



Weekly Clips, October 28, 2016  
Texas Pension Review Board  
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## **PRB PLANS**

### **Houston officials move toward landmark pension reform**

October 21, 2016

Two Houston pension boards this week approved landmark reform that could resolve a 15-year crisis that's contributed to recent credit downgrades and severe strains on the city budget, according to a newspaper report Friday.

Details of the plan were revealed Thursday and are meant to end Houston's pension underfunding in 30 years and eliminate more than \$2.5 billion in future costs by reducing benefits. The measures would limit the city's exposure to a market downturn by assuming more realistic investment returns, and they would require the issuance of \$1 billion in bonds to help close funding gaps.

[The Daily Progress](#)

### **Texas teachers have a stake in Formula One's sale to Liberty Media**

October 23, 2016, By John Maher

Like a crusty octogenarian, a glamorous pair of jet-setting heiresses, a European-based private equity firm, the Paris-based world motor sports governing body, the central bank of Norway and a part of the infamous Lehman Brothers firm that just won't die, Texas teachers are waiting to see what happens with the recently announced plans for the sale of Formula One to Liberty Media.

Well, not the teachers per se, but the Teacher Retirement System of Texas. Through a spokesperson, TRS said shortly after the sale was announced, "TRS is reviewing its options with regard to the announced transaction. TRS has rights to participate in the sale."

[Austin American-Statesman](#)

### **Houston Firefighters pension fund board OKs mayor's plan to cut benefits, issue bonds**

October 24, 2016, By Rob Kozlowski

Houston Firefighters' Relief and Retirement Fund's board voted 7-2 on Monday to accept Houston Mayor Sylvester Turner's proposal to reduce benefits and issue pension obligation bonds to reduce total liabilities by \$3.5 billion, the final city pension fund to do so, said Janice Evans, Mr. Turner's spokeswoman, in an e-mail.

The Houston City Council will vote Wednesday on the proposal, which adopts a 30-year closed amortization schedule to pay off the \$7.7 billion in unfunded liabilities across the pension funds - the

\$3.8 billion firefighters plan, \$4.6 billion Houston Police Officers' Pension System and \$2.5 billion Houston Municipal Employees Pension System.

## [Pensions & Investments](#)

### **Watts: A pension solution for Houston is in sight**

October 24, 2016, By Marc Watts

Mayor Sylvester Turner has had a very busy first 10 months. It started with fixing potholes, then he tackled the city budget and now he is pushing forward on pension reform, an issue of great concern to the Greater Houston Partnership. As the region's leading business organization, we work directly with a wide range of stakeholders and they all agree: We need a long-term pension solution in order to protect employees, put the city on solid financial footing and, ultimately, improve services. After two years of study, the Partnership developed and shared six principles meant to guide any comprehensive effort to reform the city's pension plans. Based on what we know to date, the mayor's plan is largely consistent with those principles.

## [Houston Chronicle](#)

### **Firefighters OK pension plan, but still wary**

October 24, 2016, By Mike Morris

For the first time ever, the Houston firefighters' pension board agreed Monday to accept benefit cuts for current workers and retirees, potentially paving the way for a solution to a 15-year-old crisis that has threatened to bust budgets and weaken the city's financial stability.

By a 7-2 vote, the firefighters' panel joined the police and municipal pension boards in agreeing to give up some benefits in exchange for certainty in a complex deal that would eliminate underfunding of Houston's three retirement systems in 30 years.

## [Houston Chronicle](#)

### **Don't confuse Dallas' 2 pension funds on Election Day**

October 24, 2016, By Lee M. Kleinman

There has been a great deal written about problems with the pension fund that covers Dallas police officers and firefighters. But there is another system called the Dallas Employees Retirement Fund that serves 7,500 workers, 1,000 deferred vested members, and 6,700 retirees. The two funds are very different situations, and it's important that voters recognize this on Election Day.

The Employees' Retirement Fund of Dallas, or ERF, is asking voters to *proactively* take the necessary measures to keep the fund sustainable to provide retirement benefits for our civilian employees. Many people do not realize that city of Dallas employees do not participate in Social Security, the plan that many private sector employees rely on for retirement.

## [Dallas News](#)

### **Pension vote**

October 25, 2016

When cars crash on Houston's freeways, you can bet that firefighters will speed through traffic, as the seconds mean the difference between life and death. When homes burst into flames, you know that the closest ladder crew is ready to rush into the fuming smoke.

But when it comes to reforming Houston's unsustainable pensions, those hurried public servants have a way of becoming uncharacteristically frozen in place - like someone pulled the parking brake on a big red fire truck.

