



Weekly Clips, September 1, 2017  
Texas Pension Review Board  
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## **PRB PLANS**

### **Texas pension funds prepare for Hurricane Harvey**

August 25, 2017, By Rob Kozlowski

Public pension funds in Texas are preparing for the coming of Hurricane Harvey, which is expected to hit landfall on Friday.

The \$139.7 billion Texas Teacher Retirement System, Austin, announced in a news release on Thursday it would cancel its Friday board meeting, which has been rescheduled to Sept. 1 "in the interest of public safety." The offices, however, are open for business on Friday.

#### **Pensions & Investments**

### **Texas public pension funds deal with Hurricane Harvey aftermath**

August 28, 2017, By Meaghan Killroy

Public pension funds in Texas are dealing with the remnants of Hurricane Harvey, which made landfall Aug. 25.

The offices of the \$2.3 billion Houston Municipal Employees Pension System and \$4 billion Houston Firefighters' Relief and Retirement Fund were closed Monday, according to announcements on the pension fund's website and Facebook page, respectively. HMEPS is also expected to be closed Tuesday, according to the announcement.

#### **Pensions & Investments**

### **Hospital board ends pension plan**

August 29, 2017, By Megan Gray-Hatfield

Employees and former employees of North Texas Medical Center will soon lose their pension plan through the Gainesville Hospital District.

Members of the hospital district's board of directors voted 7-2 Monday to amend, freeze and terminate the plan.

Members Ken Arterbury and Jimmy Mosman were the opposing votes.

#### **Gainesville Daily Register**

## **Texas Pension Giant Which Needed 35 Yrs Of 8% CAGR To Be 100% Funded, Slashes Expected Returns**

August 30, 2017, By Mark Melin

As Harvey hits Texas hard in terms of lives and finances, more bad news (not to compare the scale of the two) came from the state from the giant known as Employees retirement system of Texas

As markets gradually transition from the tranquil landscape painted by central bank quantitative easing and some of the lowest volatility in market history – 89% of futures markets experienced a contraction of volatility in the first half of 2017 – forward looking investment managers assess the potential for lower returns with risk swirling all around. In perhaps a sign of the times, the \$26.9 billion Employees Retirement System of Texas ‘ board of trustees voted on Wednesday to lower its expected rate of return to 7.5% from 8%. Some on the board had even recommended a cut to “as low as” 7%. And they are not alone.

### [Value Walk](#)

## **TEXAS ECONOMIC INDICATORS**

### **Hurricane Impact Upends Texas Economic Recovery**

August 28, 2017, By Conor Dougherty

The brutal storm pummeling the Houston area is putting the brakes, at least for a time, on the area’s recent economic upswing. And the impact is quite likely to be especially deep given the crucial role the region plays in the nation’s energy, chemical and shipping industries.

Despite wobbly oil prices, local job growth has accelerated, along with continued improvement in home sales and construction. The number of Texas oil rigs has been rising over the past year, giving a big lift to exploration and chemical manufacturing jobs. Now, however, the Houston area could sustain billions to tens of billions in lost economic activity.

### [The New York Times](#)

### **Harvey is hurting Texas' refinery output, but the storm's full economic hit is too early to tell**

August 28, 2017, By Samantha Masunaga

Days of torrential rains and flooding in southeast Texas have brought the country’s fourth-largest city to a standstill, but economists say it’s still too soon to tell how much of a toll Tropical Storm Harvey will take on the economies of the Gulf Coast and the nation.

Even more rain has been forecast for the area, meaning damage estimates are still preliminary. It’s even difficult to use previous natural disasters, such as Hurricane Katrina and Superstorm Sandy, as measuring sticks since the regions have different economic engines, economists said.

### [Los Angeles Times](#)

### **Impact of Houston’s economy from Harvey is felt well beyond its area**

August 31, 2017, By Paul Wiseman

The Houston that was battered by Hurricane Harvey is an economic powerhouse whose influence reaches far beyond its region, leading many to worry about when its economy be able to stand up again.

