



Weekly Clips, October 20, 2017  
Texas Pension Review Board  
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## **PRB PLANS**

### **Texas Teachers brings more global equity in-house to seize alpha**

October 16, 2017, By Rob Kozlowski

The \$142 billion Teacher Retirement System of the State of Texas is the latest big institution to increase internal management of global equities and embrace risk premium-based investing.

After an 18-month best-practices review, the investment staff of the Austin-based pension fund completed a major overhaul in September of the retirement system's \$54.3 billion global public markets equity portfolio with the goal of increasing its alpha production.

[Pensions & Investments](#)

## **TEXAS ECONOMIC INDICATORS**

### **State Rep. Byron Cook to chair committee to compete for jobs in Texas**

October 14, 2017, By Staff Reports

AUSTIN – On Thursday Oct. 12, 2017, Texas House Speaker Joe Straus appointed Representative Byron Cook (R-Corsicana) to serve as chairman of a new committee, the House Select Committee on Economic Competitiveness to examine the most effective ways for Texas to compete for jobs, investments and accomplished workers.

"Chairman Cook is a strong leader, with a diverse business background, who is committed to private-sector growth," said House Speaker Joe Straus. "He also understands the importance of bringing good jobs and highly skilled workers to every region of our state. With Chairman Cook at the helm, I'm confident that the work of this committee will be thorough, innovative and helpful to the Texas economy."

[Corsicana Daily Sun](#)

### **Central Texas home sales decline 4.3% in September**

October 17, 2017, By Shonda Novak

Single-family home sales declined across most areas of Central Texas in September, while the median price in the region overall rose more than 5 percent, to \$291,464, the latest figures show.

In its monthly report released Tuesday, the Austin Board of Realtors said there were 2,433 home sales in the Austin-Round Rock metro last month, down 4.3 percent from September 2016. Half of the homes sold for more than \$291,464 and half for less, for a 5.3 percent increase in the median price over the prior September.

[Austin American-Statesman](#)

# **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

## **U.S. Supreme Court Drops Securities-Fraud Argument After Sides Say They're near a Deal**

October 17, 2017, By Greg Stohr

The U.S. Supreme Court dropped a scheduled securities-fraud clash after the two sides told the justices they are near a settlement.

The high court was scheduled to hear arguments Nov. 6 in a case stemming from a New York City contract fraud and Leidos Inc.'s \$500 million settlement with the city in 2012. The case asked the court to clarify investors' ability to sue companies for omitting information from shareholder reports.

In a joint filing Oct. 6, Leidos and a group of investors who sued the company asked the court to drop the case from its argument calendar while they finalize the settlement and seek approval from a federal trial judge. The two sides said they have an "agreement in principle."

### **Bloomberg**

## **Concerns About 408(b)(2) Disclosures: Interesting Angles on the DOL's Fiduciary Rule #66**

October 18, 2017, By Fred Reish

This is my 66th article about interesting observations concerning the Department of Labor's fiduciary rule and exemptions. These articles also cover the DOL's FAQs interpreting the regulation and exemptions and related developments in the securities laws.

Because of the change in the definition of fiduciary advice (which applied on June 9, 2017), all advisors to retirement plans need to review their prior 408(b)(2) disclosures to see if changes are necessary. That particularly applies to broker-dealers and life insurance brokers and agents.

### **The National Law Review**

## **Foreign Dealmakers Must Show U.S. Benefit Under New Senate Bill**

October 18, 2017, By David McLaughlin and Laurie Asseo

Foreign investors planning to buy U.S. companies must show their deals are in America's "economic interest" to win approval, under legislation proposed by two senators.

A bill introduced by Republican Senator Chuck Grassley of Iowa and Democratic Senator Sherrod Brown of Ohio would prevent foreign acquisitions of American companies if they lead to job losses or other economic harm, the lawmakers said in a statement Wednesday.

"President Trump committed to putting a stop to U.S. industry's being taken advantage of by foreign companies and countries," said Grassley. "This bipartisan legislation is an opportunity to fulfill that pledge."