### [Houston Chronicle](#)

#### **A pension deal in Houston? Miracles really can happen**

October 25, 2016, By Lisa Falkenberg

There's a deal on pensions in Houston. Anything is possible now. The Cubs can win a World Series. I will start using sports metaphors. I'll be able to walk into a McDonald's and respond to the aromas and mouth-watering LED imagery by coolly ordering only coffee. Black.

It took 10 months. But a Houston mayor - that would be Sylvester Turner and his staff - actually hammered out a deal to address the city's \$5.6 billion, 15-years-in-the-making pension crisis.

### [Houston Chronicle](#)

#### **Texas Municipal sets aside \$775m for REITs, infrastructure**

October 25, 2016, By Jon Peterson

The Texas Municipal Retirement System has approved \$775m (" 711.8m) in new allocations covering mostly REITs and infrastructure.

The US pension fund awarded \$375m to Nuveen Asset Management and \$400m to Cohen & Steers Capital Management, as stated by the pension fund in a board-meeting document.

The investment managers run separate accounts for the pension fund.

Texas Municipal began its relationships with the managers in December of last year, allocating each \$350m.

### [IPE](#)

#### **What's At Stake With The Dallas Police And Fire Pension Fund**

October 26, 2016, By Lee Cullum

Members of the Dallas Police and Fire Pension Fund will vote in November whether to reduce their benefits. If the answer is yes, the chairman of the pension fund board calls it only be a first step toward saving the troubled retirement system. But commentator Lee Cullum says something has to be done.

Ever since the crash of 2008, knowing Cassandras have warned that the next storm to blow in would be Hurricane Pension Funds, and now that is exactly what is happening. Promising too much, earning too little, these repositories of hope for peaceful, prosperous retirement for millions of public employees across the U.S. are in Katrina-like trouble.

### [KERA](#)

#### **Houston City Council approves pension reform plan for 3 city funds**

October 26, 2016, By Meaghan Kilroy

The Houston City Council on Wednesday approved a pension reform plan for the city's three pension funds, said a spokeswoman for the mayor's office in an e-mail.

The plan, proposed by Houston Mayor Sylvester Turner in September and agreed upon by all three pension funds on Monday, includes benefit reductions in the three pension funds that would reduce total liabilities by \$2.5 billion. The benefit changes include scaled back cost-of-living adjustments, higher employee contributions and phasing out the deferred retirement option plan.

## [Pensions & Investments](#)

### **City Council votes in favor of new pension plan**

October 26, 2016, By Adam Bennett

On Wednesday, Houston City Council members threw their support behind a proposed pension reform plan that Mayor Sylvester Turner called "historic" and 15 years in the making.

Turner says Houstonians' taxes will not go up under the plan, which he calls "cost-neutral" for the city and says has been vetted by several outside groups. The mayor also says the city's current and former firefighters, police officers, and city workers won't see a cut in their retiree checks, but they might see smaller cost-of-living adjustments, higher employee payroll contributions, and a phasing out of the pension's Deferred Retirement Option Plan, or "DROP," that lets current employees bank retirement benefits early.

## [KHOA](#)

### **Houston City council approves pension reform plan**

October 26, 2016, By Miya Shay

Houston City Council overwhelmingly approved a major pension plan Wednesday meant to address a \$4-billion-hole left by the city's growing pension obligations.

The historic moment was met by almost unanimous consent, 16 to 1, with Council Member Mike Knox the only "No" vote on the plan.

"It was a strong vote on a tough and complicated issue," said Mayor Sylvester Turner, who was brimming with excitement. Turner had spent the past 10 months negotiating with City, Police, and Fire pension boards to find common ground in what critics agree is currently an unsustainable system.

## [KTRK](#)

### **Council shows wide support for pension reform plan**

October 26, 2016, By Mike Morris

Houston City Council endorsed Mayor Sylvester Turner's pension reform package in a 16-1 vote Wednesday that was not legally required but intended to signal local support for the proposal that now will be drafted into legislation and sent to Austin.

Most council members heaped praise on Turner, calling the vote "historic" and saying they were proud to back reforms produced by the mayor and his top advisers through months of negotiations with the city's police, firefighter and municipal pension trustees.

## [Houston Chronicle](#)

## **Dallas must regain control of police and fire pensions, halt run on the bank, study says**

October 27, 2016, By Tristan Hallman

A new report funded by an influential Texas billionaire calls for the state to let Dallas City Hall and taxpayers regain control of the Dallas Police and Fire Pension Fund.

The report comes as city officials plan to push for more power over the system, which is scrambling for solutions to avoid insolvency by 2028. And the report coincides with an unrelated ballot measure that would cut retirement benefits for future civilian city employees.

