



Weekly Clips, January 20, 2017
Texas Pension Review Board
P.O. Box 13498 Austin, TX 78711-3498
www.prb.state.tx.us

PRB PLANS

S&P downgrades Dallas on police and fire pension plan concerns

January 13, 2017, By Meaghan Kilroy

Standard & Poor's Global Ratings downgraded Dallas' general obligation rating to AA- from AA, citing concerns about the city's police and fire pension plan.

The city's AA rating had been on watch at S&P since Dec. 29 because of the funding challenges at the Dallas Police & Fire Pension System.

Pensions & Investments

Dallas pension lawsuit still alive as mayor drops injunction

January 13, 2017

Dallas Mayor Mike Rawlings says he's no longer seeking a temporary injunction to stop the Dallas Police and Fire Pension system from allowing retirees to pull small withdrawals from the ailing system.

But Rawlings said Friday he's still proceeding with a lawsuit he filed last month against the pension system.

Houston Chronicle

Citing unease, firefighters may take another vote on pension reform

January 13, 2017, By Mike Morris

Houston's firefighters' pension board is expected to discuss and, perhaps, take a second vote on Mayor Sylvester Turner's landmark pension reform deal next week, underscoring the group's continuing wariness of the proposal as it reaches the newly convened Legislature.

The fire pension board joined the police and municipal boards in agreeing to the reform framework in October, but did so in a tortured discussion in which members stressed several caveats, among them a plan to vote again once the agreed terms were turned into legislative language. Such a vote could come as early as Tuesday.

Houston Chronicle

Rawlings Vows to Continue Suit After Pension Board Votes to Allow Increased DROP Withdrawals

January 16, 2017, By Stephen Young

On Friday afternoon, Dallas Mayor Mike Rawlings withdrew his request for a temporary restraining order barring the Dallas Police and Fire Pension System from making certain payments. Rawlings made it quite

clear, however, that he has no plans to end his lawsuit against the system's Deferred Retirement Option Program.

When it was open for enrollment, DROP allowed police and firefighters who'd served the 20 years necessary to guarantee a full pension to retire on paper but continue working. Those retirees' pension checks would then be deposited in their DROP accounts as long as they were still working and the money would accrue interest at a guaranteed rate somewhere between 8 and 10 percent. As the fund's problems - namely an unfunded liability of between \$3 and \$5 billion - have become apparent, DROP has become a symbol of the DFPF's mismanagement.

[Dallas Observer](#)

Dallas mayor withdraws injunction request on DROP withdrawals at police, fire pension plan

January 17, 2017, By Meaghan Kilroy

Dallas Mayor Mike Rawlings withdrew his request for a temporary injunction hearing to block withdrawals from Dallas Police & Fire Pension System's deferred retirement option plan.

The hearing, scheduled for Tuesday, has been canceled. The withdrawal was made Jan. 13.

The mayor's request for a temporary injunction was included in a lawsuit he filed against the \$2.1 billion pension fund on Dec. 5, which argued that the pension fund was jeopardizing its solvency and liquidity by continuing to allow DROP withdrawals, including a record \$523 million in withdrawals between early August and December.

[Pensions & Investments](#)

Firefighters on pension reform: Let's keep talking

January 17, 2017, By Mike Morris

Lawyers at the Capitol in Austin are busy turning Houston's landmark reforms to the police and municipal pensions into legislation, but negotiations between Mayor Sylvester Turner and the firefighters' pension fund have not reached that point.

The fire pension board, having cancelled a special meeting to discuss the reforms last Friday, didn't do a whole lot to clear up their timeline at a Tuesday meeting.

[Houston Chronicle](#)

City Hall could decide not to save Dallas Police and Fire Pension System, create a new retirement plan instead

January 18, 2017, By Tristan Hallman

City officials offered an explosive proposal Wednesday in their effort to save the Dallas Police and Fire Pension System: Don't save it at all.

Chief Financial Officer Elizabeth Reich told the Dallas City Council that officials could create an entirely new retirement system called the Public Safety Employees Retirement Fund. Younger active employees would have the option to transfer to the new pension system, where they would get a traditional pension benefit as well as a 401k plan with a 5 percent city match on top of it.

