



Weekly Clips, October 7, 2016
Texas Pension Review Board
P.O. Box 13498 · Austin, TX 78711-3498
www.prb.state.tx.us

PRB PLANS

Anatomy of a Pension Explosion

October 4, 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 years' worth of gains.

The Street

Dallas sees its credit score drop; Fitch downgrades bondrating amid pension fears

October 6, 2016, By Tristan Hallman

Dallas' credit score suffered a downgrade Thursday amid concerns over the failing police and fire pension fund.

Fitch lowered the bond rating on the city's \$1.7 billion in outstanding debt to AA from AA+ and changed the outlook to negative from stable. The move could potentially increase taxpayers' cost to borrow money on a new bond package next year and on previously approved bonds that have not yet sold.

The Dallas Morning News

Brown: Mayor's pension-reform plan is the right solution

October 6, 2016, By Chris B. Brown

If you regularly follow what goes on at Houston City Hall - and perhaps even if you don't - you are aware that in recent years, public employee pensions have become a significant policy (and political) issue for city government. Increased pension benefits - as a result of plan changes enacted in 2001 - chronic underfunding by the city, volatile investment returns and recently required changes in the way governments report their pension liabilities have combined to dramatically increase what the City of Houston owes. At the same time declining tax revenues - due to the energy industry downturn and a voter-approved revenue cap - are shrinking available resources. This perfect storm threatens the city's financial future and its ability to deliver core services, such as public safety and critical infrastructure.

Houston Chronicle

TEXAS ECONOMIC INDICATORS

Report: Austin's booming economy No. 2 in nation in growth

October 2, 2016, By Claudia Grisales

The Austin metro area had the nation's second-fastest-growing economy in 2015, according to new federal data.

The regional economy's gross domestic product, or GDP, grew at a 5 percent rate last year — second in the nation among major U.S. cities only to Austin's neighbor to the south, San Antonio, which grew at a 5.9 percent rate, according to preliminary data from the U.S. Bureau of Economic Analysis.

"Austin was a bright spot for Texas during a year when some parts of the state struggled," said Karl Kuykendall, an economist at IHS Economics. Last year "was a relatively tough year for Texas overall, given the oil downturn, but Austin was mostly insulated."

[Austin American-Statesman](#)

Texas Delegation Heads to Japan on Mission to Promote Lone Star State for Continued Trade and Business Investment

October 3, 2016, By PRNewswire

A large delegation of Texas executives, economic developers and government officials is bound for Japan this week on a business development mission to promote the expansion of trade and investment.

Organized by the Texas Economic Development Corporation in partnership with the Office of Governor Greg Abbott, the trip includes a series of meetings, seminars and company visits in Tokyo and Nagoya in the Aichi Prefecture.

"Japan is an incredibly important global market for Texas," said Tracye McDaniel, President and CEO of Texas Economic Development Corporation. "With more than 400 Japanese companies currently operating in the state, the country offers a wealth of opportunity for corporate expansions and relocations. Japan's industries also align perfectly with our sectors and strengths," she added.

[PRNewswire](#)

Frisco is fastest-growing city in U.S., but how close is McKinney to the top spot?

October 4, 2016, By Jill Cowan

Is it a surprise that Frisco topped WalletHub's list of fastest-growing cities this year? Probably not. In any case, here we are.

The personal finance website ranked 515 U.S. cities based on a range of economic indicators, beyond just population, including job growth, college-educated population growth and median house price growth.

And, as has been detailed extensively, Dallas' suburbs have been magnets for high-paying new jobs and development — as well as the new residents to match.

[The Dallas Morning News](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Historic takeover of Puerto Rico's finances, agencies begins

September 30, 2016, By Danica Coto

A federal control board on Friday took over Puerto Rico's finances and several government agencies for the first time in the U.S. territory's history in a bid to haul the island out of an acute economic crisis.

The seven-member board met in New York and was briefly interrupted by protesters who yelled, "This is slavery!" and "Stop pillaging Puerto Rico!"

The meeting was livestreamed over the internet following pledges that the board would operate with transparency.

US News & World Report

Retirement Plans Run by Cities Could Cause Headaches

September 30, 2016, By Kristen Ricaurte Knebel

Efforts to encourage localities to establish retirement programs to help their citizens save more for their golden years could multiply the headaches for employers providing retirement plans to their employees.

While many large employers offer some form of a retirement plan, whether it be a 401(k) or a traditional pension plan, many workers still lack access to a plan. To alleviate that coverage gap, the Department of

Labor finalized regulations in late August allowing states to start retirement programs for workers who don't currently have access through their employer and proposed rules that would do the same for localities of a certain size.

Bloomberg BNA

California Becomes Early Adopter of State-Run Retirement Plan for Private Workers

October 3, 2016, By Sophia Bollag and Samantha Masunaga

Nearly 7 million workers for California companies will be automatically enrolled in a new state-run retirement program under a bill signed Thursday by Gov. Jerry Brown.

The law requires all California companies with at least five employees to enroll their workers in the new California Secure Choice Retirement Savings Program if they do not offer their own retirement savings plan.

State Senate leader Kevin de León (D-Los Angeles), who wrote the bill, called it the "largest expansion of retirement security since the New Deal."

Governing

State pension proposal gets negative reaction

October 3, 2016, By James Brooks

Alaska lawmakers took a skeptical look Thursday at a plan by the administration of Gov. Bill Walker to nibble at Alaska's pension debt.

One week ago, the three-member Pension Obligation Bond Corporation Board voted to borrow up to \$3.5 billion from bond markets from Asia. Proceeds from that bond sale would be invested in global markets, and any difference between the interest earnings and the interest paid on the bonds would go toward the state's unfunded pension debt.

