



Weekly Clips, June 2, 2017
Texas Pension Review Board
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PRB PLANS

Texas Legislature Passes Houston Pension Reform

May 26, 2017, By Michael Katz

The Texas state legislature has approved a bill to reform Houston's struggling pensions, with the Senate voting 25-5, and the House voting 103-43, as the bill heads to Gov. Greg Abbott to be signed into law.

"Today is a historic day because we have done what many said was impossible," said Houston Mayor Sylvester Turner in a statement. "Today's significance is not marked merely by what we have accomplished, but by what we can achieve now that we have lifted a significant barrier to progress in our city."

Chief Investment Officer

Big empty: How Dallas police and firefighters lost \$100 million on two deals

May 26, 2017, By Steve Thompson

The rolling foothills of the Boise Mountains stretched before her, grassy hilltops dotted with sagebrush, extending as far as she could see. Kelly Gottschalk traveled miles of narrow roads, shaking her head in disbelief at the thousands of empty acres in rural Idaho. It all belongs to the police officers and firefighters of Dallas.

Of all the dubious investments made under Gottschalk's predecessor - luxury homes in Hawaii, a resort near Napa, high-rise condos in Dallas - this one galled her most. How could a public pension, tasked with protecting the retirements of those who safeguard the city, throw away so much money on so much vacant land?

Dallas News

Fight over Dallas Police and Fire Pension System is done, but big challenges still ahead

May 29, 2017, By Tristan Hallman

A bill to save the Dallas Police and Fire Pension System from insolvency is now awaiting the governor's approval.

But after major compromise, don't expect much celebration from anyone when Gov. Greg Abbott signs the bill.

"This is not a time to high-five," said Frederick Frazier, a Dallas Police Association vice president who worked long hours for months on the bill. "This is a time to pull the boots up and get back to work."

Dallas News

Texas County puts additional \$225 million with direct lending manager

May 30, 2017, By Christine Williamson

Texas County & District Retirement System, Austin, committed an additional \$225 million to Crescent (TX) Direct Lending Fund, a separate account managed by private equity manager Crescent Capital Group.

The original commitment to the account was \$25 million in July. In October, the \$25.6 billion pension fund earmarked \$100 million to Crescent Capital BDC, a closed-end fund also focused on direct lending.

[Pensions & Investments](#)

Texas lawmakers approve Dallas Police & Fire Pension System pension reform

May 30, 2017, By Meaghan Kilroy

The Texas Legislature passed a pension reform bill for the \$2.1 billion Dallas Police & Fire Pension System.

The measure passed the House 142-0 on May 25, two days after it passed the Senate.

Among the bill's provisions are an increase in the retirement age to 58 from 55 (or 50 for those hired before March 1, 2011), a reduction in DROP benefits and the elimination of cost-of-living adjustments unless certain financial benchmarks are reached.

[Pensions & Investments](#)

Who Pays and When: How Dallas' Pension Fix Works

May 31, 2017, By Stephen Young

Dallas' city officials, the city's representatives in Austin, representatives for the pension and Dallas' police and fire associations have been praised for coming together and hammering out a plan to kick the Dallas Police and Fire Pension System toward financial stability.

Less has been said about the compromise's costs to be incurred by residents of Dallas or by members of the fund. Now that the final version of the bill is available, let's take a look at how it will function, assuming Gov. Greg Abbott elects to sign it.

[Dallas Observer](#)

Firefighters sue city over pension reform law

May 31, 2017, By Mike Morris

Houston's firefighters pension fund sued Mayor Sylvester Turner and numerous city officials late Tuesday over the pension reform plan that passed the Legislature last week, arguing the landmark legislation is unconstitutional.

The Houston Firefighters Relief and Retirement Fund argues the reform plan unlawfully undercuts the board's legal authority to "select legal counsel and an actuary and adopt sound actuarial assumptions" and seeks to have a court permanently block the city from acting as though the reforms will become law.

[Houston Chronicle](#)

Texas Governor signs Dallas, Houston pension bills

May 31, 2017, By Robin Respaut and Karen Pierog

Texas Governor Greg Abbott signed into law on Wednesday a bill aimed at addressing public pension problems in the state's two biggest cities, Dallas and Houston.

The new law will increase retirement ages, hike worker and city contributions, limit cost-of-living (COLA) increases for retirees, and restructure governance.

In a tweet on Wednesday, Abbott wrote that he was "proud of the Texas legislature leading on pension reform that ensures fiscal soundness."