[Dallas News](#)

New Warning About Troubled Dallas Police & Fire Pension Fund

January 18, 2017, By Jack Fink

Dallas chief financial officer Elizabeth Reich warned city council members the Police and Fire Pension Fund could run out of money in five to seven years, not ten years as first projected.

Reich blamed part of a new plan approved by the pension board last Thursday allowing certain police officers and firefighters to receive large amounts of retirement money if there's excessive liquidity in the fund each month.

CBS DFW

DFW International Airport terminates South Texas Money Management

January 19, 2017, By Meaghan Kilroy

Dallas-Fort Worth International Airport terminated domestic core equity manager South Texas Money Management, said Michael Phemister, vice president of treasury management.

The airport board's had roughly \$20 million total invested with South Texas Money Management from its two pension funds. The firm was terminated to bring the pension funds more in line with its 20% domestic equity target; the actual allocation was 24.5% as of Sept. 30.

Pensions & Investments

Dallas pension director blasts city's plan to end pension as 'worst display' of ethics she's ever seen

January 19, 2017, By Tristan Hallman

The executive director of the Dallas Police and Fire Pension System blasted city officials for unveiling an alternative plan that would cast off the failing retirement fund and thousands of retirees and active workers and create a new plan.

Kelly Gottschalk said in an email to pension trustees Wednesday that she was shocked by the city's latest move. She laid the blame on Chief Financial Officer Elizabeth Reich and City Manager A.C. Gonzalez.

Dallas News

TEXAS ECONOMIC INDICATORS

Straus rips transgender bathroom bill as turn-off to skilled workers, threat to Texas economy

January 18, 2017, By Robert T. Garrett

Texas House Speaker Joe Straus, before a friendly business audience, blasted the state Senate's bathroom bill Wednesday as a potential turn-off to skilled workers the state needs and a burden for a Texas economy already slowed by reduced oil drilling.

In a direct challenge to Lt. Gov. Dan Patrick, who leads the Senate, Straus said the legislation to restrict transgender Texans to restrooms that correspond to their gender at birth at schools and government buildings is misguided and could injure Texas' stunning economic success of recent decades.

Dallas News

Texas job growth for 2016 reflects 'diversity' of state economy, despite lackluster December

January 20, 2017, By Jill Cowan

Following a year of what economists have said was encouraging employment growth, Texas ended 2016 with more of a whimper than a bang, adding 800 jobs in December, the Texas Workforce Commission reported on Friday.

Still, the state notched 210,200 new jobs over the course of the year -- a number that stayed largely positive, despite worries that the lingering effects of the oil bust would drag down the state's economy.

[Dallas News](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Supreme Court to consider CalPERS case against Lehman Bros.

January 13, 2017, By Bob Egelko

The U.S. Supreme Court agreed Friday to consider reviving an attempt by the California Public Employees Retirement System to recover some of the \$300 million it lost when the Lehman Brothers investment bank collapsed in 2008.

CalPERS, the nation's largest public pension fund with more than 1.7 million state and local government workers as members, bought Lehman stocks and bonds between July 2007 and September 2008, when the bank filed for bankruptcy. The chief cause of the bankruptcy was the downward spiral of the U.S. housing market, in which Lehman had invested much of its assets.

[SF Gate](#)

SEC settles with 10 public fund money managers over pay-to-play violations

January 17, 2017, By Hazel Bradford

Ten investment advisory firms will each pay penalties of \$35,000 to \$100,000 to settle charges that their compensation from public pension funds violated pay-to-play rules, the Securities and Exchange Commission announced Tuesday.

The firms are Adams Capital Management, Aisling Capital, Alta Communications Commonwealth Venture Management Corp., Cypress Advisors, FFL Partners, Lime Rock Management, NGN Capital, Pershing Square Capital Management and The Banc Funds Co. None admitted or denied the SEC's findings.

[Pensions & Investments](#)

Elizabeth Warren asks financial firms whether they support delaying fiduciary rule

January 19, 2017

BlackRock (BLK) and Vanguard Group were among 33 financial firms asked by Sen. Elizabeth Warren, D-Mass., on Thursday to declare whether they support efforts to delay or roll back the Department of Labor's fiduciary rule.

Ms. Warren said in a statement that the letter was sent because of reports that incoming President-elect Donald Trump will seek to delay the rule before it goes into effect in April.

