



Weekly Clips, October 21, 2016
Texas Pension Review Board
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PRB PLANS

Moody's downgrades Dallas' debt rating again, blaming city's pension woes

October 15, 2016, By Tristan Hallman

Credit ratings agency Moody's knows Dallas city leaders are working to find fixes for the troubled Dallas Police and Fire Pension Fund as they stare down a multibillion-dollar funding hole.

But the agency still saw too much risk and downgraded \$1.6 billion worth of the city's general obligation bonds Friday to AA3 from AA2. Moody's also changed the outlook to negative on both the city's debt and Dallas Water Utilities' debt, fearing an indirect financial hit on that department.

Dallas News

Moody's downgrades Dallas bond rating on concerns over unfunded pension liabilities

October 17, 2016, By Rob Kozlowski

Moody's Investor Service announced it has downgraded the city of Dallas' general obligation bond rating to AA3 from AA2 because of the city's exposure to unfunded pension liabilities.

Moody's also announced Oct. 14 on its website that it had changed its outlook on the city to negative. The negative outlook "reflects the challenging and complex landscape that the city must navigate to rein in its growing pension predicament," Moody's said in the announcement.

Pensions & Investments

City reaches agreement with municipal, police and fire pensions

October 20, 2016, By Mike Morris

The city of Houston's three pension funds have agreed to changes sought by Mayor Sylvester Turner in intensive, months-long negotiations that would eliminate Houston's pension underfunding in 30 years and avoid more than \$2.5 billion in future costs through benefit reductions.

The deals also would limit the city's exposure to future market downturns by assuming more realistic investment returns, and would cap the city's future liability through provisions that would force future benefit reductions should the market tank.

The Houston Chronicle

City police, municipal unions agree to pension deal; firefighters vote Monday

October 20, 2016, By Mike Morris

Houston's police and municipal pension boards have agreed to a landmark reform package produced over months of intensive negotiations at City Hall, and Mayor Sylvester Turner hopes the firefighters fund will follow suit with a vote Monday.

The pending proposal, which puts Houston the closest it has come to solving a 15-year crisis that has contributed to recent credit downgrades and threatens to bust the city budget, would eliminate Houston's pension underfunding in 30 years and avoid more than \$2.5 billion in future costs by reducing benefits.

It would also limit the city's exposure to future market downturns by assuming more realistic investment returns, and calls for issuing \$1 billion in bonds to help close the funding gap.

[The Houston Chronicle](#)

Dallas Police and Fire Pension benefit cuts will only be the beginning of solution for 'big, hairy mess'

October 20, 2016, By Tristan Hallman

After months of heated discussions and panic by cops and firefighters, the Dallas Police and Fire Pension Board will officially ask its members to cut their benefits.

But the election, officially approved by the board Thursday, will only be the beginning of an effort to save the failing retirement system. An approval of the changes would begin a complex and painful process. Dallas taxpayers would inevitably take a hit. And pension officials would need the city's buy-in.

[Dallas News](#)

TEXAS ECONOMIC INDICATORS

At Texas Rose Festival Men's Luncheon, Gov. Greg Abbott says Texas must work hard to stay on top of nation's economy

October 14, 2016, By Roy Maynard

The Texas economy is now larger than that of Russia, Texas Gov. Greg Abbott told attendees of the Texas Rose Festival Men's Luncheon - but it will require diligence to keep the state business-friendly and prosperous.

Abbott is right - according to the International Monetary Fund, the Russian gross domestic product in 2015 was \$1.34 trillion; in that year, the Texas GDP was \$1.65 trillion.

[Tyler Morning Telegraph](#)

How the gig economy grew across Texas' cities

October 18, 2016, By Lydia DePillis

One of the tricky parts about assessing the importance of the so-called "gig economy" — the universe of flexible micro-jobs such as those created by online service platforms like Uber and Airbnb — has been the difficulty of measuring how many people take part in it.

Nonetheless, labor economists have worked hard to do so, since it could potentially signify a large shift in how people earn a living. This week, scholars at the Brookings Institution released a study using tax

records that looks at the growth of one-person businesses, which in certain sectors can be a rough proxy for the independent contractors who work gig to gig.