Houston produces the plastic used in everything from sports cars to baby bottles and is part of a low-lying coastal region that supplies nearly a third of U.S. oil-refining capacity. As the fourth-largest U.S. city, with 2.3 million people, it is also headquarters for 20 Fortune 500 companies.

[Click2Houston](#)

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

### **DOL Again Signals Death of Fiduciary Rule's Arbitration Ban**

August 24, 2017, By Jacklyn Wille

A legal challenge to the fiduciary rule's anti-arbitration provision will "likely be mooted in the near future," the Department of Labor told a federal district court (*Thrivent Fin. for Lutherans v. Acosta*, D. Minn., No. 0:16-cv-03289-SRN-DTS, letter to judge filed 8/23/17).

The statement is the latest indication that the department may be working to undo portions of the Obama-era rule, including the anti-arbitration provision, which is aimed at making it easier for investors to bring class actions against financial advisers. The DOL announced in July that it would no longer defend this provision in court. On Aug. 23, the department opposed an attempt by Thrivent Financial for Lutherans to seek a court order blocking the provision, telling the court it would be better to pause the lawsuit than continue to litigate a "claim regarding a provision that is not currently applicable to Plaintiff and which will likely be mooted in the near future."

[Bloomberg BNA](#)

### **Yellen issues broad defense of post-crisis financial rules**

August 25, 2017, By Bloomberg

Federal Reserve Chairwoman Janet Yellen said any rollback of post-crisis financial reforms should be "modest" because they've made the banking system safer and more resilient, rebutting Republicans in Congress and the White House who blame regulatory red tape for holding back the U.S. economy.

Ms. Yellen, speaking in Jackson Hole, Wyo., on Friday, issued her broadest defense so far of the government's response to the 2008 financial-market meltdown while outlining some areas regulators could review to improve efficiency in the financial system.

[Pensions & Investments](#)

### **Mixed Messages About Retirement Tax Provisions Causing Alarm**

August 25, 2017, By Laura Davison

Inconsistent messages from House leadership, committees, and members about whether Congress will tap retirement provisions to pay for an overall tax bill are raising red flags in the retirement savings community, tax lobbyists told Bloomberg BNA.

The House Ways and Means Committee is telling stakeholders that revenue associated with retirement savings won't be used to fund tax reform, two tax lobbyists said.

[Bloomberg BNA](#)

## **Puerto Rico governor signs pension reform law**

August 25, 2017, By Hazel Bradford

Puerto Rico has passed pension reforms that include making payments to the depleted defined benefit system from general revenues, and creating a defined contribution plan for active workers and new hires.

The reforms were passed Aug. 10 by the commonwealth's Legislative Assembly and signed Wednesday by Gov. Ricardo Rossello.

The changes are subject to approval by Puerto Rico's Financial Oversight and Management Board, also known as PROMESA for the Puerto Rico Oversight, Management and Economic Stability Act under which it was created. The oversight board has its own plan for pension reform that calls for progressively reducing pension benefits by a total of 10% for most participants and enrolling all active members and new hires in defined contribution accounts.

### **[Pensions & Investments](#)**

## **Kentucky House holds private meeting to discuss pensions**

August 29, 2017, By Adam Beam, Associated Press

Facing unpopular decisions on the state's failing public pension systems, the Kentucky House of Representatives shut the public out of its first discussion of potential changes by holding a closed-door meeting Tuesday to discuss a state-funded report that recommends pay cuts for retirees and freezing benefits for current workers.

House Republicans campaigned on changing the pension system last fall, and voters gave them a super majority for the first time in state history. Since January, Republican leaders have vowed to pass

legislation in a special session this year to fix the pension system, which is at least \$33 billion short of paying the retirement benefits for state workers, police officers, firefighters and public school teachers over the next 30 years.

### **[Houston Chronicle](#)**

## **OMB approves delay of fiduciary rule to mid-2019**

August 29, 2017, By Hazel Bradford

The Department of Labor's proposal to extend the Jan. 1 applicability date for the remaining portions of the fiduciary rule until July 1, 2019, was approved Monday, according to a notice on the Office of Management and Budget website.

