



Weekly Clips, June 9, 2017
Texas Pension Review Board
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PRB PLANS

Houston Pension Bill Sparks Firefighters' Ire

June 6, 2017, By Sheila Dang

In the first eight days of May, both chambers of the Texas legislature passed a historic bill . the Houston Pension Solution . that aims to reform the municipal, police, and firefighters pension funds in Texas's largest city. It was the first time in 16 years that a pension reform bill for Houston had passed in either the House or the Senate, and it left one group feeling ripped off.

The Houston Firefighters Relief and Retirement Fund doesn't like the terms of the proposal . which reduces future benefits to fix the \$8.2 billion unfunded liability faced by the city's three public pensions . because it's taking the biggest hit even though it's the least underfunded.

Institutional Investor

Cheers for the Dallas state senators who cooked up bipartisan 'pension gumbo'

June 6, 2017

Maybe state Sens. Royce West and Don Huffines should consider going into the gumbo business together.

Assessing the successful cross-party-lines partnership that produced a palatable solution for the failing Dallas Police and Fire Pension System, West compared the negotiations to the spicy Louisiana delicacy:

"Have you ever had gumbo? We were putting a little bit of this in there a little bit of that in there. We were trying to come up with the best gumbo we possibly could."

Dallas News

Turner says Houston will put pension bond vote on ballot

June 8, 2017, By Aaron Barker

Houston Mayor Sylvester Turner said Thursday the city will move forward will placing a measure on the November ballot aimed at approving bonds to cover the city's pension obligation.

The vote is the next step required by Turner's plan, which he says will reform the city's pension program for municipal workers, police officers and firefighters.

click2houston

Mayor clarifies in tweet: Houston will hold a referendum on pension bonds

June 8, 2017, By Mike Morris

Mayor Sylvester Turner will ask Houstonians to vote on the pension bonds that are central to his reform deal after all, using a Thursday morning tweet to clarify an equivocal stance he had taken on the topic the day before.

The Legislature added that referendum requirement in adopting Turner's landmark pension reform legislation this spring. The bill, however, would let the city issue the bonds without a vote if City Council approves agreements with the pension funds that will receive the \$1 billion in bond proceeds before July 1, the effective date of the legislation.

[Houston Chronicle](#)

Dallas Police and Fire Pension System leaders will get severance, although jobs aren't over yet

June 8, 2017, By Tristan Hallman

During the heated battle with city leaders and state lawmakers over the Dallas Police and Fire Pension System's future in February, board members cut a deal with Executive Director Kelly Gottschalk.

The board wanted Gottschalk to stick around and fight hard for them on a bill to save the system from insolvency. So the board agreed to prepay Gottschalk her severance money if the city wrested control away from the board from police and firefighters. They feared the city wouldn't honor her already existing severance agreement once they took over.

[Dallas News](#)

Cash Payments To Dallas Police & Fire Pension Fund Executives Praised, Criticized

June 8, 2017, By Jack Fink

Some Dallas Council members are criticizing a vote Thursday by the Police and Fire Pension Fund board to give more than \$800,000 in lump sum payments to the fund's top three executives.

The decision comes eight days after Governor Greg Abbott signed into law the bill that rescues the fund from going broke within ten years.

[CBS DFW](#)

Pension plan fix is a sign of progress

June 8, 2017, By Josh McGee

These days, many people are sick of politics. They think partisan posturing and political gridlock make it impossible to get anything done. But local and state leaders recently proved those naysayers wrong. Our elected officials showed the people of Houston, and indeed the nation, that they can - and will - come together when the future of our city is at stake.

Rising pension costs could all but bankrupt Houston. The \$8.2 billion pension debt is four times more than the city's total general fund revenue - and last year, Houston closed its books with an operating deficit for the first time in history. The city's estimates indicated that in order to deliver on benefit promises, its

pension contributions would total nearly 60 percent of payroll for the police department and close to a whopping 70 percent for the fire department. Facing the prospect of massive tax hikes, sweeping layoffs and deep benefit cuts, the need for reform took on a new sense of urgency.