[Houston Chronicle](#)

Texas posts biggest monthly job gain since December 2014

October 21, 2016, By Jill Cowan

After several months of slowing that economists largely attributed to the ripple effects of the oil bust, Texas' economic engine was firmly back on track in September, adding 38,300 jobs, the state reported on Friday morning -- the state's highest gain in almost two years.

According to the Texas Workforce Commission, the last time the state added more non-farm, seasonally adjusted jobs was in December of 2014, when Texas gained 46,200 jobs.

[Dallas News](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

New York Orders Pension Lender To Shut Down In State, Pay Back Interest

October 20, 2016, By Daniel Fisher

The State of New York ordered a pension lender to cease operations and pay back any interest charged, plus a \$500,000 penalty for operating illegally in the state and charging customers up to 130% interest.

The crackdown against Future Income Partners and its owner, Scott Kohn, represents a rare regulatory action against firms that help pensioners turn future payments into cash right now. The business operates in a legal nether zone, as I described in a 2012 article, with lenders arguing they are buying an "asset" in the form of a stream of future payments while most legal scholars saying they are really making unsecured loans backed by unenforceable contracts.

[Forbes](#)

DOL Continues Uphill Battle on Pension Plan Standing

October 20, 2016, By Jacklyn Wille

The Labor Department, despite several setbacks, is still trying to convince federal courts to make it easier for pension plan participants to sue over plan mismanagement and investment losses (*Thole v. U.S. Bank, N.A.* , 8th Cir., No. 16-1928, amicus brief filed 10/19/16).

The department filed a brief Oct. 19 in support of U.S. Bank workers who accused the company of losing \$748 million in pension assets by adopting an all-equity investment strategy that was overly risky and insufficiently diversified. In 2015, a district judge dismissed the lawsuit as moot after finding that the bank's subsequent pension contributions resulted in the plan being fully funded.

[Bloomberg BNA](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

The Dying Business of Picking Stocks

October 17, 2016, By Anne Tergesen and Jason Zweig

Investors are giving up on stock picking.

Pension funds, endowments, 401(k) retirement plans and retail investors are flooding into passive investment funds, which run on autopilot by tracking an index. Stock pickers, archetypes of 20th century Wall Street, are being pushed to the margins.

Over the three years ended Aug. 31, investors added nearly \$1.3 trillion to passive mutual funds and their brethren—passive exchange-traded funds—while draining more than a quarter trillion from active funds, according to Morningstar Inc.

The Wall Street Journal

Mismanagement cost NY pension \$3.8 billion over eight years: regulator

October 17, 2016, By Suzanne Barlyn and Svea Herbst-Bayliss

Bets on expensive but poorly performing hedge funds have cost pensioners in New York \$3.8 billion in the last eight years, according to a report published by the state's financial regulator on Monday.

"Hedge fund managers continue to reap hundreds of millions of dollars in fees, regardless of their performance, which is a rip-off at the expense of pensioners," Maria Vullo, superintendent of the New York State Department of Financial Services, said in a statement.

Reuters

N.Y. state financial unit slams pension fund's hedge fund investments in new report

October 17, 2016, By Robert Steyer

The New York State Department of Financial Services issued a report Monday criticizing state Comptroller Thomas P. DiNapoli for his use of hedge funds for the \$181 billion New York State Common Retirement Fund, Albany, for which he is sole trustee.

The department's report accused Mr. DiNapoli of paying excessive fees to hedge fund managers for poor performance for the fiscal years ended March 31, 2009, through March 31, 2016. "Under the comptroller's watch, the state pension system has spent large amounts of pension system funds chasing returns and performance that has fallen far short for years," the report said.

Pensions & Investments

Consumer Price Index Summary

October 18, 2016

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in September on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 1.5 percent before seasonal adjustment.

Increases in the shelter and gasoline indexes were the main causes of the rise in the all items index. The gasoline index rose 5.8 percent in September and accounted for more than half of the all items increase. The shelter index increased 0.4 percent, its largest increase since May.

The energy index increased 2.9 percent, its largest advance since April. Along with the gasoline index, other energy component indexes also rose. The index for food, in contrast, was unchanged for the third consecutive month, as the food at home index continued to decline.

[Bureau of Labor Statistics](#)

Lennox International makes lump-sum offer

October 18, 2016, By Rob Kozlowski

Lennox International Inc., Richardson, Texas, announced Monday that it is offering a lump-sum window to some participants in its U.S. pension plans, according to a 10-Q filing with the Securities and Exchange Commission.