### **Bloomberg**

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

## **Buyer's market? Not in housing. Sales slow in key tract of U.S. economy**

October 14, 2017, By Jeffrey Bartash

The backsliding is a bit of a surprise, especially as optimism among builders spurs them to ramp up construction. The steadily growing U.S. economy is gradually raising incomes and providing the most opportunities in at least a decade for anyone who wants to work. Job openings are near a record high and the 4.2% unemployment rate is close to a 17-year low.

Slower sales aren't entirely a shock, however.

For one thing, rising prices have put off a lot of buyers. The income of the average American is rising almost 3% a year, government figures show, but the cost of new homes is climbing almost twice as fast. Mortgage rates, though still low, are also moving higher.

### **Market Watch**

## **Yellen's upbeat economic message may signal rate hikes**

October 16, 2017, By Associated Press

More interest rate hikes may be coming. Federal Reserve Chair Janet Yellen on Sunday sketched a bright outlook for the U.S. economy and for inflation prospects in coming months, saying the impact of the recent hurricanes will likely slow economic growth slightly but only temporarily and should be followed by a rebound by year's end.

Her comments suggested that the central bank will soon resume raising interest rates to reflect the strengthening economy. Most economists foresee the next rate hike — the third this year — coming in December.

Speaking to an international banking seminar, Yellen acknowledged that the persistence of undesirably low inflation this year has been a surprise. But she said she expected inflation to start picking up as the effects of temporary factors, such as falling prices for consumer cellphone service, begin to fade.

### **CBS News**

## **Seattle brewed: Amazon's rapid growth transforms a city—but it's complicated**

October 16, 2017, By Mark Belko

If there's a lesson to be learned in Seattle, it's that cities not only need a game plan for attracting Amazon but one to deal with the inevitable impacts it will bring.

That means planning for the impacts on housing, on traffic, on transit, and a host of other issues that come with such massive growth. It also means ensuring that residents and businesses are trained and equipped to take advantage of the jobs and investment Amazon will bring.

"If we don't think about the people who are going to be left behind, we can't stop them from being left behind," said Mr. Shulman of the University of Washington.

### **Pittsburgh Post-Gazette**

## **Social Security Changes Coming in 2018**

October 16, 2017, By Emily Brandon

Social Security beneficiaries will get 2 percent bigger payments in 2018. The Social Security program will also be tweaked in several important ways that affect how much you pay in and will receive in retirement. Here's a look at the Social Security changes you can expect to see in 2018.

**Bigger payments.** The average monthly Social Security payment is expected to increase by \$27 to \$1,404 in January 2018. Couples who are both receiving benefits will see their payments climb by an average of \$46 to \$2,340. The maximum possible Social Security benefit for a worker who begins collecting benefits at full retirement age will be \$2,788 in 2018, up from \$2,687 in 2017.

### **US News**

## **Report: Kentucky's Proposed Pension 'Reforms' Could Make Everything Worse**

October 17, 2017, By Tribune News Service

Sweeping changes recommended for Kentucky's public pension systems would cost taxpayers and public employees more money while making public employment far less attractive to future generations, according to a report released Monday.

In the report, Colorado-based consultant Pension Trustee Advisors said ideas put forward by Republican Gov. Matt Bevin's advisers at the PFM Group in August would only worsen Kentucky's pension mess. Specifically, PTA said, Kentucky should not switch from a defined-benefits pension for state employees and school teachers to a defined-contribution 401(k) account that might run dry while many of them are still alive.

### **Governing**

## **NAFTA Talks' Extension May Make for Slow, Painful Demise**

October 17, 2017, By Ana Swanson

The United States, Canada and Mexico said on Tuesday that they would extend Nafta negotiations into next year, with the parties citing "significant conceptual gaps" in how to rewrite the 1994 trade pact.

Negotiators, struggling to find agreement on some of the thorniest provisions of the trade deal, will take an extended break to consult with politicians and interest groups before convening again in Mexico City for the fifth round of talks in mid-November. The trade talks, which were supposed to wrap up by year-end, have now been extended into the first quarter of 2018, the parties said.

### **The New York Times**

## **State pension funds continue to fall behind. Here's how much you owe**

October 18, 2017, By John W. Schoen

Voters worried that Congress and the White House can't tame federal borrowing may be overlooking another big debt bomb closer to home. States are falling further behind in the money they owe public employee pension funds, leaving taxpayers on the hook, according to the latest analysis from S&P Global Ratings, which tracks state debts.

