



Weekly Clips, September 30, 2016

Texas Pension Review Board

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PRB PLANS

Turner: Shared sacrifices will move pension reform forward

September 24, 2016, By Sylvester Turner

When you find yourself in a hole, the first order of business is to stop digging. That's what we did - and pardon the pun here - with the pothole crisis. That's what we did with the biggest budget gap since the Great Recession. And that's what we are now doing with pensions. That's historic, but the even bigger news is the renewal of the can do attitude and cooperative spirit that has served our city well since its founding. Instead of continuing to fight as they have in the past, a broad spectrum of Houstonians is now putting aside their differences and working together to dig us out of this financial hole.

[Houston Chronicle](#)

Mason: Mayor's pension reform plan is a good try, but misses core problem

September 24, 2016, By Craig Mason

Kudos to Mayor Sylvester Turner for stepping up to the plate to address the city's pension problem. Unfortunately, I think he swung and missed.

His plan has some bright spots - assumed investment returns will be more realistic and the city's annual contribution to the pension plans will be capped. But, ultimately, the proposal fails to fix the core of the problem, which, quite simply, is this: The city cannot afford the costs of the generous pension benefits for its employees that are embodied in state law.

[Houston Chronicle](#)

Dallas police and fire pension in crisis, retirees concerned

September 26, 2016, By Claudia Lauer, Associated Press

Still recovering from the July sniper attack that left five law enforcement officers dead, the Dallas Police Department is facing a new crisis as its pension fund approaches insolvency and scores of officers, including Chief David Brown, announce unexpected retirements.

The crisis comes as the Dallas Police Department negotiates with City Hall to raise pay and build its ranks, which union leaders say have been depleted by low pay and poor working conditions. There are currently 3,355 officers in a department that once had 3,600.

[Houston Chronicle](#)

Fights, fantasy fixes and the FBI: Museum Tower and Nasher still at odds over glare after five years

September 26, 2016, By Michael Granberry

On Sept. 26, The Glare will celebrate its 5th birthday. No one will show up with cake or balloons.

The last place The Glare will be celebrated is the Nasher Sculpture Center, which considers itself a victim in a scenario fit for science fiction. The Glare has forever changed how its art is displayed. It has compromised the patented roof design of architect Renzo Piano, removing the amber glow of sunlight reflecting off hundreds of pieces of delicate art, the effect Piano sought in designing the roof the way he did. Nasher officials only hope The Glare won't be permanent.

[The Dallas Morning News](#)

Institutions returning, cautiously, to leverage

September 26, 2016, By James Comtois

Low interest rates and cheap credit have emboldened several asset owners to add leverage, after years of avoidance.

The use can appear in different forms, such as risk-parity strategies, borrowing against assets or by buying swaps or Treasury futures. The goal: hedge liabilities, improve returns or make tactical moves.

Recent examples where plans have either sought the use of leverage for the first time or increased their allocation to strategies with embedded leverage include:

~ the \$24 billion Texas Municipal Retirement System, Austin, which made its first opportunistic credit investments in June totaling \$700 million - \$300 million to three Marathon Asset Management funds; \$200 million to Beach Point Capital Management's Total Return Fund II; and \$200 million to Pacific Investment Management Co.'s Corporate Opportunities Fund II

[Pensions & Investments](#)

Bank run? \$220 million withdrawn in 6 weeks from troubled Dallas Police and Fire Pension Fund

September 26, 2016, By Tristan Hallman

Retired police and firefighters have withdrawn \$220 million from the Dallas Police and Fire Pension Fund in the last six weeks -- a time when trustees debated significant benefit cuts to rescue the troubled retirement system from insolvency.

The system has received another \$82 million in withdrawal requests since Wednesday.

The numbers have the makings of a run on the bank -- something pension officials fear will drive the fund deeper into a multi-billion dollar hole.

[The Dallas Morning News](#)

Alternative Investments Gone Wrong: The Story Of The Dallas Police Pension Plan

September 26, 2016, By Charles Sizemore

Alternative investments can both reduce risk and boost returns in a well-constructed portfolio, particularly at a time when traditional investments like stocks and bonds are expensive and priced to deliver disappointing returns.

But the key word here is can. Alternative investments can deliver that holy grail of higher risk-adjusted returns if chosen carefully and in prudent allocations. But if done poorly, alternative investments can just as easily take a wrecking ball to a portfolio and destroy yearsworth of gains.

As a case in point, consider the story of the Dallas Police & Fire Pension System (DPFP).

