



Weekly Clips, September 2, 2016
Texas Pension Review Board
P.O. Box 13498 Austin, TX 78711-3498
www.prb.state.tx.us

PRB PLANS

TEXPERS Report: Texas' State and Local Pension Funds Reach 6-Year Pinnacle of Financial Health

August 24, 2016, By PRNewswire

A report from the Texas Association of Public Employee Retirement Systems shows that 93 state and local pension funds combined in 2015-2016 to achieve the best trend performance improvement in financial health in six years, breaking last year's record.

TEXPERS based its assessment on the Texas Pension Review Board's year-over-year comparisons of pension funds' amortization periods. An amortization period indicates the number of years needed to pay off all present and future projected benefits to employees. It is similar to a home mortgage in terms of years needed to pay off interest and principal owed. The PRB says that amortization periods are the single "most appropriate" measure of public retirement systems' health.

[PRNewswire](#)

The Big Four Texas pension funds

August 28, 2016, By Michael Taylor

Most Texans covered by public pension plans don't need to worry about that money since a majority of public workers - 88 percent - participate in one of four plans, and the good news is that none of those four are in distress. Right now.

The largest four pension plans cover 2 million Texans: the Teacher Retirement System, Employees Retirement System of Texas, Texas County and District Retirement System and Texas Municipal Retirement System. So no distress means you can stay calm.

[San Antonio Express-News](#)

TEXAS ECONOMIC INDICATORS

Which State Is a Big Renewable Energy Pioneer? Texas

August 29, 2016, By Bill Spindle

On a blustery February night, the Texas electricity market hit a milestone. Nearly half the power flowing onto the grid came from wind turbines, a level unimaginable a decade ago in a place better known for its long romance with fossil fuels.

The Lone Star state still embraces its oil and gas, leading a revolution in innovative fracking technology. Yet an equally startling energy bonanza here has gone almost unnoticed—the rise of renewables.

Texas has added more wind-based generating capacity than any other state, with wind turbines accounting for 16% of electrical generating capacity as of April. Now Texas is anticipating a huge surge in solar power.

[The Wall Street Journal](#)

Dallas Fed: Texas' economic indicators point upward

August 30, 2016, By Lydia DePillis

The Texas economy might be accelerating again after a long slump fueled by falling oil prices, according to data released this week by the Dallas Federal Reserve.

The strongest indicator: The Texas leading index, which takes stock of a number of statistics such as employment growth and well permits, ticked up in July after remaining steady for the previous two months. That could be evidence of a more durable turnaround instead of just a positive blip.

[Houston Chronicle](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Pension tax wins big after coordinated campaign led by mayor

August 30, 2016, By David Bauerlein

The historic campaign for a half-cent sales tax to tackle Jacksonville's crushing pension debt started four months ago with the biggest share of voters in the undecided camp, but it ended Tuesday with a resounding victory for Mayor Lenny Curry and the powerhouse Yes for Jacksonville committee.

Here's to Jacksonville, baby, Curry said as he joined other city leaders in a joyous champagne toast at the Hyatt Regency Riverfront in downtown.

[The Florida Times-Union](#)

New Procedure Helps People Making IRA and Retirement Plan Rollovers

August 24, 2016

The Internal Revenue Service today provided a self-certification procedure designed to help recipients of retirement plan distributions who inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or individual retirement arrangement (IRA).

In Revenue Procedure 2016-47, posted today on IRS.gov, the IRS explained how eligible taxpayers, encountering a variety of mitigating circumstances, can qualify for a waiver of the 60-day time limit and avoid possible early distribution taxes. In addition, the revenue procedure includes a sample self-certification letter that a taxpayer can use to notify the administrator or trustee of the retirement plan or IRA receiving the rollover that they qualify for the waiver.

[IRS](#)

ERISA Safe Harbor Could Be Lifeline for State-Mandated IRAs

August 31, 2016, By Joe Lustig

A final rule from the Labor Department could breathe new life into the drive by the states to give more private sector employees access to retirement savings plans through their employers.

The rule issued on Aug. 25 establishes a safe harbor from coverage under the Employee Retirement Income Security Act for those state-directed initiatives that meet the enumerated list of conditions.