Despite recent stock market gains, state governments are not setting aside enough money to keep up with the rising liability of paying public worker pensions and other retirement benefits, according to the latest data.

### **CNBC**

## **IRS Provides Tax Relief for Victims of Hurricanes Harvey, Irma, and Maria**

October 18, 2017, By Victoria Jobe

The IRS has announced that “affected taxpayers” in areas of Florida, Georgia, Puerto Rico, Texas, and the U.S. Virgin Islands designated as “covered disaster areas” are eligible for the postponement of time to file returns, pay taxes, and perform other time-sensitive acts.

Affected taxpayers will be given until Jan. 31, 2018 to file most tax returns (including individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns.) that have either an original or extended due date occurring on or after Aug. 23, 2017, and before Jan. 31, 2018. Certain fees, penalties, and other administrative costs associated with these filings may be waived so long as the time-sensitive actions are completed on or before Jan. 31, 2018.

### **[The National Law Review](#)**

## **U.S. jobless claims hit more than 44-year low**

October 19, 2017, By Lucia Mutitkani

WASHINGTON (Reuters) - The number of Americans filing for unemployment benefits dropped to its lowest level in more than 44 years last week, pointing to a rebound in job growth after a hurricane-related decline in employment in September.

The labour market outlook was also bolstered by another report on Thursday showing a measure of factory employment in the mid-Atlantic region rising to a record high in October. The signs of labour market strength could cement expectations that the Federal Reserve will raise interest rates in December.

### **[Reuters](#)**

## **Senate Approves Budget Plan That Smooths Path Toward Tax Cut**

October 19, 2017, By Thomas Kaplan

WASHINGTON — The Senate took a significant step toward rewriting the tax code on Thursday night with the passage of a budget blueprint that would protect a \$1.5 trillion tax cut from a Democratic filibuster.

The budget resolution could also pave the way for opening up the Arctic National Wildlife Refuge in Alaska to oil exploration by ensuring that drilling legislation can pass with only Republican votes.

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

## **Government report sounds alarm on retirement crisis**

October 19, 2017, By Sarah O'Brien

A new government report is sounding the alarm to Congress about a looming retirement crisis if nothing is done to fix existing roadblocks to financial security for many Americans.

The Government Accounting Office paper calls on lawmakers to create an independent commission to “comprehensively examine” the U.S. retirement system — including Social Security, workplace retirement plans and individual savings — and make recommendations for improvements.

### **[CNBC](#)**

## **A Stock market Panic Like 1987 Could Happen Again**

October 19, 2017, By Robert J. Shiller

Oct. 19, 1987, was one of the worst days in stock market history. Thirty years later, it would be comforting to believe it couldn't happen again.

Yet that's true only in the narrowest sense: Regulatory and technological change has made an exact repeat of that terrible day impossible. We are still at risk, however, because fundamentally, that market crash was a mass stampede set off through viral contagion. That kind of panic can certainly happen again.

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

## **The Fed Claims to Be Independent. That's Mostly a Myth**

October 19, 2017, By Sarah Binder and Mark Spindel

The Federal Reserve's inner workings are a mystery to most Americans. Presidents can't order it around, nor can Congress — that much is generally believed. Along with its reputation for independence, the Fed can seem economically omnipotent. But in truth, our research shows, Fed independence is largely a myth.

With President Trump having met with the Fed chairwoman Janet Yellen on Thursday as he considers new leadership, it's worth examining the idea that the Fed is unfettered in making monetary policy. This notion misjudges the politics of its relationship with Congress. Instead, think of Congress and the Fed as interdependent institutions — a political relationship that constrains the Fed's conduct.

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

## **Stocks, Dollar Jump After Senate Passes Budget Proposal**

October 20, 2017, By Riva Gold and Corrie Driebusch

The Dow Jones Industrial Average continued its march higher, on track for its best week in more than a month. On Wednesday, the blue-chip index closed above 23000 for the first time, and, if the Dow closes higher Friday, it will mark the most records for the index reached in a calendar year since 1995.

"The only way to describe the advance is relentless," said Michael Antonelli, equity sales trader at Baird. He said that, while the budget news on Friday may be contributing to the stock-market gains, the bulk of the rally is still mainly founded on earnings growth and global growth.