[Pensions & Investments](#)

SEC Scrutiny Of Public Pension Advisers A Top Priority

January 19, 2017, By Edward Siedle

The Securities and Exchange Commission recently announced its Office of Compliance Inspections and Examinations' 2017 examination priorities. Public pension advisers will be in the crosshairs, the agency stated. That's great news for public pension stakeholders, such as government workers who depend upon these plans for their retirement security and taxpayers who also contribute to them.

With approximately 450 examiners, accountants and lawyers located throughout 12 SEC offices, OCIE conducts examinations of asset managers to determine their compliance with the federal securities laws. It is responsible for monitoring over 10,000 investment advisers with more than \$48 trillion of assets under management.

[Forbes](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

A second strike for untouchable California pensions?

January 15, 2017, By The San Diego Union-Tribune Editorial Board

Herbert Stein, who chaired the Council of Economic Advisers under Presidents Richard Nixon and Gerald Ford, is admired by social scientists for his pithy observation that, "No something cannot go on forever, it will stop." This, fortunately, means that bad things don't happen in perpetuity because people can only put up with bad things for so long. This is what seems to have dawned on California judges when it comes to government pensions - and it appears they have not just common sense but the law on their side.

[The San Diego Union-Tribune](#)

Public pension funds lower fees, improve funding ratios in 2016 — report

January 17, 2017, By Meghan Kilroy

The funded status of public pension plans continues to rise in aggregate, while plan expenses continue to fall, said a study released Tuesday by the National Conference on Public Employee Retirement Systems and Cobalt Community Research.

Of the 159 public pension funds analyzed, the average funded status was 76.2% at the end of the plans' 2016 fiscal years, the third consecutive year of funding gains, and up from 74.1% in 2015 and 71.5% in 2014.

[Pensions & Investments](#)

City dips into pension fund account again

January 19, 2017, By Sam Galski

The city of Hazleton will use money from a pension fund account to cover operational costs at the beginning of the new fiscal year.

Mayor Jeff Cusat confirmed that the city will use \$1 million worth of Act 205 earned income tax revenue to ensure the city meets payroll and covers other daily operational costs.

[Standard Speaker](#)

Seattle City Employees puts BlackRock on watch over ESG concerns

January 20, 2017, By Rob Kozlowski

Seattle City Employees' Retirement System placed BlackRock (BLK), which runs a \$339 million passive international equity portfolio for the pension fund, on watch, said Jason Malinowski, chief investment officer, in an email.

The \$2.3 billion pension fund put BlackRock on watch at its Dec. 8 board meeting due to environmental, social and governance concerns, meeting minutes said.

[Pensions & Investments](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

PLSA calls for Brexit deal that supports UK pension funds

January 18, 2017, By Nick Reeve

The UK government must prioritise a strong economy for the benefit of pension schemes, or the vast majority of British people will suffer in retirement, the sector's trade body has said.

The Pensions and Lifetime Savings Association (PLSA) has warned that the sustainability of UK pension funds depends on the strength of the country's economy, its regulatory regime and its financial services sector . all of which could be under threat as the UK negotiates its exit from the EU.

[IP&E](#)

European Central Bank keeps interest rates unchanged

January 19, 2017, By Paulina Pielichata

Following a meeting of its governing council, the European Central Bank announced Thursday that interest rates on the main refinancing operations of the eurosystem, which provides the bulk of liquidity to the banking system, will remain at zero.

The marginal lending facility, which provides overnight credit to banks from the eurosystem, stays at 0.25%. Interest rates on the deposit facility, which is used by banks to make overnight deposits, will remain at -0.4%.

[Pensions & Investments](#)

Institutional investors largely standing pat on U.K. investments — survey

January 20, 2017, By Paulina Pielichata

Two-thirds of institutional investors will maintain U.K. equities, bonds and alternatives holdings over the next six months, according to State Street's new quarterly Brexometer index launched Thursday.

The survey of 111 institutional investors - money managers and asset owners - gauged their sentiment toward the U.K.'s departure from the European Union prepared by State Street showed that 80% of investors expect Brexit to have an impact on their operating models for the next three quarters. A breakdown of the types of investors was not provided.

Pensions & Investments

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.