[Bloomberg BNA](#)

Kentucky Plays Politics as Worst Funded Pension Face Insolvency

August 31, 2016, By Darrell Preston

Kentucky is the home of thoroughbred horse racing, well-regarded bourbon and politicians fighting over some of the most vexing problems facing U.S. public pensions.

Democratic House Speaker Greg Stumbo called 100 adjourned members of the state House of Representatives back to Frankfort on Tuesday to discuss pension investment losses, more than \$171 million of fees paid to money managers and potentially budget-decimating shortfalls. With \$35 billion owed to retirees, the state's pension system is one of the most underfunded and the worst in addressing funding deficits, according to an Aug. 24 report from the Pew Charitable Trust.

[Bloomberg](#)

White House names seven to Puerto Rico oversight board

August 31, 2016, By Steven Mufson

The White House on Wednesday named seven members of the oversight board that Congress established to help Puerto Rico control its spending and restructure its massive debt load.

The members include a retired New York bankruptcy judge, a Puerto Rican banker, a former director of the California finance department, a private equity manager and former bank president, an insurance expert who has been a bankruptcy trustee, a Social Security expert from the American Enterprise Institute, and a conservative corporate law professor at the University of Pennsylvania.

[The Washington Post](#)

California Senate passes Secure Choice bill; governor expected to sign

September 1, 2016, By Randy Diamond

The California Senate has given final legislative approval to implement the state's Secure Choice retirement savings program for private-sector employees who lack access to a workplace plan.

Gov. Edmund G. Brown Jr. is expected to sign the bill. The governor has 30 days to act on the legislation that was passed Wednesday.

State Treasurer John Chiang, who oversees the California Secure Choice Retirement Savings Investment Board, in a statement Thursday hailed the passage of the legislation, saying it will provide millions of Californians with greater protection from an impoverished retirement.

[Pensions & Investments](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Illinois' Pension Payment Expected to Increase by \$400M

August 26, 2016, By The Associated Press

Illinois' contribution to the state's largest public-pension fund is expected to increase by more than \$400 million next year because the board overseeing the account on Friday lowered its expected rate of return on investments.

It's an increase that could lead to higher taxes or massive cuts to education and social services already in financially dire shape because of a historic budget standoff and multibillion-dollar state deficit.

The Teachers Retirement System trustees agreed to lower the assumed rate of return from 7.5 percent to 7 percent, despite Gov. Bruce Rauner urging them to delay the vote so the state could assess and plan for the higher costs.

The New York Times

States Face a \$1 Trillion Pension Problem: Here Are the Worst 10

August 29, 2016, By Eric Pianin

While a handful of states including West Virginia, New York and Indiana have made important strides in reducing major shortfalls in their employee pension plans, many others are just trading water or losing ground, according to a new study by the Pew Charitable Trust.

A year after the organization sounded a dire warning about a widening gap between assets and obligations; the picture has improved just slightly. State-run retirement systems reported shortfalls totaling \$934 billion in fiscal 2014, the latest figures available, which was a slight improvement over the \$969 billion deficit from the previous year.

The Fiscal Times

States' "Weak" Pension Contributions Continue to Hurt Pension Funding, Says Fitch

August 29, 2016, By Ted Ballantine

A new commentary from Fitch Ratings lambasts states for their pension funding practices.

Even as contributions rise, Fitch writes, the sustainability of pension systems is not improving.

Fitch acknowledges that states are paying more in recent years:

Actual pension contributions have risen rapidly in recent years as governments have attempted to stem the erosion of their systems' funded ratios and catch up with rising ARCs, the contribution benchmark calculated by actuaries as necessary to eliminate the unfunded pension liability over time. The average actual contribution in fiscal 2014 is roughly 89% greater than in 2008, the year the global financial crisis began, while the ARC has risen an average of 72% since then.

Pension 360

Controversial pension paper will be published after all

August 29, 2016, By Silvia Ascarelli

A controversial research paper that is critical of the way pension plans estimate the future value of their assets will now be published, after the Society of Actuaries agreed to publish it as part of its Pension Forum series.

Pension plans currently set a level of expected long-term returns on investments and use that to help calculate how much needs to be contributed each year to meet future payments. The paper argues that is the wrong approach. Instead, liabilities should be discounted using default-free rates, such as those offered by Treasuries. The bottom line is that the unfunded liabilities of public pension plans are about \$6 trillion, rather than \$1.5 trillion, according to two of the paper's authors.

