



Weekly Clips, October 27, 2017  
Texas Pension Review Board  
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## **PRB PLANS**

### **Op-Ed: With pension vote, Houston can avoid disaster**

October 23, 2017, By Chris Brown

Just weeks removed from what will likely be the costliest natural disaster in our city's history, it is now up to voters to ensure the City of Houston is not forced to address another.

This November, voters will be asked to vote for the issuance of \$1 billion in pension obligation bonds. These bonds represent the final critical piece to the "Houston Pension Solution," a pension reform plan that addresses a ballooning \$8.2 billion in outstanding pension liability, pays off the liability in 30 years, and does so in a budget neutral manner.

[Houston Business Journal](#)

### **Backers of Houston bond items launch TV ads as voting starts**

October 23, 2017, By Mike Morris

The political group pushing for approval of Houston's five bond measures hit the airwaves with a new advertisement this morning as early voting kicked off. The simple, 30-second spot features Mayor Sylvester Turner sitting in an office and looking into the camera.

"As we dig out from Hurricane Harvey, I need your help one more time," the mayor says. "Let's finally fix our pension crisis and focus on rebuilding our city. Let's protect retirement plans for police, fire and city workers. Let's do it all responsibly, with no new pension debt and no new taxes."

[Houston Chronicle](#)

## **TEXAS ECONOMIC INDICATORS**

### **Patrick skeptical of need for new House committee on Texas economy**

October 23, 2017, By Patrick Svitek

Earlier this month, Straus announced the formation of the committee and asked it to examine the factors that lure new business to Texas. The panel's launch followed a regular legislative session — and a subsequent special session — where Straus emerged as the biggest obstacle to legislation that would have regulated which restrooms transgender Texans can use, a Patrick priority that generated strong business backlash.

"It's time that we re-assert that Texas is fully committed to private-sector growth," Straus said Oct. 12 as he unveiled the committee at a breakfast for the Austin Chamber of Commerce.

[Texas Tribune](#)

## **Texas economic indicators remain positive**

October 24, 2017, By David Hendricks

Despite some mixed economic signals, an index that tracks the Texas economy inched up in September and the state appears to be in growth mode, the Federal Reserve Bank of Dallas reported this week.

The stock prices of Texas companies, oil prices and average weekly hours worked were up, while unemployment claims were down — all among the positive gains in the Dallas Fed's Texas Leading Index for September.

Texas' unemployment rate fell to 4 percent in September, the lowest level since December 2000. The U.S. unemployment rate was 4.2 percent. San Antonio's jobless rate was 3.9 percent.

### **[San Antonio Express-News](#)**

## **Half of Texans Working In The Private Sector Don't Have Access To Retirement Plans**

October 25, 2017, By Becky Fogel

A new report finds that only 50 percent of Texans with full-time, private sector jobs have access to retirement plans at work. According to the report, one in three Texans over 65 rely on social security as their only source of income.

Laura Rosen authored the report for the Austin-based Center for Public Policy Priorities, a left-leaning think tank.

"It's a big problem because social security is not meant to completely replace one's income — it's expected to only replace on average 36 percent of prior income," Rosen said. "So there are going to be a lot of Texans not being able to maintain their standard of living in retirement."

### **[Houston Public Media](#)**

## **Laredo's unemployment rate drops to historic low**

October 25, 2017, By Staff

The unemployment rate in Laredo has reached a historic low, Workforce Solutions for South Texas reported Tuesday. Workforce Solutions said the city had a 3.6 percent unemployment rate for the month of September.

For the South Texas workforce development area of Webb, Zapata and Jim Hogg counties, it was 3.8 percent. The state and national rate is 4 and 4.1 percent, respectively.

"By all standard definitions of employment data, an unemployment rate below 4 percent is considered full employment," said Rogelio Trevino, Workforce Solutions South Texas executive director, in a news release.

### **[Laredo Morning Times](#)**

# **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

## **Bevin pension plan a ‘significant’ step, but legal battles loom, credit agencies say**

October 24, 2017, By John Cheves

The nation’s two largest credit ratings agencies, both of which downgraded Kentucky this year because of its large public pension debt, have handed in mixed reviews of Republican Gov. Matt Bevin’s proposal to reshape the state’s retirement systems.

Moody’s, which put the state’s pension debt at \$37.42 billion, praised Kentucky for taking “significant steps toward structurally adjusting its budget to accommodate long-deferred pension costs.” Next year’s pension payments could total around \$2 billion, or 16 percent of the state’s General Fund, Moody’s projected.