On Aug. 9, DOL officials proposed the delay to OMB for three exemptions — a best-interest contract; a class exemption for principal transactions in certain assets between fiduciaries and employee benefit plans; and certain transactions with insurance agents, brokers and consultants. OMB approval often can take several months.

### **[Pensions & Investments](#)**

## **IRS loosens rules for retirement plans to lend money to Hurricane Harvey victims**

August 30, 2017, By Michael Cohn

The Internal Revenue Service granted additional relief to victims of Hurricane Harvey on Wednesday by allowing 401(k)s and other employer-sponsored retirement plans to give loans and hardship distributions to aid them without incurring penalties.

The IRS pointed out the relief is similar to what was provided to victims of previous disasters, including Louisiana floods and Hurricane Matthew.

### [Accounting Today](#)

#### **Gliniewicz-inspired law blocks public employee families from pensions if convicted of felony**

August 30, 2017, By Megan Jones

New legislation will prevent a person from receiving public employee survivor pension benefits if they're convicted of a felony involving the service of their spouse.

The bill was created in response to the scandal involving Fox Lake Police Lt. Joseph Gliniewicz. His wife, Melodie Gliniewicz, could receive her husband's survivor pension if she is convicted of any wrongdoing.

### [Northwest Herald](#)

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

#### **Bevin Hints At Possible Pension Changes In Interview**

August 25, 2017, By Associated Press

Kentucky Gov. Matt Bevin has criticized some state workers for inflating their public pension benefits to "stick it to the taxpayer."

In an interview on WVLC radio, Bevin questioned why state workers were allowed to "hoard" unused sick days and use them to boost their salaries to qualify for a more lucrative retirement check. He also questioned if state workers should be allowed to purchase service time, allowing them to retire faster.

### [WFPL](#)

#### **Louisiana State Employees posts 15.8% fiscal-year return**

August 25, 2017, By Rob Kozlowski

Louisiana State Employees' Retirement System, Baton Rouge, returned a gross 15.8% in the fiscal year ended June 30, said Alisa Lacombe, manager of investment operations, in an email.

The \$11 billion pension fund's best-performing asset class during the period was emerging markets equity, which returned a gross 26.3% (above its 24.2% benchmark), followed by international small-cap equity at 22.1% (21.7%), domestic equity at 19.1% (19%), international large-cap equity at 19% (20.1%), and high yield at 12.8% (13%).

### [Pensions & Investments](#)

#### **Analysis: Pressure rises on pension fund to seek more money**

August 27, 2017, By Jeff Amy

An outside adviser is telling Mississippi's public pension system that it should change its accounting policies in a way that would sharply increase required contributions to keep the system solvent over the long run, adding to financial pressure on the Public Employees Retirement System.

GRS Retirement Consulting made the recommendations last week, as part of its audit of the system's regular actuaries.

### [Star-Telegram](#)

#### **Huge pension changes proposed for Kentucky's public workers**

August 28, 2017, By Daniel Desrochers

An independent consultant recommended sweeping changes Monday to the pension systems that cover most of Kentucky's public workers, creating the possibility that lawmakers will cut payments to existing retirees and force most current and future hires into 401(k)-style retirement plans.

Echoing a message often repeated by Governor Matt Bevin, the PFM Group told the Public Pension Oversight Board that lawmakers must make dramatic changes to fix one of the worst-funded pension systems in the country.

### [Lexington Herald Leader](#)

#### **Upstart Insurer Wants to Buy Your Pension Fund**

August 28, 2017, By Katherine Chiglinsky

Athene Holding Ltd., untested at running pension funds, wants to compete with the industry's oldest and biggest firms.

Jumping into the business of owning retirement plans would benefit Apollo Global Management LLC, the New York-based private equity shop led by billionaire Leon Black. Athene, co-created by Black's firm eight years ago, would pay Apollo to manage the pension money.