[Dallas News](#)

## **TEXAS ECONOMIC INDICATORS**

### **Austin's jobless rate holds steady at 3.5 percent in September**

October 22, 2016, By Claudia Grisales

The Central Texas job market maintained its healthy pace of annual payroll growth and saw the area's jobless rate hold steady in September.

The jobless rate for the Austin metro area was unchanged at 3.5 percent in September compared to figures posted a month earlier, according to data released Friday by the Texas Workforce Commission.

This, as Central Texas employers had 28,600 more people on their payrolls in September compared to the same month a year ago, marking a 3 percent annual growth rate.

[Austin American-Statesman](#)

### **Economists: Oil dragging on Texas budget but won't cause recession**

October 24, 2016, By Sean Collins Walsh

Several economists convened by state Comptroller Glenn Hegar said Monday that despite persistently low oil and gas prices, the state economy is unlikely to slide into recession anytime soon and will continue to grow at a modest rate.

That outlook echoes the views of Hegar, who brought the economists together as he prepares a biennial revenue estimate, which dictates how much money state lawmakers will have to dole out in the next legislative session for the 2018-19 budget.

[Austin American-Statesman](#)

### **Oil-rich Texas sees recovery ahead**

October 24, 2016, By Daniel J. Graeber

Even though job growth was slower than last year, a senior economist in Texas said the recovery in crude oil prices suggested recovery was on the way.

"Broad indicators of the Texas economy continue to point toward moderate growth," Keith R. Phillips, assistant vice president of the Federal Reserve Bank of Dallas, said in a statement.

[UPI](#)

## **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

### **Legislature gears up for pension reform vote**

October 25, 2016, By Steve Esack

The Legislature is gearing up for a do-or-die vote Wednesday on a bill to change the state's debt-ridden pension plans for most new workers.

Beginning in 2018, the bill would force all new school employees and most new state workers to pick from one of three pension plans that offer fewer benefits than current workers earn, in an effort to reduce market risk to taxpayers.

Wednesday's vote was set up through a rare conference committee meeting Tuesday evening of a small panel of lawmakers. Conference committees, controlled by the majority parties, are legislative tools used to get the House and Senate to agree on a controversial bill.

### **The Morning Call**

### **Hospitals Have More at Stake Than Huge Pension Liabilities**

October 27, 2016, By Kristen Ricaurte Knebel

Investors in bonds issued by religiously affiliated hospitals might want to take notice of a trio of pension cases currently pending at the U.S. Supreme Court.

The high court has been asked by three hospitals— Advocate Health Care Network, Saint Peter's Healthcare System and Dignity Health— to rule on whether they can legally operate their massive pension plans as church plans. As church plans, these three hospitals and hundreds of other religiously affiliated hospitals have operated as exempt from the Employee Retirement Income Security Act.

### **Bloomberg BNA**

## **NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION**

### **New Mortality Improvement Scale Could Reduce Pension Obligations**

October 20, 2016, By Rebecca Moore

The Society of Actuaries (SOA) released its annually-updated mortality improvement scale for pension plans, MP-2016, incorporating three additional years of Social Security Administration (SSA) data on U.S. population mortality.

The updated improvement scale suggests U.S. mortality continues to improve, but at a slower average rate of improvement than previous years, which may decrease pension plan obligations slightly.

MP-2016 incorporates SSA mortality data from 2012 to 2014 and a slight modification of two input values designed to improve the model's year-over-year stability. The updated improvement scale indicates a slight decline in life expectancy as a result of the slower average rate of mortality improvement. For example, the life expectancy for a 65-year-old male declined to 85.8 years under the MP-2016 scale,

compared to 86.2 years using the MP-2015 scale. Additionally, the life expectancy for a 65-year-old female is now 87.8 years under MP-2016, compared to 88.2 years based on the previous MP-2015 scale.

## [Plan Adviser](#)

### **Think Your Retirement Plan Is Bad? Talk to a Teacher**

October 21, 2016, By Tara Siegel Bernard

Margaret Jusinski first got to know her investment broker through the breakfasts he provided when he visited her public school in the leafy suburbs of New Jersey, where she teaches middle-school children computer coding and how to build robots made of Legos.

After the bagels, muffins and coffee, the broker made his sales pitch - and Ms. Jusinski bought it. So did many of her colleagues.

The teachers only recently learned how much those meals actually cost them.

## [The New York Times](#)

### **Area officials look to address municipal pension funds**

October 24, 2016, By Rick Kambie

A municipal pension reform plan proposed by the recently installed president of the Illinois Municipal League is generating mixed reactions throughout portions of Lake County.