[Newsmax](#)

Dallas Police and Fire Pension Withdrawals Continue as Worries Grow

September 26, 2016, by Ken Kalthoff

Dallas Police and Fire Pension System trustees Monday refused to impose new restrictions on withdrawals, even as fear grows among members over the fund's financial problems.

"They continued to tell us everything was sound and it wasn't," said Retired Police Lt. David Payne.

With a room full of worried employees and retirees waiting for the announcement, trustees spent nearly four hours behind closed doors with lawyers discussing possible limits to reduce the flow of money out of the system. They released a statement instead encouraging members to be patient.

[NBC DFW](#)

Dallas Police And Fire Pension Struggling

September 26, 2016, By Steve Pickett

For months, there's been concern over the financial stability of the Dallas Police and Fire Pension System. Is there confidence left in the pension fund itself? Are employees taking their money and moving it before they lose it?

On Monday, a meeting brought out hundreds of retirees and others to find out if they are still able to access their retirement funds. The primary topic was, will they lose a popular plan that lets them earn high interest on pension money, while they continue working?

For years, police and firefighters could continue to work and yet have monthly pension checks sent to their ROP+accounts (Deferred Retirement Option Program).

[CBS DFW](#)

Dallas Police See Exodus as Doubts Rise on Pension Promises

September 27, 2016, By Darrell Preston

Dallas police and firefighters are quitting in droves, wagering that financial-market losses are about to render their promised pensions too good to be true.

With the city considering benefit cuts to help close a retirement-fund shortfall that grew by \$1.2 billion last year, more than 200 workers have decided to retire or leave, about double the normal rate, said Mayor Pro Tem Erik Wilson, who sits on the Dallas Police and Fire Pension System's board. That's threatening

to put further pressure on the fund as benefits come due, including lump-sum payouts to older employees who've been drawing a paycheck while earning a guaranteed 8 percent return on their pensions.

[Bloomberg](#)

Turner's Pension Plan Bad For Houston Taxpayers

September 28, 2016, By Charles Blain

Houston Mayor Sylvester Turner announced that his office has reached a preliminary deal with the police, fire, and city workers in hopes of avoiding the ever-looming pension crisis.

According to Turner, the series of proposals will immediately reduce the unfunded liabilities by \$2.5 billion. With the rest being paid off through a 30-year closed amortization schedule. Simply put, this is a 30-year payment plan to reduce the liabilities from an estimated \$7.7 billion (as of June 30th, 2016) to zero.

[Forbes](#)

Patterson: Turner's initiative on pension plans are steering in right direction

September 29, 2016, By Max Patterson

As the debate over financing pension funds for Houston's public employees continues, we should be careful about assigning blame and looking for fixes in the wrong places.

And we should take the perspective, as Mayor Sylvester Turner does, that this problem was not created, and will not be fixed, overnight.

As experts study details of the plan Turner described this month when he announced that he's reached a tentative agreement with the city's three pension funds, considerable focus and blame have been drawn to Deferred Retirement Option Plans (DROP) and the state's oversight of Houston's pension funds. Neither is the problem, nor the solution.

[Houston Chronicle](#)

Houston's Plan to Cut Pension Costs in Half Overnight

September 29, 2016, By Liz Farmer

Earlier this month, Houston Mayor Sylvester Turner released his outline for fixing the city's underfunded pension system, an issue that earned the city a credit rating downgrade in March.

Observers say the plan is the best effort yet at solving a problem that has eluded past city officials. If approved, the proposal would immediately cut Houston's unfunded liability by \$3.5 billion -- or nearly in half -- while putting Houston on a path to pay off the rest of its pension debt over the next generation.

[Governing](#)

Texas House committee vows support, but absolutely no money, for Dallas Police and Fire Pension fixes

September 29, 2016, By Tristan Hallman

State legislators said Thursday that they have Dallas officials' backs as they try to save the city's police and fire pension system.

Not that the state is offering any money. The Legislature wants no responsibility for the fund's \$3.3 billion funding hole. But members of the House Pensions Committee offered moral support and a vow to work with the city and pension officials if they bring forward a workable solution, which will require state approval.

[The Dallas Morning News](#)

Texas Teachers May Be the Next Big Pension Plan to Snub Hedge Funds

September 30, 2016, By Bradley Keoun

Another big U.S. pension plan is becoming increasingly disenchanted with hedge funds and their astronomical fees.

David Kelly, chairman of the Teacher Retirement System of Texas, said last week that the \$129 billion pension plan should consider putting its 8.3% allocation to hedge funds under review. The hedge-fund portfolio returned an annual average of 2.7% over the three years through June, compared with 11.2% for a benchmark index of U.S. stocks.

