential crisis. Even though many states have adopted reforms, a sampling by the Center for State and Local Excellence of systems that cover 90 percent of the nation's state and local government pension-plan members found that in the last year the plans had on average of 74 percent of the money needed to fund their liabilities -- only a slight uptick from the previous year's figure of 73 percent.

That news was particularly troubling in light of a McKinsey Global Institute report earlier this year suggesting that pension funds were likely to see lower investment returns going forward. Those McKinsey folks are looking awfully smart: A recent report from the Wilshire Trust Universe Comparison Service found 20-year annualized returns for U.S. public pension systems at their lowest point in the nearly 15 years the service has tracked the statistic.

Governing

Union pension fund plans 30 percent cut to retiree benefits

August 19, 2016, By Marie J. French

The New York pension fund for teamsters plans to cut benefits for 35,000 members in upstate to keep it solvent.

The board of directors for the New York State Teamsters Conference and Pension Fund approved monthly benefits cuts for retired truck drivers of 31 percent. Members still working will see cuts of 20 percent. The teamsters union represents workers at freight, construction, concrete and other companies, including drivers at UPS and ABF Freight.

Albany Business Review

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

UN's \$54 Billion Pension Fund in Power Struggle Over New Rules

August 14, 2016, By Kambiz Foroohar

The United Nations needs some financial peacekeepers.

A dispute over whether new regulations governing the \$54 billion UN Joint Staff Pension Fund will result in higher fees paid to outside bankers or modernize oversight of the 67-year-old trust has divided fund CEO Sergio Arvizu and union leaders, sparking accusations of mismanagement.

Lost in the fight is the fund's performance: the account returned 5 percent the past decade, according to a June 30 report by Northern Trust Corp. That 10-year performance compares with 5.1 percent for the California Public Employees Retirement System, the largest in the U.S., and the 5.7 percent median for U.S. public pensions, according to Keith Brainard, who tracks pensions for the National Association of State Retirement Administrators.

Bloomberg

Brexit Bulletin: Hedge Funds Against the Pound

August 15, 2016, By Emma Ross-Thomas

Hedge funds have made record bearish bets against sterling as Brexit pummels the currency, while some analysts believe a pound will be worth the same as a euro in 18 months.

Large speculators raised net bearish wagers on the British currency to the most in Commodity Futures Trading Commission data going back to 1992, Bloomberg's Kevin Buckland and Narayanan Somasundaram report.

Sterling, which had its worst day on record when the Brexit result became clear on June 23, edged lower on Monday as investors prepare for data this week that will show how consumers, businesses and public finances are responding to the referendum result.

Bloomberg

Venezuela Oil Exports Seen Falling as Economic Woes Worsen

August 16, 2016, By Angelina Rascoet

The long decline in Venezuela's oil production is becoming a supply risk for international markets, according to a report by Columbia University's Center on Global Energy Policy.

Exports from the holder of the world's largest crude reserves fell more than 300,000 barrels a day in June, compared with the 2015 average, according to the report written by Luisa Palacios, a senior managing director at Medley Global Advisors LLC. While Venezuela's output has been declining all year, the impact is only now being felt on international markets because previous losses were offset by slumping domestic oil demand amid an unprecedented economic recession.

Bloomberg

South Korea's \$487 Billion Pension Fund Seeks China Yields

August 16, 2016, By Kyoungwha Kim and Heejin Kim

South Korea's retirement fund plans to buy more bonds in China and is considering India as it hunts for higher yields in developing nations.

The National Pension Service aims to pump some of its 533 trillion won (\$487 billion) of assets into China, according to Chief Investment Officer Kang Myoun Wook. It is also looking at putting money into India, where yields are the highest among major Asian nations. The fund, slightly overweight emerging markets for now, is reviewing when to beef up investments further, Kang said.

Chinese yields are high and issuance is considerable, said Seoul-based Kang. China is one of the markets which, together with India, we have a keen interest in among emerging markets.

Bloomberg

Japan Post considers investing in smaller Asian hedge funds

August 18, 2016, By Bloomberg

After struggling to attract money, smaller Asian hedge funds might be about to get some relief, courtesy of a \$2 trillion Japanese asset manager.

Japan Post Bank Co.'s investment division is considering backing smaller or newly created Asian hedge funds as it seeks higher returns, said Naohide Une, managing director of the unit that oversees hedge fund allocations. To start with, the bank plans to work with no more than five asset managers or so-called gatekeepers to select funds in which to invest, Mr. Une said.

Pensions & Investments

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.