



Weekly Clips, December 16, 2016  
Texas Pension Review Board  
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## **PRB PLANS**

### **Fort Worth still addressing city employee pension fund shortfalls**

December 9, 2016, By Sandra Baker

As the city of Dallas faces how to fix a hugely underfunded police and fire pension system, the Fort Worth City Council sits in a better position with its pension fund after addressing solvency issues several years ago.

It's not as if the Fort Worth system doesn't have problems of its own. But the City Council more than a decade ago started taking steps toward reducing the liability associated with the fund that involved significantly reducing its benefits structure, something the Dallas council is now seeking to do. Fort Worth's pension fund, which covers city employees, police and firefighters, was generous during the strong financial markets of the 1990s.

#### **Star-Telegram**

### **An officer's tale: There's another side to Dallas' failing police and fire pension fund**

December 9, 2016, By James Ragland

I've heard from several retired Dallas police officers who, in the wake of a financial crisis that's threatening to bankrupt the whole city, feel like they're being cast as villains.

They sense, perhaps correctly, that the public perception is they're living high on the hog off the taxpayer and off the more than half a billion dollars in lump sum payments pensioners have pulled from the plan since August.

"There's nobody speaking for us," one retired Dallas police sergeant told me confidentially. "All these articles being written are about all these fire and police millionaires....They're all being vilified."

#### **Dallas News**

### **Moody's again downgrades Dallas bonds over pension fund crisis**

December 9, 2016, By Robert Wilonsky

For the second time in two months, and for the third time since October of 2015, credit ratings agency Moody's has downgraded Dallas' bond rating. The reason is familiar: the Dallas Police and Fire Pension Fund, as well as police back-pay lawsuits that have been hanging over the city's head for years.

The back-pay suits alone could cost the city \$4 billion.

Friday night the city's chief financial officer sent the City Council a memorandum notifying it that Moody's has downgraded Dallas' Aa3-rated general obligations to A1, its fifth-highest rating. Fourteen months ago, Dallas' bond rating was Aa1, second only to the coveted Aaa.

## [Dallas News](#)

### **Moody's downgrades Dallas again on continued concerns about police and fire pension plan**

December 12, 2016, By Meaghan Kilroy

Moody's Investors Service downgraded Dallas' general obligation bond rating to A1 from Aa3 on Dec. 9, citing ongoing challenges at the \$2.7 billion Dallas Police & Fire Pension System.

It is the second time this year Moody's has downgraded Dallas' credit rating on police and fire pension fund concerns.

## [Pensions & Investments](#)

### **Texas fund trims hedge fund roster, not allocation**

December 12, 2016, By Christine Williamson

Texas County & District Retirement System continues to reduce its number of hedge funds, but not the size of its \$6.2 billion hedge fund portfolio.

In light of disappointing returns, the investment staff and trustees of the \$25.6 billion fund - like their peers at many other institutions - are reviewing the role and efficacy of hedge funds within the overall portfolio.

But rather than cut back the 25% target allocation to hedge funds, TCDRS officials instead are culling managers.

## [Pensions & Investments](#)

### **Public plan hedge fund returns still falling**

December 12, 2016, By Christine Williamson

Hedge fund returns of large U.S. state pension funds continued the downward slide they began in 2015 with the performance of half of the portfolios lagging their benchmark returns for the year ended Sept. 30.

Just one of the 16 hedge fund portfolios of 13 state pension funds analyzed by *Pensions & Investments* produced a return higher than the leading hedge fund index, although the performance of eight portfolios was above that of the top hedge fund-of-funds index.

## [Pensions & Investments](#)

### **Save Cop and Firefighter Pensions, Scratch the Toll Road**

December 12, 2016, By Jim Schutze

Where in the world would the city find a billion dollars to fix its police and fire pension fund? Let's look. I'm looking. Still looking. Been looking now for several seconds. Found it!

Kill the Trinity River toll road! Now, then, that wasn't so bad, was it?

OK, I cheated. There's a reason I found the answer so fast. Already had it up my sleeve. I'll let you in on why in a minute.

## [Dallas Observer](#)

### **The reality of the halt on DROP withdrawals for police, fire retirees**

December 12, 2016, By Tanya Eiserer

Bob Neuman did his time as a Dallas police officer. He kept the streets of Dallas safe for over 30 years.

He's got a lot to worry about these days.

He's got neuropathy in his foot, and, even worse, he's lost one-third of his income that he'd counted on.

The retired detective lost \$3,000 of his monthly income when the Dallas Police and Fire Pension Fund temporarily stopped withdrawals from the fund last week.

## [WFAA](#)

### **Dallas PD Losing Officers To Other Cities**

December 12, 2016, By Jack Fink

The statistic may have been expected, but some say it's still alarming.

Interim Dallas Police Chief David Pughes told city council members Monday that 99 officers have left the department since October 1.

City councilman Philip Kingston is among those who blame the situation on the cash-starved police and fire pension fund.