[The Street](#)

TEXAS ECONOMIC INDICATORS

Dallas Fed says hammering of Texas economy by oil and gas slump may be over

September 27, 2016, By Jeffrey Weiss

Has the Texas economy turned the corner from the slump created when oil and gas prices cratered a couple of years ago? Federal Reserve Bank of Dallas economist Pia Orrenius says she's seeing enough progress in recent data to make that call.

[The Dallas Morning News](#)

Oil industry sees brighter days on the horizon

September 28, 2016, By Jennifer Hiller, San Antonio Express-News

The oil and gas business has emerged from its cloud of doom into something that can't be called optimistic but is inching closer to it.

Business activity is on the upswing. Companies are spending more and plan to increase budgets again in 2017, according to a survey released Wednesday by the Federal Reserve Bank of Dallas.

Economist Michael Plante with the Dallas Fed said companies are expressing cautious optimism about the Permian Basin in West Texas and New Mexico, the hottest U.S. oil field, and think that oil prices will rise in mid-2017.

[Houston Chronicle](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Lawmaker Warns Against Stealth Passage of Pension Revamp

September 23, 2016, By David Brandolph

A draft bill that would permit significant changes to collectively bargained defined benefit pension plans may be on the menu of a year-end omnibus bill, a Democratic lawmaker warned during a committee hearing.

Rep. Joseph Courtney (D-Conn.) said a proposed bill to permit multiemployer pension plans to voluntarily form a new %modified+defined contribution plan design, known as composite plans, has a number of kinks that need to be worked out. Multiemployer plans typically are collectively bargained and involve more than one employer.

[Bloomberg BNA](#)

Puerto Rico Pension Fund Joins Suit Against UBS Over Muni Bonds

September 27, 2016, By Romy Varghese

Puerto Rico's retirement system, on the brink of insolvency, is joining a lawsuit against UBS Group AG, faulting the company for poor investment returns on \$3 billion it borrowed in an effort to bolster the pension.

UBS underwrote bonds sold by the employees and judiciary retirement systems in 2008 and served as the investment consultant. The income from reinvesting the proceeds was supposed to far exceed the cost of borrowing, delivering a profit. Puerto Rico said in a statement that much of the proceeds went instead into low-yielding accounts that produced %negative investment income since day one."

[Bloomberg](#)

BP Beats ERISA Challenge to Stock Drop in 5th Circuit

September 28, 2016, By Jacklyn Wille

BP Plc. prevailed in a lawsuit accusing it of losing employees' retirement savings when the company's stock price fell after the 2010 Deepwater Horizon oil spill (*Whitley v. BP, PLC* , 2016 BL 316686, 5th Cir., No. 15-20282, 9/26/16).

This much-anticipated decision by the U.S. Court of Appeals for the Fifth Circuit is the latest court ruling to emphasize the high bar facing workers who challenge drops in publicly traded stock price under the Employee Retirement Income Security Act. Since the U.S. Supreme Court changed the pleading standard for ERISA-based stock drop lawsuits in 2014's *Fifth Third Bancorp v. Dudenhoeffer*, courts have rejected lawsuits against companies like Lehman Bros., JPMorgan Chase, Edison International, and International Business Machines Corp.

[Bloomberg BNA](#)

California governor signs Secure Choice bill into law

September 29, 2016, By Randy Diamond

California Gov. Edmund G. Brown Jr. signed legislation Thursday to implement a state-run Secure Choice retirement savings program for 7 million private-sector employees who lack access to a workplace plan.

The plan is expected to be put into effect by 2018.

Millions of Californians work for employers who do not offer any retirement savings plan, Mr. Brown said at a bill-signing ceremony in Sacramento. This bill helps ensure that every California worker can save for retirement.

[Pensions & Investments](#)

RadioShack Joins BP, Whole Foods in Beating Stock Lawsuits

September 29, 2016, By Jacklyn Wille

RadioShack Corp. is the third major company in less than a week to defeat a lawsuit by employees claiming they lost retirement savings because their employer allowed them to invest in poorly performing company stock (*In re 2014 RadioShack ERISA Litig.* , N.D. Tex., No. 4:14-cv-00959-O, 9/29/16).

In dismissing the lawsuit against RadioShack, a Texas-based federal judge found on Sept. 29 that the employees failed to allege— either by reference to public information or inside corporate knowledge— that the people running RadioShack's 401(k) plans breached their duties by continuing to offer company stock as an investment.