### [Bloomberg](#)

#### **Florida Retirement System's 13.8% return tops benchmark**

August 28, 2017, By Rob Kozlowski

Florida Retirement System, Tallahassee, returned a net 13.77% for the fiscal year ended June 30, 81 basis points above its primary benchmark, said John Kuczanski, spokesman for Florida State Board of Administration, which oversees the money management of the \$153.6 billion pension fund.

Global equity was the best-performing asset class, with a net return of 19.6% for the fiscal year ended June 30, above its primary benchmark of 19.06%, followed by private equity, at 18.27%, below its 22.06% benchmark. Other asset class returns were: strategic investments at 9.75%, above its 6.6% benchmark; real estate at 8.73%, above its 6.87% benchmark; cash and cash equivalents at 0.62%, above its 0.54% benchmark; and fixed income at 0.37%, above its -0.16% benchmark. The strategic investments asset class includes hedge funds, timberland and opportunistic strategies.

### [Pensions & Investments](#)

#### **Report Details Radical Public Pension Changes in Kentucky**

August 28, 2017, By Adam Beam, Associated Press

A state-funded analysis of Kentucky's troubled public pension system calls for pay cuts for some retired workers while freezing the benefits of most everyone else as part of a radical plan to pull one of the country's worst-funded systems from the brink of insolvency.

State taxpayers are at least \$33 billion short of what's needed to pay promised retirement benefits to state workers, police officers, firefighters and public school teachers over the next three decades. That makes it one of the worst public pension plans in the country and a case study for other state-funded plans struggling to recover from the losses of the Great Recession.

## [US News](#)

### **Should we plan on living to 100?**

August 28, 2017, By Alicia H. Munnell

A recent press request centered on the premise that people now have a good chance to live to 100 and what that might mean for achieving a secure retirement. I had been thinking about mortality rates and life expectancy recently, and I was skeptical whether the likelihood of living to 100 was a serious issue.

Fortunately, I am surrounded by wonderful colleagues and turned to Wenliang Hou, our actuary, for an answer.

## [Market Watch](#)

### **Oregon Task Force Brainstorms Ways to Lessen Pension Deficit**

August 29, 2017

Oregon Gov. Kate Brown's special task force is looking at ways to ensure the state has enough money to pay pensions for eligible state employees amid a multi-billion-dollar pension fund deficit.

The state is considering commercializing its state-run liquor system, pulling money from public reserves or imposing new surcharges of up to 10 percent on all state-issued permits, licenses and registrations, The Register-Guard reported (<http://bit.ly/2wQjlfW> ) Tuesday.

## [US News](#)

### **U.S. economy records fastest growth in 2 years**

August 30, 2017, By Matt Egan

The U.S. economy picked up steam during the second quarter, notching the fastest pace of growth in two years.

During the first full quarter with President Trump in charge, economic growth hit 3%, according to revised estimates released by the government on Wednesday.

That's the strongest growth since the first quarter of 2015. It's more than double the pace of the first three months of 2017 and better than original estimates for the second quarter. The government initially pegged second-quarter growth at 2.6% in July.

## [CNN Money](#)

### **Hundreds of Puerto Ricans protest, decry austerity measures**

August 30, 2017, By Danica Coto

Hundreds of Puerto Ricans took to the streets of the island's capital on Wednesday to protest austerity measures as anger builds over an unrelenting economic crisis that has hit the working class especially hard. Protesters clutched posters decrying austerity measures including new taxes, increases in utility bills and looming furloughs and cuts to a public pension system facing nearly \$50 billion in liabilities.

## [Star-Telegram](#)

## **New Math Deals Minnesota's Pensions the Biggest Hit in the U.S.**

August 31, 2017, By Martin Z. Braun

Minnesota's debt to its workers' retirement system has soared by \$33.4 billion or \$6,000 for every resident, courtesy of accounting rules.

The jump caused the finances of Minnesota's pensions to erode more than any other state's last year as accounting standards seek to prevent governments from using overly optimistic assumptions to minimize what they owe public employees decades from now. Because of changes in actuarial math, Minnesota in 2016 reported having just 53 percent of what it needed to cover promised benefits, down from 80 percent a year earlier, transforming it from one of the best funded state systems to the seventh worst, according to data compiled by Bloomberg.