[Houston Chronicle](#)

Bonuses for top Dallas pension officials raise eyebrows

June 9, 2017, By Brett Shipp

Just days ago, Dallas City officials joined the police and fire pension fund in celebrating the compromise fix to a \$4 billion deficit.

Now, some on the pension fund board are outraged at the awarding of what they are calling huge bonuses to three top pension fund officials.

\$625,000 in bonuses to three top pension fund employees. \$310,000 of that would go to Pension Fund Executive Director Kelly Gottschalk.

[KHOU](#)

TEXAS ECONOMIC INDICATORS

Experts: Huge reserves under East Texas will power region's economy

June 4, 2017, By Roy Maynard

As far back as 1911, geologists predicted that significant mineral wealth lay below East Texas, in what was then called the Woodbine Stratum - a formation above the Haynesville Shale.

In 1930, Columbus Marion "Dad" Joiner proved them right when the Daisy Bradford No. 3 well struck oil just outside Henderson in western Rusk County. It was really just a drill stem test - they weren't expecting to hit anything. But at 3,592 feet, Joiner tapped into what was for years thought to be the largest oil and gas reserves in the world.

[Longview News-Journal](#)

Private-sector employers step up hiring in Texas in May

June 7, 2017, By David Hendricks

Private-sector employers in Texas accelerated hiring in May, adding 30,900 jobs, according to a new report Wednesday from ADP, a global firm that provides payroll, human resources and other management services.

That compares with just 2,400 new jobs in April, ADP said.

Based on ADP's data, the Federal Reserve Bank of Dallas estimated that the state last month added 22,700 jobs overall in May, a 2.7 percent annualized pace of employment growth, said Dallas Fed Senior Economist Keith Phillips in San Antonio.

[mySA](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

SCOTUS Sides With Religious Hospitals in Church Plan Dispute

June 5, 2017, By Jacklyn Wille

Religiously affiliated hospitals can run their pension plans as church plans exempt from federal funding requirements, the U.S. Supreme Court ruled (*Advocate Health Care Network v. Stapleton*, U.S., Nos. 16-74; 16-86; 16-258, 6/5/17).

The court's unanimous ruling reverses the decisions of three federal appeals courts, which found that church plans exempt from the Employee Retirement Income Security Act must be established by churches, not hospitals. The Supreme Court disagreed, saying that ERISA's text imposes no such requirement.

[Bloomberg BNA](#)

Democrats propose employee cost-sharing in pension fund

June 5, 2017, By Ted Sickinger

Democratic leaders have settled on recycling an old, but nevertheless controversial method to shave the crippling increases in pension costs forecast for Oregon's public employers over the next six years: employee cost sharing.

The plan, along with other cost-containment measures proposed Monday, is the opening gambit in an end-of-session tug of war over new revenue proposals and the effort to plug the state's \$1.4 billion general fund deficit.

[Oregon Live](#)

Pennsylvania Senate passes pension reform bill

June 5, 2017, By James Comtois

The Pennsylvania State Senate voted in favor of a pension reform bill that would change retirement benefits for most state employees and all school employees hired after 2018.

The Senate on Monday voted 40-9 in favor of Senate Bill 1, which would move affected state and school employees from a fully taxpayer-funded pension plan into a hybrid plan that would keep half of employees' pensions in the taxpayer-funded plan, while the other half would go into a defined contribution plan.

[Pensions & Investments](#)

SEC power to recoup illegal profits curbed by Supreme Court

June 5, 2017, By Bloomberg

The U.S. Supreme Court put sharp new limits on a favorite tool used by securities regulators to recoup money from people found to have violated federal laws.

The justices unanimously said the Securities and Exchange Commission is bound by a five-year statute of limitations when it seeks disgorgement, or the return of illegal profits. Lower courts had been divided on the issue.

[Pensions & Investments](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Pennsylvania pension funds scrutinized over spending on investment managers

June 4, 2017, By Len Boselovic

It's tough managing a \$51.3 billion pension fund that pays \$6.3 billion annually to 225,000 retirees, and making sure there will be enough to secure the benefits that another 257,000 workers are entitled to when they retire.

Especially when you only have about 57 percent of the money needed for the job.

That's the task of Pennsylvania's Public School Employees Retirement System, or PSERS, which has come under scrutiny for the amount of money it is spending on investment managers.

