Weekly Clips, September 16, 2016

Texas Pension Review Board
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PRB PLANS

State Not "Liable" for Municipal Pension Shortfalls

September 6, 2016, By David Yates

The Office of the Texas Attorney General issued an opinion finding that a court would likely conclude the state is not required to assume liability when a municipal retirement system is unable to meet its financial obligations.

As of 2015, Texas has 13 local retirement systems specifically enabled by state statute (title 109).

SE TexasRecord

Texas appeals court reaffirms operation of Houston Firefighters pension fund is constitutional

September 9, 2016, By Meaghan Kilroy

Texas appeals court Judge John Donovan rejected the city of Houston's claims that the law under which the Houston Firefighters' Relief and Retirement Fund operates is unconstitutional.

In 2014, Houston filed suit against the $3.8 billion pension fund, arguing that state law, which excludes the city from financial decisions related to the pension fund, including benefit levels and employer contributions, is unconstitutional. Those decisions are left to the pension fund board.

In an opinion issued Thursday, Mr. Donovan wrote that the law under which the pension fund operates is constitutional.

Pensions & Investments

Houston Loses Appeal in Firefighter Pension Fight

September 12, 2016, By Cameron Langford

Houston can't overhaul a state-governed firefighter pension system that the mayor claims is pushing the city towards insolvency, a Texas appeals court ruled.

Houston sued the Houston Firefighters' Relief and Retirement Fund in January 2014, seeking a declaration that a state law setting how the fund is operated, and giving the city no control over the amount of its contributions, is unconstitutional.

The city paid $350 million in pensions to firefighters, police and city workers in 2015, but its unfunded pension debt is $6 billion and growing.

Mondo Visione

We recommend a yes vote on Prop 1, to approve changes to Dallas' employee pension plan

September 14, 2016

The last thing workers want to hear as they near retirement is that the pension they worked so hard to enjoy could be in trouble.

About 80 percent funded, the Employees Retirement Fund for Dallas' non-police-and-fire-employees is in better shape than most public-defined benefit plans. However, the fund has encountered some hiccups that could compromise its ability to pay benefits decades into the future. So officials now are asking voters to approve a basket of changes to improve the fund's long-term financial condition. Pension and city officials have already approved these measures, leaving only city voters to ratify the changes. This is on city of Dallas ballots as Proposition No. 1. (The Employees Retirement Fund has no association with the troubled Dallas Police and Fire Pension Fund.)

The Dallas Morning News

Mayor Turner Unveils Plan to Fix the City's Pension Problem

September 14, 2016, By Adam Bennett and KHOU.com Staff

After 15 years of rising costs and sever months of negotiations, Houston Mayor Sylvester Turner unveiled a preliminary pension reform plan Wednesday afternoon at City Hall.

A final plan will be presented to the three pension systems, City Council, and the State Legislature for approval.

KHOU.com

Houston mayor rolls out $7.7 billion pension reform plan

September 14, 2016, By Joe Martin

Houston Mayor Sylvester Turner followed through on his timeline to roll out a pension reform plan this fall with his Sept. 14 announcement of a $7.7 billion plan that will pay off the city's debt in 30 years.

To do that, significant benefit plan changes will occur across all three pension funds: the Houston Police Officers' Pension System, the Houston Municipal Employees Pension System and the Houston Firefighters Relief and Retirement Fund.

Houston Business Journal

TEXAS ECONOMIC INDICATORS

Lone Star Quartet

Texas's spectacular growth is largely a story of its cities—especially of Austin, Dallas–Fort Worth, Houston, and San Antonio. These Big Four metropolitan areas, arranged in a layout known as the "Texas Triangle," contain two-thirds of the state's population and an even higher share of its jobs. Nationally, the four metros, which combined make up less than 6 percent of the American population, posted job growth equivalent to 30 percent of the United States' total since the financial crash in 2007. Within Texas, they've accounted for almost 80 percent of the state's population growth since 2000 and over 75 percent of its job growth. Meantime, a third of Texas counties, mostly rural, have actually been losing population.

City Journal

Income up, poverty down: Texas exceeding U.S. in key economic numbers

September 15, 2016, By Jill Cowan and Jon McClure

Texas rode the national wave of rising incomes and decreased poverty last year -- a combination economists and demographers found surprising, given turbulence in the state's energy industry.

"It's a great report and it's great for us," said Pia Orrenius, a senior economist at the Dallas Federal Reserve. "You don't see any impact from the oil bust."

Experts said the Lone Star state didn't merely keep pace with the rest of the country; it exceeded national averages in key economic measures included in new Census Bureau data released Thursday.

The Dallas Morning News

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Multiemployer pension reforms allowing composite plans proposed

September 9, 2016, By Hazel Bradford

Draft legislation allowing new multiemployer pension plan designs was unveiled Friday in a discussion draft released by House Education and the Workforce Committee Chairman John Kline, R-Minn.

Mr. Kline said the proposal to allow composite plans, which combine defined contribution features with lifetime income provided through annuities, follows years of bipartisan work with the support of business and labor leaders, including the National Coordinating Committee for Multiemployer Plans, whose Executive Director Randy DeFrehn praised it as "providing a roadmap for making much needed" multiemployer pension reforms.