The offer is being made “as part of our overall strategy to derisk our pension plans,” the filing said, to “certain vested participants” in the U.S. pension plans. The company expects its projected benefit obligations to be reduced by about \$50 million as a result of the lump-sum payments. All of the company's U.S. pension plans are frozen.

[Pensions & Investments](#)

Maryland pension system begins weighing portfolio's carbon footprint

October 19, 2016, By Scott Dance

The managers of Maryland's pension fund have begun considering the effect their investments have on climate change and how to minimize the carbon footprint of the state's \$45 billion portfolio.

The state's chief investment officer told lawmakers Wednesday that the pension system is weighing how efforts to reduce greenhouse gas emissions could lower the value of some of its investments, and how to shift more money to environmentally friendly industries, such as renewable energy.

[The Baltimore Sun](#)

What Does Nevada's \$35 Billion Fund Manager Do All Day? Nothing

October 19 2016, By Timothy W. Martin

Steve Edmundson has no co-workers, rarely takes meetings and often eats leftovers at his desk. With that dynamic workday, the investment chief for the Nevada Public Employees' Retirement System is out-earning pension funds that have hundreds on staff.

His daily trading strategy: Do as little as possible, usually nothing.

The Nevada system's stocks and bonds are all in low-cost funds that mimic indexes. Mr. Edmundson may make one change to the portfolio a year.

[The Wall Street Journal](#)

Hedge Funds Hurt as Investors Remove \$28 Billion in 3 Months

October 20, 2016, By Alexandra Stevenson

It has been a bruising year for hedge funds. Big bets have been disastrous, investors have voiced discontent and some managers have been forced to rewrite their playbooks or call it quits.

And now, there is new data to rub salt into the industry's wounds: Over the last three months, investors pulled \$28 billion out of hedge funds, according to the research firm Hedge Fund Research. It is the biggest quarterly outflow of dollars since the depths of the financial crisis in 2009.

[The New York Times](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Brexit hasn't dimmed appetite for UK assets, Ontario's giant pension fund says

October 16, 2016, By Leslie Shaffer

Brexit hurt short-term returns at Ontario Teachers' Pension Plan, but it hasn't changed U.K. investment plans, said Andrew Claerhout, the fund's senior vice president of infrastructure and natural resources.

"A 100 percent of our liabilities are Canadian-dollar denominated. So as the pound is dropping precipitously, that has hurt our short term performance in Canadian dollars," Claerhout told CNBC's "Squawk Box" on Monday.

[CNBC](#)

Ontario Teachers' buys wineries, Wine Rack stores for \$1.03 billion

October 17, 2016, By Sunny Freeman

The Ontario Teachers' Pension Plan's \$1.03 billion acquisition of Constellation Brands Canada, owner of some of the country's best known vintners and Wine Rack stores, gives it a foothold in a steadily growing market.

"We see growth opportunities and that is part of our strategy in private capital — we look for strong companies, strong brands and strong growth potential," said Teachers' spokesperson Deborah Allan, adding that the wine market is growing overall and Constellation is the market leader in Canada.

[Toronto Star](#)

Brexit Turmoil Flashes Sell-Gilts Sign for International Funds

October 20, 2016, By Anchalee Worrachate

International investors are growing cold on U.K. government bonds.

Managers with more than \$4 trillion, including Pioneer Investment Management and Frankfurt Trust, say the fallout from the Brexit vote is making them more bearish. With no quick answers in sight to the plethora of challenges the U.K. faces in carrying out its June vote to leave the European Union, gilts are being hurt by a plunging pound, monetary policy clashing with higher inflation, and the government's thus-far unclear stance on negotiating Brexit.

[Bloomberg](#)

Reshuffle looms as Greek PM, sagging in polls, seeks debt relief

October 21, 2016, By Renee Maltezou

Greek Prime Minister Alexis Tsipras is considering a cabinet reshuffle to reverse a slump in popularity by sidelining ministers he sees as obstacles to winning debt relief from international lenders, government sources say.

Tsipras wants reforms to achieve debt restructuring and to get Greece into the European Central Bank's quantitative easing program. Doing so may appease austerity-jaded Greeks by persuading them that years of financial sacrifice are paying off.

[Reuters](#)

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