## [CBS DFW](#)

### **Ron Littlepage: Dallas offers some worthwhile lessons about city pensions**

December 13, 2016, By Ron Littlepage

Mousing around the news of the day and cleaning out some odds and ends before taking a vacation *click*.

One issue that will carry over from this year to the next, as it has for several years, is the city's pension crisis.

Mayor Lenny Curry did get his new sales tax passed this summer to help pay down the city's \$2.85 billion pension debt, which, by the way, Moody's ranks as the sixth worst unfunded pension liability among U.S. cities.

## [Florida Times-Union](#)

### **Appeals court sides with Dallas Police and Fire Pension System in 2014 DROP case**

December 14, 2016, By Tristan Hallman

A state appeals court on Tuesday ruled that the Dallas Police and Fire Pension System had the authority to change the interest rate on the Deferred Retirement Option Plan, known as DROP.

The 5th Court of Appeals decision affirmed a district court's ruling that DROP interest is not a constitutionally protected benefit.

The plan allowed police and firefighters to retire on paper and continue working while their pension checks were deferred into DROP accounts. For years, the pension system guaranteed at least 8 percent interest on the money and allowed retirees to remain in the plan. The high rate has proved unsustainable and has helped endanger the entire pension fund.

## [Dallas News](#)

### **Texas appeals court upholds DROP reductions at Dallas Police & Fire plan**

December 14, 2016, By Meaghan Kilroy

A Texas appeals court affirmed Tuesday that changes approved to the DROP interest rate and distribution policy at the Dallas Police & Fire Pension System in 2014 were constitutional.

In October 2014, the pension fund board and 88% of active participants approved reducing the future interest rate paid on DROP accounts from 8% to 7% in 2015, 6% in 2016, 5% in 2017 and potentially lower thereafter. Changes to the DROP distribution policy were also approved to prohibit members from maintaining their accounts indefinitely.

## [Pensions & Investments](#)

### **Dallas police and fire pension plan problems caused by extraordinary decisions**

December 14, 2016, By Alicia H. Munnell

The Dallas Police and Fire Pension Plan has received a lot of press attention recently. My view is that the situation is extraordinary and says little about what is going on with state and local pensions generally. It is a story of wild investments that produced large losses and a very large Deferred Retirement Option Plan (DROP). A DROP is an arrangement under which employees entitled to retire continue working and have their monthly benefit deposited in a notional DROP account where it earns interest and can be taken out as a lump sum.

## [Market Watch](#)

### **Abbott Criticizes Dallas Leaders For Police & Fire Pension Problems**

December 14, 2016, By Jack Fink

Texas Governor Greg Abbott had sharp criticism for Dallas city leaders who are trying to save the police and fire pension system which could go broke in the next ten years.

During an interview in the Governor's mansion library, Mr. Abbott said, "When they are in this situation they are in because they have irresponsibly kicked the can down the road for decades, and now the city of Dallas is in the straits they are in. But the message is, they need to fix this."

## [CBS DFW](#)

### **OFR pension reforms mean later retirement, increased contributions**

December 15, 2016, By Corey Paul

Odessa firefighters will pay more into their pension fund and work longer before they retire to address solvency requirements set last year by the state.

The City of Odessa will also pay more into the pension fund, after the City Council on Tuesday agreed to invest about \$5 million over the next decade as part of a plan to make the fund whole amid a high-profile failure of one such fund in Texas.

[Odessa American](#)

## **TEXAS ECONOMIC INDICATORS**

### **Why Big D is outpacing the Bayou City economically**

December 12, 2016, By Lydia DePillis

The downturn in Texas is definitely not the story of Dallas, where the economic growth rate over the past year has rocketed ahead of Houston's.

In fact, Dallas is doing better than the nation's 11 biggest metropolitan areas, at least where employment is concerned. It posted 3.3 percent year-over-year job growth in October, beating everyone from Atlanta on down to Houston, where employment grew only 0.4 percent over the same period.

In addition, Dallas is gaining on Houston in population, and it maintains an unemployment rate of 3.6 percent, while Houston's has crept up to 5.1 percent.

[Houston Chronicle](#)

### **Oil prices recovery means Texas recovery**

December 16, 2016, By Daniel J. Graeber

A decision by members of the Organization of Petroleum Exporting Countries to trim production in January bodes well for oil-rich Texas, a state economist said.

OPEC, with the help from non-member states, agreed to cap production at around 32.5 million barrels per day starting next month in an effort to correct a market tilted toward the supply side. The decision alone was enough to hold crude oil prices above the \$50 mark, after dropping below \$30 in early 2016.

[UPI](#)

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

### **Senate Passes Spending Bill to Keep Government Funded Through April**

December 10, 2016, By Siobhan Hughes and Byron Tau

The Senate on Friday night passed a short-term spending bill to fund the government through April after Democrats pulled back from a threat to hold up the bill over a dispute involving health benefits for retired coal miners.