[Reuters](#)

Texas governor signs Houston pension reform bill; firefighters fund sues city

May 31, 2017, By Meaghan Kilroy

A pension reform bill for Houston's three pension funds was signed into law by Texas Gov. Greg Abbott on Wednesday, a day after the Houston Firefighters' Relief and Retirement Fund filed a lawsuit challenging the constitutionality of the bill's provisions.

The pension reform package, proposed by the city of Houston and passed the Texas Legislature on May 24, includes benefit reductions for participants in the \$3.9 billion Houston Police Officers' Pension System, \$3.8 billion firefighters' fund and \$2.3 billion Houston Municipal Employees Pension System that would help reduce the plans' \$8.2 billion in total unfunded liabilities.

[Pensions & Investments](#)

Managers of Houston firefighter retirement fund file suit over pension bill

May 31, 2017, By Aaron Barker

A group that oversees the retirement fund for Houston firefighters filed a lawsuit Tuesday aimed at stopping a bill aimed at reforming the city's pension program for municipal workers, police officers and firefighters.

The heavily debated bill was given the final nod by legislators May 24 and was signed by Texas Gov. Greg Abbott on Wednesday.

[Click2Houston](#)

In Texas, Some Rare Good News About Cities With Pension Woes

June 1, 2017, By Mary Williams Walsh

Detroit. Stockton. Puerto Rico. The list of places bankrupted by ballooning pension obligations and other debts is growing. But now comes some good news about two cities, Dallas and Houston, that have pulled back from the brink.

Just six months ago, the mayor of Dallas, Michael S. Rawlings, was warning that his city might need to declare bankruptcy after a panic led stampeding retirees to pull half a billion dollars out of its pension fund for police officers and firefighters.

[The New York Times](#)

Houston firefighters file lawsuit against city of Houston to block pension reform

June 1, 2017, By Joe Martin

The Houston Firefighters' Relief and Retirement Fund filed a lawsuit May 30 against the city of Houston in the hopes of blocking the recently enacted pension reform plan signed by Gov. Greg Abbott May 31.

The lawsuit, filed in the Harris County District Court, calls Senate Bill 2190 unconstitutional and calls for a permanent injunction of the pension reform. The new pension reform plan is expected to go into effect July 1, which coincides with the beginning of the city's 2018 fiscal year, the lawsuit said.

[Houston Business Journal](#)

The Week in Public Finance: Pension Reform in Texas, Fitch Lowers Expectations and Illinois' Downgraded Again

June 2, 2017, By Liz Farmer

There has been a big break in Houston's and Dallas' pension crises over the past week: The Texas Legislature approved reforms that require all sides to pony up big.

In Houston, the changes will cut the city's \$8 billion unfunded liability in half. Municipal and public safety unions agreed to \$2.8 billion in benefits cuts. Meanwhile, Houston will issue \$1 billion in pension bonds to boost the system's balance. It will also stick to a payment plan -- that includes capping the city's future pension costs -- to pay off the remaining unfunded liability over 30 years.

[Governing](#)

TEXAS ECONOMIC INDICATORS

Communities along Texas border work with Mexican gov. to revive economy

May 27, 2017, By Oscar Margain KENS

For a decade, communities along the Texas-Mexico border have suffered the impact of the drug war and cartel violence.

It's caused fear and economic instability. But now, a group of leaders on both sides of the border are coming together to change that.

The 89-year-old international bridge connecting the border cities of Roma, Texas and Miguel Aleman, Mexico, is symbolic. It's a link that keeps these two communities alive.

[KVUE](#)

Texas factory shipments jump to highest point since 2007

May 30, 2017, By Dan Zehr

A gauge of Texas factory shipments soared in May to its highest point in nearly 10 years, generating a surge in statewide manufacturing activity and boosting optimism throughout the sector, according to a report Tuesday from the Federal Reserve Bank of Dallas.

The state production index, a key measure of business at plants statewide, jumped to a reading of 23.3 in May - up from 15.4 in April and rocketing to its highest point since April 2014, according to the Texas Manufacturing Outlook Survey.

[Statesman](#)

Dallas Fed sees 'moderate' growth fueling virtually all areas of Texas economy

June 1, 2017, By Dan Zehr

The stabilization of the energy industry and continued strong demand across a wide array of industries fueled the ongoing expansion of regional economic activity in recent weeks, according to a report Wednesday from the Federal Reserve Bank of Dallas.

In its chapter of the Beige Book, an anecdotal survey of the economy compiled every six weeks by the Federal Reserve banks, the Dallas Fed said the economic activity in its district grew at a "moderate" pace.

[Dallas News](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Retirement details elusive in Trump's budget

May 29, 2017, By Hazel Bradford

President Donald Trump's fiscal year 2018 budget proposal contains few details about how it would affect retirement savings, except for higher costs to federal employees and new premiums for underfunded multiemployer pension funds.