[Juneau Empire](#)

Appeals court rejects challenge to Detroit pension cuts

October 4, 2016, By Jennifer Chambers

A federal appeals court has ruled in favor of Detroit in a lawsuit by city retirees whose pensions were cut in a plan to get the city out of bankruptcy in 2014.

Some retirees sued, saying they deserve the pension that was promised before the city filed for bankruptcy in 2013. But in a 2-1 decision Monday, Judge Alice Batchelder of the 6th Circuit Court of Appeals said it's "not a close call."

[The Detroit News](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

More DC plans embrace open architecture

October 3, 2016, By Robert Steyer

More defined contribution plans are moving to an open-architecture investment lineup strategy, seeking greater flexibility and less reliance on proprietary products offered by their record keepers.

Consultants and ERISA attorneys say the strategic shift has many causes — a quest for greater diversification, tougher negotiating over fees and services, federal fee transparency regulations and fiduciary breach lawsuits.

[Pensions & Investments](#)

U.S. corporate pension funding improves in September — 2 reports

October 4, 2016, By Meaghan Kilroy

The aggregate funding ratio for U.S. corporate defined benefit plans sponsored by S&P 500 companies rose 90 basis points to 76.9% in September, said a report from Wilshire Consulting.

The funding increase was driven by a 1.6% drop in liability values vs. a 0.3% decrease in asset values.

"Asset values fell modestly in September due to benefit payments and flat overall asset returns during the month," said Ned McGuire, vice president and a member of the pension risk solutions group of Wilshire Consulting, in a news release on the results. "The Wilshire 5000 Total Market index was relatively flat,

gaining just 0.1% during the month, while rising corporate bond yields pushed liability values lower for the second consecutive month.”

[Pensions & Investments](#)

Risk Sharing's Key Role in Strengthening Public Pensions

October 4, 2016, By Charles Chieppo

There appears to be a lesson to be drawn from Wisconsin's fully funded public pension system, along with promising pension reforms recently enacted in Arizona: More risk sharing between employers and employees can be a major ingredient in creating fiscally sustainable state- and local-government retirement systems.

Wisconsin's pension serves 604,000 state-government workers and retirees, as well as those of local governments except for the city and county of Milwaukee. By one measure, the state system had a \$2.5 billion surplus in December 2014. Compare that to neighboring Illinois, where the state pension fund's \$111.5 billion in unfunded liability is more than the entire assets of the Wisconsin system.

[Governing](#)

Appropriate discount rate for public plans is not simple

October 5, 2016, By Alicia H. Munnell

The *New York Times*' recent article “A Sour Surprise for Public Pensions: Two Sets of Books” told the tale of the tiny six-employee Citrus Pest Control No.2 pension fund that thought it was overfunded but instead received a large bill when CalPERS calculated its termination liability.

The article has already been criticized as “remarkably fact challenged.” First, CalPERS does not keep two sets of books. Rather, it uses a very conservative methodology to calculate withdrawal liability for plans (covering about one third of participating workers) that have essentially contracted out the management of their pension fund to CalPERS and then decide to withdraw. Second, the termination liability for these participating plans has been disclosed on CalPERS' website for many years, so the tiny plan was not the victim of a nefarious plot.

[Market Watch](#)

Police, fire pension fund warns of fraudulent check scam

October 6, 2016

A retirement fund for Ohio police and firefighters is warning people to be on the lookout for fraudulent checks bearing its name.

The Ohio Police & Fire Pension Fund says the checks are drawn from an erroneous account at Huntington National Bank in sums from \$1,650 to \$5,000. Many are going to people who aren't members of the retirement system.

[Houston Chronicle](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Tear gassing of Greek pensioners adds pressure on government

October 3, 2016, By Derek Gatopoulos

Greek police fired tear gas and pepper spray at protesting pensioners who challenged a cordon near the office of Prime Minister Alexis Tsipras, whose left-wing government faces mounting pressure over planned austerity measures.

More than a thousand people, some of them with canes, took part in Monday's rally. Protesters chanted "Shame on you, shame on you!" with one group of elderly demonstrators trying to tip over a riot police bus, triggering the police response.

[Bowling Green Daily News](#)

British Columbia adds its support to enhanced Canada Pension Plan

October 4, 2016, By Rick Baert

British Columbia will support the enhancement of the C\$287.3 billion (\$218.8 billion) Canada Pension Plan, Ottawa, provincial Finance Minister Michael De Jong said Tuesday.

The province had held off on endorsing the proposal agreed to June 21 by provincial ministers and Canada Finance Minister William Morneau.

[Pensions & Investments](#)

MAS: Singapore money management industry grows 9% in 2015; alts managers thrive

October 5, 2016, By Douglas Appell

Money managers based in Singapore ended 2015 with a roughly 9% gain in client assets from the year before, off sharply from the prior year's 30% surge, said an annual report Wednesday by the Monetary Authority of Singapore.

However, in a difficult market environment that saw traditional managers' assets under management edge up 4% for the year, real estate and private equity managers bucked the trend, with gains of 80% and 47%, respectively, the central bank's survey of the country's 628 registered and licensed fund managers showed.

[Pensions & Investments](#)

Survey: Australia still top dog for global pensions sustainability

October 7, 2016, By Gail Ross

Australia maintains its position as the country with the most sustainable public pensions system, according to the Allianz 2016 Pension Sustainability Index.

As with the last study, published in 2014, the Nordics are the top European countries.

Denmark is runner-up, followed by Sweden, the Netherlands and Norway.

Investment & Pensions Europe

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.