Market Watch

Military's New Hybrid Retirement Plan a Mixed Bag

August 29, 2016, By Mark Miller

U.S. armed forces--get ready to salute the 401(k). The military, which currently has a traditional defined benefit plan, will adopt a new hybrid program next year that blends an existing defined benefit for career personnel with a matching contribution to a 401(k)-style account aimed at covering those who don't make a lifelong career of the military. It's the biggest overhaul in retirement benefits in years--and it's a mix of good and bad news for military personnel.

Unlike the private sector, the legacy defined benefit actually is called a retirement pay system. That's because retired military personnel are classified as inactive ready reserve who can be recalled in case of national emergency. And, retirement pay can be suspended under certain circumstances--for example, if a recipient begins to receive a disability benefit or is convicted of certain crimes.

Morningstar

Chicago Outlook Lifted to Stable by Fitch on Pension Improvement

August 30, 2016, By Elizabeth Campbell

Chicago had its credit outlook raised by Fitch Ratings to stable because of the city's work to shore up its retirement system and avert insolvency for the pensions that don't have enough money to pay the benefits promised.

The outlook revision to stable from negative reflects the recently enacted material increase in funding to the city's pensions, Fitch analysts led by Arlene Bohner said in a report. The chronic underfunding of pensions over many years has resulted in a high and growing long-term liability burden and constrained expenditure cutting flexibility.

Bloomberg

SC pension fund deficit increased by \$1.4 billion

August 30, 2016, By Cassie Cope

Billions in unfunded obligations in the S.C. pension funds for state and local government workers, teachers and police officers are on a freight train out of control, a state representative said Tuesday.

The unfunded obligations of the largest of those pension funds, the S.C. Retirement System, are expected to have grown by \$1.4 billion over the past budget year, according to actuarial firm Gabriel Roeder Smith and Co.

That system serves more than 180,000 state and local government employees, including teachers. Another 134,634 retirees also are part of the system.

[The State](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Japan Pension Giant's Losses Imply a \$52 Billion Stock Spree

July 28, 2016, By Yuko Takeo and Shigeki Nozawa

The world's biggest pension fund has room for a Japan stock shopping spree after the value of its investments tumbled last quarter.

The \$1.3 trillion Government Pension Investment Fund would need to spend \$52 billion on domestic shares to meet its target for the asset, according to Bloomberg News calculations, after the fund said Friday that holdings fell to 21 percent of investments at the end of June. Its goal is a quarter of the portfolio. The fund also has scope to offload \$55 billion in domestic bonds after falling yields boosted their weight to 39 percent of the total, above the 35 percent level it seeks to hold.

[Bloomberg](#)

Brexit is actually boosting the UK economy

August 28, 2016, By Nicole Gelinias

Two months ago, the world's wise men were warning that if UK voters decided to %Brexit+ from the European Union, they'd rain down economic crisis. Guess what? Today, Britain is fine · and has even seen a boost from its %Leave+vote.

The International Monetary Fund, central-bank chiefs, academic economists · you know, the people who study the economy for a living · said Brexit would be a disaster.

[New York Post](#)

Greek economy grows in second quarter but strong rebound elusive

August 29, 2016, By George Georgiopoulos

Greece's economy grew modestly in the second quarter but weak demand and scant investment mean a strong rebound after years of recession remains elusive a year after the country nearly crashed out of the euro.

Data released on Monday showed the 176 billion euro (\$196.8 billion) economy expanded by 0.2 percent in April to June, slightly less than a previous estimate of 0.3 percent due to weaker consumer spending and net exports. It was the first quarter-on-quarter expansion since late 2015 and followed a 0.2 percent contraction in Q1.

[Reuters](#)

UK pushes ahead with £500 tax free pension advice allowance

August 31, 2016, By Monira Matin

The UK Treasury has set out plans to allow savers to take out £500 (\$654, " 586) from their retirement pots tax free to help pay for financial advice in a bid to plug the advice gap following the pension freedoms

The UK government first suggested the proposal back in March during the annual budget, based on recommendations by the Treasury and Financial Conduct Authority (FCA) joint Financial Advice Market Review (FAMR). FAMR found that there is an advice gap for retirement advice for people without significant wealth, calling on the treasury to introduce a tax free stipend from pensions to make financial advice more affordable and easily accessible.

[International Adviser](#)

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