The budget, unveiled May 23, includes ambitious ideas for growing the economy and balancing the federal budget by 2027. But the missing retirement details, combined with dramatic cuts to domestic spending and projections of 3% average annual economic growth, earned the proposal a cool reception from legislators, including some Republicans, who noted the Congressional Budget Office projects more modest 1.9% annual economic growth over the 10-year budget window.

[Pensions & Investments](#)

Teamsters to Propose Fix for Pensions, but Will It Work?

May 30, 2017, By David B. Brandolph

The International Brotherhood of Teamsters thinks it has a way to fix the troubled state of pension plans for unionized workers. The union has been circulating a draft proposal for input from policy makers, but so far the proposal isn't getting rave reviews.

Two years in the making, the draft proposal from the Teamsters is the latest attempt to prevent as many as 130 union-negotiated multiemployer plans from going insolvent in the next 20 years. More than 3.5 million workers participate in these plans.

[Bloomberg BNA](#)

Puerto Rico governor protects pensions, promises tax breaks

May 31, 2017, By Danica Coto

Puerto Rico's governor unveiled a budget Wednesday that prioritizes pension payments for tens of thousands of retired government workers who depend on a public pension system that is crumbling amid a deep economic crisis.

The proposed \$9.56 billion budget is more than a half million dollars larger than last year's, and Gov. Ricardo Rossello said that for the first time in recent history the budget would be truly balanced.

[ABC News](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Big retirement payouts tiny part of big pension mess

May 27, 2017, By Jared Rutecki

Illinois' budget mess is the stepchild of Illinois' pension mess, and nothing incites more steam-from-the-ears fury than the volume of six-figure annual retirement payouts topped by one at \$581,000 pledged to former public workers.

Yet a Better Government Association analysis of 2017 data from major pension funds for state and municipal employees illustrates the disconnect between high-rolling pensions and the deep financial plight experienced by many of those funds.

[The State Journal-Register](#)

Auditor general blasts pension system over fees

May 29, 2017, By John Finnerty

The state's fiscal watchdog said Pennsylvania's largest public pension system spent more than \$400 million on management fees last year.

Auditor General Eugene DePasquale said it's hard to know why managers at the Public School Employees' Retirement System (PSERS) agreed to spend so much on fees because the pension system didn't document fee negotiations.

One of my most significant concerns from this audit is that PSERS doesn't seem to think spending more than \$416 million on investment management fees in 2016 is a big deal, DePasquale said. It is mind-numbing that they want a pat on the back for reducing the fees from \$441 million in 2015.

[Meadville Tribune](#)

Once considered the titans of Wall Street, hedge fund managers are in trouble

May 29, 2017, By Renae Merle

Long considered the titans of Wall Street, hedge fund managers have long thrived under a simple premise: They are smarter than the average investor and can produce bigger profits.

That image of the slick, well-connected trader, making bold bets with hundreds of millions of dollars, has attracted trillions from wealthy investors, pension funds and endowments who were willing to pay high fees and hand over 20 percent of any profits to the elite class of traders.

[The Washington Post](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

World's Major Economies to Come up \$400 Trillion Short on Retirement Savings May 26, 2017, By Katherine Chiglinsky

Longer life spans and disappointing investment returns will help create a \$400 trillion retirement-savings shortfall in about three decades, a figure more than five times the size of the global economy, according to a World Economic Forum report.

That includes a \$224 trillion gap among six large pension-savings systems: the U.S., U.K., Japan, Netherlands, Canada and Australia, according to the report issued Friday. China and India account for the rest.

[Bloomberg](#)

U.K. corporate pension deficits flat in May June 1, 2017, By Paulina Pielichata

The total deficit of all U.K. corporate defined benefit funds increased 0.5% in May to £183 billion (\$235 billion), but fell 5.7% for the year ended May 31, said JLT Employee Benefits.

The consultant's latest monthly index showed the funded level of these plans was flat for the month at 90%, but improved from 87% a year earlier.

[Pensions & Investments](#)

IMF urges millennials to prepare for 'pension shock' June 2, 2017, By Richard Hubbard

For millennials entering the workforce, the public pension system in advanced economies is simply not going to provide the safety net in retirement that it did for previous generations, according to a new report by the International Monetary Fund (IMF) entitled *Pension Shock*.

As a result, the IMF said younger workers need to take steps now to supplement their retirement income if they want a lifestyle equivalent to today's retirees. Ultimately though, it will probably require a combination of working longer and saving more for retirement to achieve that goal, it said.

[International Adviser](#)

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