[Bloomberg BNA](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Oklahoma Teachers lowers assumed rate of return

September 23, 2016, By Meaghan Kilroy

Oklahoma Teachers' Retirement System, Oklahoma City, lowered its assumed rate of return to 7.5% from 8%, said Tom Spencer, executive director of the \$14.2 billion fund, in an e-mail.

The change was approved at Wednesday's board of trustees meeting and will be incorporated into the pension fund's actuarial valuation as of June 30.

The rate was lowered among expectations of low inflation and interest rates moving forward, Mr. Spencer said.

[Pensions & Investments](#)

City of Omaha's pension plan for police, firefighters in on better footing after changes

September 26, 2016, By Roseann Moring

For the first time in at least a decade, the City of Omaha and its police and firefighters are putting enough into their pension plan, according to an actuarial analysis.

That's the good news from the 2015 actuarial report on Omaha's police and fire pension fund.

The upshot, said Omaha Finance Director Steve Curtiss: "It doesn't mean you're out of the woods by any stretch, but it's an achievement."

[Omaha World-Herald](#)

Why Investors Shouldn't Buy Pension Obligation Muni Bonds

September 26, 2016, By Marilyn Cohen

For years there have been voices writing, speaking and worrying about U.S. unfunded pension liabilities. I, for one, included. Never should investors ever buy pension obligation municipal bonds. Cities, states and counties issue POBs because their pensions are grotesquely under water and they cannot meet their liabilities. The reasons are long, but pretty simple: Poor investment results; demographic shifts due to people living longer; mismanagement; devastating union-negotiated wage and benefit increases; low retirement age; and unrealistic assumed rates of return on assets.

The numbers in many circumstances are unconscionable. California State Teachers Retirement System returned 1.4% in fiscal year end June 30. Their target was actually 7.50%. Springfield, Illinois owes \$21 million to pay police and firefighter pensions. That doesn't sound too bad until you realize the \$21 million

represents 98% of all property tax revenues. According to Standard & Poor's, the city of Houston, Texas has racked up pension costs from 2012 to 2015 that rose 48%. What will they do? Issue \$1 billion in POBs - a hail Mary pass if ever there was one.

[Forbes](#)

Rhode Island Employees reducing hedge funds, TIPS, infrastructure

September 28, 2016, By Meaghan Kilroy

Rhode Island State Investment Commission, Providence, on Wednesday approved changes to the target asset allocation of the Rhode Island Employees' Retirement System, including significant reductions to hedge funds, Treasury inflation-protected securities and infrastructure, and a considerable increase to private equity.

The changes come as a result of a review conducted by the investment commission, which manages the assets of the \$8.3 billion Providence-based pension fund; the pension fund board; Treasury investment staff; and investment consultant Pension Consulting Alliance. The review was ordered earlier this year by Seth Magaziner, state treasurer and retirement system chairman.

[Pensions & Investments](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Hedge Funds Take Another Punch to Gut

September 27, 2016, By Juliet Chung

The hedge-fund business is getting so tough that two of its biggest names are taking radical steps. Europe's Brevan Howard Asset Management LLP plans to charge 0% fees for some investors. New York stalwart Perry Capital LLC is going further. It is shutting down.

The disclosures Monday are among the starkest signs yet of the pressure facing the industry. Hedge funds have minted billionaires by charging investors two-and-twenty, +2% of assets invested and a 20% cut of any profits generated. But after years of falling short of the market, many funds are finding that fee structure a hard sell.

[The Wall Street Journal](#)

Greek Lawmakers Pass Additional Austerity Measures

September 27, 2016, By Niki Kitsantonis

Greek lawmakers approved a new set of austerity measures Tuesday evening, including further trims in pensions and the transfer of major state assets to a new privatization fund to be overseen by the country's creditors.

Earlier in the day, hundreds of workers protested outside Parliament, railing against further pension cuts and describing the planned privatizations as the biggest sell-off of national wealth in the country's history.

[The New York Times](#)

UK Pension Protection Funds Updates Guidance For Restructuring And Insolvency Practitioners

September 28, 2016, By Russell Hill

Since its inception in 2005, the PPF has been a welcome safety net for employees whose company pension scheme is in deficit and the sponsoring employer is on the verge of insolvency. The PPF's major challenge has been preventing employers from deliberately engineering or recklessly creating such deficits in the pension scheme (to the benefit of other creditors) in the expectation that the PPF will simply pick up those liabilities without question. As the world of restructuring and insolvency continues to evolve in a challenging economic climate, the PPF has recently refreshed both its general guidance for restructuring and insolvency professionals and its (shorter) booklet on the PPF's approach to employer restructuring.

[The National Law Review](#)

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