Pensions & Investments

Machinists Union Opposes Proposal to Weaken Multi-Employer Pensions

September 12, 2016

The International Association of Machinists and Aerospace Workers (IAM) and a broad coalition of union and retiree groups stand in opposition to a proposal circulating in Congress that would weaken funding standards for multi-employer pensions and dilute protections for workers in new plans.

"This is a thinly-veiled attempt to undermine multi-employer defined benefit plans," said IAM International President Bob Martinez. "This flawed proposal would shrink the number of defined benefit plans, and since fewer plans would be paying premiums to the Pension Benefit Guarantee Corporation, it would also hurt solvent plans like the Machinists National Pension Fund."

Business Wire

Draft Bill May Offer Better Mousetrap for Multiemployer Pensions
September 12, 2016, By David B. Brandolph

Draft legislative language that would create a controversial form of multiemployer pension plan was released in the House Education and the Workforce Committee.

The draft bill, released Sept. 9, would permit plans in the troubled multiemployer system to use newly created "modified" defined contribution plans—known as "composite plans"—designed to be successors to existing multiemployer defined benefit plan structures. Multiemployer plans typically are collectively bargained and involve more than one employer.

Bloomberg BNA

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Union workers at Peeps maker strike over proposal to close pension plan
September 9, 2016, By Rob Kozlowski

Just Born Inc., Bethlehem, Pa., union workers went on strike after rejecting the company's latest offer, which involves moving new employees directly to a 401(k) plan, said a news release from the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union Local 6.

The union in the news release cited the company proposing to "eliminate" the workers' pension plan as a primary reason for the strike. Just Born is the confectionery company behind such candies as Peeps and Mike and Ike. A strike vote was taken Sept. 2.

Pensions & Investments

State pension funds earn median 6.8% over 10 years, analysis finds
September 12, 2016, By Christine Williamson

U.S. state pension funds earned an annualized 6.8% median return for the 10-year period ended June 30, 2015, compared with 7.3% the prior year, showed new data analysis from Cliffwater LLC, Marina del Rey, Calif.

The $13.8 billion Oklahoma Teachers' Retirement System was the best-performing state pension for the period, with an 8.3% return, followed by the 8.1% return produced by the South Dakota Investment Council for the $10.8 billion South Dakota Retirement System, and Minnesota State Board of Investment's 7.9% return for the $65 billion of retirement plan assets it manages, Cliffwater's recently released report showed. (All returns cited are annualized figures.)

Pensions & Investments

What Fiscal 2015 Pension Returns May Mean for the States
September 12, 2016, By Kyle Glazier

Many of the largest state pension plans averaged less than 1% returns for the fiscal year ended June 30, most likely leading to a national trend of depressed funding ratios and increasing pressure on states to fund those pensions, S&P Global Ratings said Monday.

S&P crunched the numbers in its annual state pensions report, which confirmed the widely-held expectation that fiscal 2015 would turn out to be a tough investing year for most pension funds. In July, Moody's Investors Service had released a report citing poor returns from the California Public Employees' Retirement System, California State Teachers' Retirement System, and New York State Common Retirement Fund as signs that pressure is likely to mount on states and municipalities.

The Bond Buyer

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Gundlach's Bond-Market Inflection Point
September 9, 2016, By Lisa Abramowicz

DoubleLine's Jeffrey Gundlach indicated in a webcast on Thursday that financial markets are on the brink of turmoil, saying "this is a big, big moment." He's right. It is.

The mood has shifted suddenly. Investors are losing faith in the efficacy of monetary stimulus, and it appears that perhaps central bankers may be, too. The Bank of Japan and European Central Bank have refrained from committing to additional rounds of stimulus and are quickly running out of bonds to buy under their existing programs. The BOJ may run out of bonds within the next 18 months, while the ECB may run into a wall sooner than that, according to analysts cited by the Wall Street Journal and the Financial Times.

Bloomberg

UK may force insurers to pay for pension's dashboard
September 13, 2016, By Monira Matin

A UK Treasury official has said the government is looking at introducing a law that would force pension providers to pay towards creating the pensions dashboard.

According to British media reports, economic secretary to the Treasury Simon Kirby said the government could make rules to force providers to build the dashboard.

The event marked the launch of 11 pension providers signing up to trial the pensions dashboard system, including insurance giants Standard Life, Zurich, Royal London and Aviva.

International Adviser

Brazil Government Won't Let Rio Go Broke As Bailout Seems Likely
September 14, 2016, By Kenneth Rapoza

Rio de Janeiro is up to its eyeballs in debt. Just three short months ago it declared a financial state of emergency, but the good news is that Brasilia is not going to let this important city go belly up. Its junk bond rated debt is secured.

Fitch Ratings said on Tuesday that it expects the federal government will cover Rio's Sept. 15 and Oct. 15 debt payments to foreign lender Credit Suisse. Brasilia won't let Rio default.

A decline in oil revenue, high pension costs, and massive debt associated with preparation for the recent Summer Olympics crushed the Rio economy. The government launched a refinance agreement program with lenders and the federal government. The state has been reliant on nonrecurring revenues, like the issuance of bonds backed by the collection of past due taxes and bus concessions.

[Forbes]