[Bloomberg](#)

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

### **Pension costs taking a chunk out of UK plc profits: report**

August 29, 2017, By Nick Reeve

The aggregate shortfall across FTSE350 defined benefit (DB) pension schemes was equal to 70% of 2016 pre-tax profits at the end of last year, according to Barnett Waddingham.

In the consultancy and actuarial firm's latest annual Impact of Pension Schemes on UK Business report, Barnett Waddingham said the aggregate DB deficit across the UK's 350 largest companies rose by £12bn (€12.9bn) to £62bn. This compared to the companies' combined £88.9bn in pre-tax profits generated last year.

[Investment & Pensions Europe](#)

### **UK audit regulator drops opposition to government's 'nationalisation' plan**

August 30, 2017, By Stephen Bouvier

The UK Office for National Statistics (ONS) has ruled that the Financial Reporting Council (FRC) is a public body, after a three-year battle over the status of the accounting and actuarial watchdog.

The ruling means that the FRC will become part of central government operations. It is currently partly sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), and partly funded by the fines it levies on audit firms.

[Investment & Pensions Europe](#)

### **Breakingviews - Blackstone hunts Japanese deals – and pensions**

August 30, 2017, By Alec Macfarlane

Blackstone is raising its game in Japan. This week, the U.S. private equity giant hired Katsuyuki Kuki, a former top JPMorgan banker, as local chairman. It could also do Japanese deals through its first dedicated Asian buyout fund, which could raise up to \$3 billion, says Reuters. The moves show a bigger commitment to a country where Blackstone has trailed rivals, and position it well for a share of a big new pot of money earmarked for alternative investments.

A wash of Japanese pension cash is about to pour into hedge funds, real estate, and private equity. Japan's \$1.3 trillion Government Pension Investment Fund has begun hiring alternative asset managers as part of an initiative to generate higher returns on state retirement funds. It could invest up to 5 percent of its assets this way. Japan Post Bank, the state-backed giant with roughly \$1.9 trillion of assets, has also begun an aggressive push into assets other than traditional stocks and bonds. Smaller state pension funds are likely to follow suit.

## [Reuters](#)

### **Greek PM: 2017 growth close to 2 percent, jobless rate to ease**

August 29, 2017, By Reuters

Greece's economy will grow by about 2 percent this year and unemployment will ease further in 2018, Prime Minister Alexis Tsipras said on Tuesday, in an attempt to show the country was turning a page after seven years in crisis.

Athens concluded a bailout review in June and returned to bond markets for the first time in three years in July. Its third, 86-billion-euro, bailout expires in 2018.

## [NY Daily News](#)

### **U.K. corporate pension funds see rising deficit in 2016 despite better returns, higher contributions**

August 30, 2017, By Paulina Pielchata

Total pension liabilities at FTSE 100 companies grew 16% in 2016 to £681 billion (\$876 billion) from £586 billion, according to research conducted by consultant JLT Employee Benefits.

The total deficit in FTSE 100 pension funds was £87 billion as of Dec. 31, up from £17 billion a year earlier. Over the year, £17.6 billion was injected into FTSE 100 companies' pension funds. The contribution was 32% higher than in the previous accounting year.

## [Pensions & Investments](#)

### **Australia's Future Fund returns 8.7% for year ended June 30**

August 30, 2017, By Douglas Appell

Australia's Future Fund reported an 8.7% gain for the year ended June 30, with the A\$133.5 billion (\$102.3 billion) portfolio maintaining relatively low risk exposures and elevated levels of liquidity to cope with an uncertain investment environment.

While the gain for the quarter ended June 30 remained healthy, at 2.9%, the latest 12-month return was lower than the 10.5% mark for the year through March 31, in line with recent warnings from Future Fund executives that markets should prove less generous in coming years than they've been for the period coming out of the financial crisis.

## [Pensions & Investments](#)

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