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

## **Teachers would pay more for pensions, but big funding shortfalls would persist**

October 20, 2017, By Jacqueline Rabe Thomas

State spending on retired teachers' pensions has been the fastest growing cost in state government in recent years — so changes were seemingly inevitable when the spotlight on it intensified during this legislative session.

After months of wrangling over how to begin reining in these costs, Republican and Democratic legislative leaders settled on having public school teachers and other educators pay an additional 1 percent of their salary toward the pension fund — a \$775 yearly increase for the the average teacher and school administrator starting next fiscal year. The General Assembly is expected to vote on the change next week.

### **[The CT Mirror](#)**

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

## **Why de-dollarize? The greenback serves China's economy well**

October 16, 2017, By Michael Ivanovitch

China has been trying for some time to reduce its dependence on the dollar. Beijing actively promotes settlements of bilateral trade transactions in national currencies. More recently, it also offered a gold-backed yuan to fund oil trades. China seems firmly determined to de-dollarize by opening up its capital account to underpin the global use of its own currency.

Such a politically-driven policy change does not seem to be dictated by any readily apparent economic imperatives. And no outside observer can reliably judge whether China's present financial system can successfully handle the strain of unfettered capital flows in markets with trillions of dollars in daily turnover. For my part, serious doubts about that are not out of place.

### **CNBC**

## **Brexit could trigger next financial crisis, warns London Stock Exchange chief**

October 18, 2017, By Josie Cox

Brexit could trigger the next financial crisis if France and Germany try to demolish London's status as a centre of the global economy, the chief executive of the London Stock Exchange has warned.

Xavier Rolet, who is one of the UK's most senior financiers, warned that as Britain braces to leave the EU, European leaders risk causing a crisis "just to make a political point".

Writing in *The Daily Telegraph*, he said that the same European leaders who had demanded tighter global regulation in the wake of the 2008 financial crisis were now threatening to "fragment" those standards to punish the UK for voting in favour of Brexit.

### **The Independent**

## **The U.K.'s \$86 Billion Pension Problem Is About to Solve Itself**

October 18, 2017, By Lukanyo Mnyanda and Rebecca Penty

For U.K. Plc, the sting of Brexit comes with an unexpected bonus.

With no effort on their part, British businesses may see pension deficits that have burdened them for years be practically wiped out if the Bank of England raises interest rates as predicted and they budget for slowing gains in life expectancy, according to estimates of New York-based consultancy Mercer.

That will give executives one less thing to worry about as they prepare contingency plans in case Britain can't strike a deal on splitting with the European Union. Companies like BT Group Plc and Marks & Spencer Group Plc, whose liabilities are almost double their market value, will also remove a stigma that has contributed to years of under-performance in their shares.

### **Bloomberg**

## **UN's \$61 Billion Pension Fund Gets New Chief After Shortfalls**

October 19, 2017, By Kambiz Foroohar

UN Secretary-General Antonio Guterres named Sudhir Rajkumar, a top official at the World Bank Treasury, to head the global body's \$61 billion pension fund in an attempt to reverse three years of below-target returns.

Rajkumar will replace Carolyn Boykin, the former chief investment officer of the Maryland State Retirement and Pension System, in January, United Nations spokesman Stephane Dujarric told reporters Thursday. In December, the UN General Assembly criticized the pension fund's performance, singling out \$3.4 billion in foreign-exchange costs, and for delays in making payments.

The UN fund is among the world's most complex, with more than 128,000 participants and 72,000 retirees in nearly 200 countries. Its payments go out in 15 currencies, including dollars, euros, kroner and rupees.

[Bloomberg](#)

## **China Propels Global Economy Through Best Performance in Decade**

October 19, 2017, By Bloomberg News

China's robust expansion is boosting a global economy that's already racking up its best performance in a decade.

China on Thursday announced that the world's second-biggest economy expanded by 6.8 percent in the third quarter, following on from weekend musings from central bank governor Zhou Xiaochuan of a 7 percent pace for the second half. And in a sign the consensus view of a sharp slowdown next year is fading, Goldman Sachs economists raised their forecast for 2018's expansion to 6.5 percent.

[Bloomberg](#)

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