The measure passed, 63-36, after Democrats forced Republicans to engage in a nail-biting search for votes to clear a procedural hurdle. Its passage reflected a desire by both parties to keep the government open past Saturday, when funding was set to expire. The White House announced early Saturday that President Barack Obama had signed the bill.

[The Wall Street Journal](#)

## **Christie signs legislation to require quarterly pension payments**

December 15, 2016, By David Levinsky

Legislation to require the state to make quarterly pension payments is now law.

Gov. Chris Christie announced he had signed the legislation Thursday afternoon. The Assembly and Senate unanimously approved the bill last month.

The measure would require the state to make payments into the public employee pension funds every three months by Sept. 30, Dec. 31, March 31 and June 31, rather than a lump sum payment at the end of the fiscal year. The change will begin in the new fiscal year starting in July.

[Burlington County Times](#)

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

### **Malloy, unions strike deal to stretch out spiking CT pension costs**

December 9, 2016, By Keith M. Phaneuf

Gov. Dannel P. Malloy announced a deal Friday with state employee unions that would allow Connecticut to dodge a fiscal iceberg by holding down annual pension costs otherwise set to spike over the next 16 years.

But to get that relief, Connecticut would shift at least \$13.8 billion in estimated pension expenses owed before 2032 onto a future generation.

[CT Mirror](#)

### **Kansas Pension Plan Lowers Investment Forecast, Grows Shortfall**

December 12, 2016, By Stephen Koranda

Officials with the state's pension plan say the system's investments won't be paying as much as they previously expected. That grows the long-term deficit in the Kansas Public Employees Retirement System and will make it more challenging to eliminate a shortfall.

Last month, the KPERS board lowered the long-term forecast for their investment returns from 8 percent to 7.75 percent. Kansas has used the assumed 8 percent return rate since 1986. The change had been under consideration for several months.

[KMUW](#)

### **Board increases state pension fund contribution rates starting in July**

December 13, 2016, By Gavin Jackson

Beginning in July, employees enrolled in the state pension plan will contribute another half-percent of their paychecks toward shoring up the massive pension shortfall.

Total contributions for state and local public employees - including teachers - will rise to 9.16 percent. Police officers will pay 9.74 percent if they're enrolled in the retirement plan.

[The Post and Courier](#)

## **America's Largest Pension Fund: A 7.5% Annual Return Is No Longer Realistic**

December 14, 2016, By Heather Gillers

Top officers of the largest U.S. pension fund want to lower their investment targets, a move that would trigger more pain for cash-strapped cities across California and set an increasingly cautious tone for those who manage retirement assets around the country.

Chief Investment Officer Ted Eliopoulos and two other executives with the California Public Employees Retirement System plan to propose next Tuesday that their board abandon a long-held goal of 7.5% annually, according to system spokesman Brad Pacheco. Reductions to 7.25% and 7% have been studied, according to new documents posted Tuesday.

### [The Wall Street Journal](#)

## **RI pension fund shortfall rises by \$80 million**

December 14, 2016, By Ted Nesi

The shortfall in Rhode Island's two major pension funds grew for the second straight year in 2015-16, new data shows.

The shortfall in the pension funds for state employees and teachers stood at \$4.63 billion as of June 30, up by \$80 million compared with a year earlier and by \$279 million versus two years earlier, according to an annual report by the state's outside actuary, Gabriel Roeder Smith & Co. of Texas.

### [WPRI](#)

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

## **Corporate fund consolidation on rise in Europe**

December 12, 2016, By Sophie Baker

Global, multinational corporations are looking closely at their European retirement plans, and increasingly are taking advantage of opportunities to consolidate them.

Costs and low yields are pushing companies to make these changes. Belgium has emerged as a host for cross-border plans, regulated under the Institutions for Occupational Retirement Provisions directive.

### [Pensions & Investments](#)

## **Australia's \$1.57 trillion pension funds work to cut out the middleman**

December 13, 2016, By Cecile Lefort

Australian pension funds are luring dozens of portfolio managers to work in-house to boost returns in a cut-throat investment environment, a move that could see external fund managers lose A\$230 million (\$172 million) in annual fees.

Two of Australia's largest pension funds, AustralianSuper and Cbus, intend to manage in-house at least 20 percent of their combined A\$140 billion in assets within the next decade.

Both plan to hire in-house investment managers to run their equities, fixed income, infrastructure and property portfolios, rather than relying entirely on external experts.

## [Reuters](#)

### **Greece passes pension deal in defiance of bailout creditors**

December 15, 2016

Plans for the "617m (£517m; \$656m) pre-Christmas handout were opposed by European bodies negotiating Greece's financial lifeline.

A deal agreed earlier this month to provide the next tranche of debt relief for Athens is now on hold.

Prime Minister Alexis Tsipras said Greece would not be blackmailed.

Athens said the pension payment would come out of a "1bn tax surplus but European creditors on Thursday said the Greek move raised "significant concerns on both process and substance" regarding the country's bailout obligations.

## [BBC](#)

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