[Pittsburgh Post-Gazette](#)

Teacher pension fight pits portability vs. risk

June 4, 2017, By Jonathan Oosting

Lansing · Republicans pushing for teacher pension reform argue 401(k)-style retirement saving plans are a better deal for young educators, who are now at risk of losing some guaranteed retirement benefits if they leave public education.

State records show that nearly half of all teachers and staff paying into the system today are not yet vested, meaning more than 100,000 members have not yet worked the 10 years required to guarantee pension benefits.

[Detroit News](#)

Louisiana Teachers scouting for global REIT managers

June 5, 2017, By Rob Kozlowski

Louisiana Teachers' Retirement System, Baton Rouge, is searching for global real estate investment trust managers to run a total of between \$360 million and \$400 million, said Dana Brown, director of public markets.

The \$18.1 billion pension fund will issue a solicitation for proposals soon for its first global REIT managers. Mr. Brown said how many managers the pension fund hires depends on the submitted

proposals. Funding will likely come from domestic and/or international equities; no managers will be terminated.

[Pensions & Investments](#)

New York, Illinois Pension Funds Say Hedge Funds Fees Too High

June 7, 2017, By Janet Lorin

The Illinois State Board of Investment has cut \$1 billion of hedge funds from its portfolio. The New York State Common Retirement Fund has reduced its allocation to the strategy to 3 percent.

One of the reasons? The fees are too high.

Investors such as pension funds are concerned that the hedge fund model of 2 percent annual management fees and 20 percent performance fee is too high, especially when low-cost index funds are available, Marc Levine, chairman of the Illinois board, said Wednesday at the Bloomberg Invest New York summit. He and two other panelists discussed the price of outperformance, or so-called alpha.

[Bloomberg](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Japan's GPIF pension fund sues Toshiba auditor over investment losses

June 2, 2017, By Takashi Umekawa, William Mallard and Muralikumar Anantharaman

Japan's giant Government Investment Pension Fund (GPIF) has sued the local affiliate of global accounting firm Ernst & Young, claiming \$31 million for losses on investments in Toshiba Corp stemming from the conglomerate's accounting scandal in 2015.

Toshiba has been on the Tokyo Stock Exchange's supervision list since mid-March as it has failed to clear up concerns about its internal controls after the \$1.3 billion accounting scandal. That scandal preceded the crisis now engulfing Toshiba over billions of dollars in cost overruns at its now bankrupt U.S. nuclear unit Westinghouse Electric Corp.

[Reuters](#)

EU agrees new venture capital rules in CMU regulation spree

June 6, 2017, By Susanna Rust, Jeremy Woolfe

The European Union has agreed new rules aimed at stimulating venture capital investments in the EU and reviving the region's securitisation market.

The agreements on both sets of regulations are part of the European Commission's action plan to create a Capital Markets Union (CMU) in the EU.

The revised regulations on European venture capital funds (EuVECA) and European social entrepreneurship funds (EuSEF) will open these areas up to larger fund managers and expand the range of companies in which the funds can invest.

[IPE](#)

Canadian pension funds may embrace more risk with rules change

June 8, 2017, By Rick Baert

As the trend toward smoothing defined benefit plan funding requirements in Canada grows, so is the opportunity for some plan sponsors to adjust their asset allocations to take on more risk, investment consultants said.

"This is definitely a game-changer, and it was meant to be," said Ken Choi, director, investment consulting, Willis Towers Watson PLC, Toronto.

Pensions & Investments

ECB stands pat on rates; Mario Draghi doesn't see anything 'substantial' with inflation

June 8, 2017, By Paulina Pielichata

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

Greece to legislate pending reforms in return for loans, debt relief

June 9, 2017, By Renee Maltezou

Greece's parliament is set to approve on Friday pending reforms demanded by the country's international lenders to conclude a review of its bailout progress and qualify for more loans needed to repay debt maturing in July.

The vote takes place a week before euro zone finance ministers meet in Brussels on June 15 to discuss Greece's bailout progress and measures to reduce its debt, which stands at about 180 percent of GDP after seven years of crisis.

Reuters

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