Karen Darch, who also serves as the Barrington village president, was elected president of the advocacy group in September and during her acceptance speech expressed a desire to merge local police and fire pensions into the Illinois Municipal Retirement Fund (IMRF) or to create a similar program.

## [Chicago Tribune](#)

### **Alaska governor puts pension bond plan on hold**

October 25, 2016, By KTVA/AP

Gov. Bill Walker says the state will not proceed with plans to sell bonds to help pay for Alaska's pension obligations at this time, citing lack of support from Senate lawmakers.

In a statement Tuesday, Walker said administration officials discussed the proposal with the Senate Finance Committee but did not get buy-in for the idea.

While we believe the financial benefits of issuing state pension obligation bonds significantly outweigh the financial risks, we recognize the need for legislative input, Walker said in a statement. "Given their lack of support, I have decided not to proceed with the issuance at this time. Building a collaborative relationship with the legislature will be necessary to reach our primary goal, which is a long-term fiscal plan for our state."

## [KTVA](#)

### **Rhode Island fires Och-Ziff and 6 other hedge funds**

October 26, 2017, By SveaHerbst-Bayliss

The state of Rhode Island voted on Wednesday to exit seven hedge funds, including Och-Ziff Capital Management, which last month agreed to pay a \$400 million fine to settle foreign bribery charges.

The state's Investment Commission, which directs how its \$7.7 billion pension fund is invested, asked for \$585 million back from funds whose performance had been uneven, a spokesman said. Och-Ziff has been asked to return \$103 million while Samlyn Capital will return \$106 million.

[Reuters](#)

## **WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION**

### **S.Korea's \$476 bln pension fund eyes infrastructure, medical sectors**

October 24, 2016, By Cynthia Kim and Joyce Lee

South Korea's National Pension Service (NPS), the world's third-largest pension fund, sees infrastructure and the medical industry as good prospects for returns in a low interest rate environment, its chief investment officer said.

The NPS, with 540.7 trillion won (\$476.27 billion) in assets as of the end of July, is also looking to beef up its holdings of alternative investments and trim its allocation to lower-yielding domestic bonds, Kang Myoun-wook told Reuters on Friday.

[Reuters](#)

### **British Steel pension shortfall shrinks to around \$60 million**

October 25, 2016, By Barbara Lewis

The British Steel Pension Scheme's deficit has shrunk to around 50 million pounds (\$61 million) from around 700 million pounds earlier this year, it said on Monday, adding it had been well-positioned to take advantage of currency movements.

The pension scheme is seen as a major obstacle to a possible joint venture deal between Tata Steel, its principal sponsoring employer, and Germany's Thyssenkrupp to manage Tata's remaining UK operations.

[Reuters](#)

### **Brazil Pension Fund Probe Shifting Focus**

October 25, 2016, By Luciana Magalhaes

Brazilian anticorruption investigators looking into alleged malfeasance at state pension funds have shifted their focus away from Wesley Batista, chief executive officer of meatpacking giant JBS SA, JBSAY -12.35 % and toward his brother, JBS Chairman Joesley Batista, according to two people familiar with the probe.

There are no indications that JBS was involved in the alleged scheme, but a pulp and paper company controlled by the Batista family holding company might have been, prosecutors said in September.

[The Wall Street Journal](#)

### **China state media says pension funds investment scheme raises graft risk**

October 26, 2016, By Yawen Chen and Ben Blanchard

A Chinese state-run paper has warned against potential pitfalls from Beijing's moves to invest a portion of pension funds in capital markets, including the prospect that it could lead to graft and mismanagement.

The influential state-run newspaper Global Times said late on Tuesday in its English-language edition that announcement from the Ministry of Human Resources and Social Security's (MOHRSS) decision to proceed with the plan has triggered concerns over the management of the pension funds.

## [Reuters](#)

### **British Airways agrees to contribute £300 million a year through 2027 to pension fund**

October 27, 2016, By Sophie Baker

The sponsoring employer of the British Airways New Airways Pension Scheme, Middlesex, England, has agreed in principle to pay contributions of £300 million (\$365.5 million) per year until 2027.

British Airways, a subsidiary of International Airlines Group, has signed the agreement with trustees following the £13.3 billion pension fund's triennial valuation. At March 31, 2015, the pension fund had a £2.8 billion deficit, up 3.7% compared with the 2012 valuation. The slight increase in deficit over the three years was due to a reduction in the interest rates used to discount the scheme's liabilities, partly offset by contributions and investment returns, said a statement on IAG's website.

## [Pensions & Investments](#)

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