### **Pensions & Investments**

## **In New York, Corrupt lawmakers May Soon Have to Forfeit Pensions**

October 25, 2017, By Liz Farmer

When former New York Assembly Speaker Sheldon Silver was convicted on corruption charges in federal court nearly two years ago, one of the first things he did was put in for his \$6,602-a-month pension. Former Senate Majority Leader Dean Skelos did the exact same thing after he was convicted of corruption just a few weeks later. His monthly pension check is reportedly nearly \$8,000.

New York has a law on the books that requires public servants to forfeit their pensions if they are convicted of a job-related crime. But like many states in the country, the law is filled with loopholes. Sponsored in 2011 by Skelos and passed nearly unanimously, the law exempts everyone who voted for it because it only applies to people who started their jobs in 2012. (That’s not the only legal loophole Silver and Skelos exploited; both of their convictions were overturned on a technicality.)

### **Governing**

## **SEC disgorgement practices challenged in lawsuit**

October 27, 2017, By Hazel Bradford

A class-action lawsuit challenging the Securities and Exchange Commission’s statutory authority to collect fines and penalties was filed Thursday.

The lawsuit, which was filed in U.S. District Court in Boston by international law firm Brown Rudnick on behalf of an F-Squared Investment Management liquidation trustee and others, is seeking the return of as much as \$15 billion in penalties.

It follows a Supreme Court ruling June 5 that put new limits on a common SEC strategy to recoup illegal profits from people found to have violated federal laws, known as disgorgement. Because those are penalties, the justices unanimously said the SEC is bound by a five-year statute of limitations when seeking them.

### **Pensions & Investments**

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

## **Nobel laureates Stiglitz, Spence Lead new Group to Tackle World's Economic Woes**

October 21, 2017, By David Goodman

Nobel laureates Joseph Stiglitz and Michael Spence are leading a new initiative to find solutions to what they see as a dysfunctioning market economy.

The Commission on Global Economic Transformation is aiming to tackle global economic challenges from stagnating growth and inequality to migration and climate change. It intends to meet with elected officials and policy makers to share its recommendations.

The standard market economy “has not been working well for most citizens” and “the failure of it to work has clearly had political consequences,” Stiglitz said. “The recognition that that model is not working is itself a reason for the formation of the commission.”

### **Bloomberg**

## **Rauner looks to Washington for the power to change pension benefits**

October 21, 2017, By Kim Geiger

Stymied by a Democrat-controlled General Assembly and still in a contract dispute with the largest state employee union, Republican Gov. Bruce Rauner is looking to Washington for help advancing his agenda to weaken the influence of organized labor in Illinois.

He's lobbying Congress to give states like Illinois the power to change public employee pension benefits, which he argues are overly generous because of a “corrupt bargain” between politicians and union negotiators. And the governor is hoping to get legal victories over unions at the U.S. Supreme Court, where the recent appointment of a new conservative justice could tilt decisions in his favor.

### **Chicago Tribune**

## **Americans have more debt than ever – and it's creating an economic trap**

October 22, 2017, By Pedro Nicolaci da Costa

A scary little statistic is buried beneath the US economy's apparent stability: Consumer-debt levels are now well above those seen before the Great Recession.

As of June, US households were more than half a trillion dollars deeper in debt than they were a year earlier, according to the latest figures from the Federal Reserve. Total household debt now totals \$12.84 trillion — also, incidentally, about two-thirds of gross domestic product.

The proportion of overall debt that was delinquent in the second quarter was steady at 4.8%, but the New York Fed warned over transitions of credit-card balances into delinquency, which “ticked up notably.”

### **Business Insider**

## **Economists see pickup in business after third-quarter pause**

October 23, 2017, By Rob Kozlowski

Business wasn't great during the third quarter, but things should pick up again through the rest of the year, according to the latest survey of business economists.

Profits were squeezed, jobs were harder to fill and materials prices rose in the latest quarter, according to a majority of the National Association of Business Economists. But overall, the group expects sales to continue rising in the last three months of the year.

### **CNBC**

## **The founder of the world's largest hedge fund just shared brutal analysis of the US economy**

October 23, 2017, By Matt Turner

In other words, the economy isn't as healthy as might appear at first look. And note includes a warning: the "stress between the two economies" will "intensify over the next 5 to 10 years" because of demographic and technological change.

How does this relate to markets? Well, Business Insider reported back in September that Bridgewater had told clients that the Fed was making a mistake by raising rates. And there is a hint of that view in Dalio's latest note, where he said that the "average statistics could lead the Federal Reserve to judge the economy for the average man to be healthier than it really is."

### **Business Insider**

## **Americans Are Retiring Later, Dying Sooner and Sicker In-Between**

October 23, 2017, By Ben Steverman

The U.S. retirement age is rising, as the government pushes it higher and workers stay in careers longer.

But lifespans aren't necessarily extending to offer equal time on the beach. Data released last week suggest Americans' health is declining and millions of middle-age workers face the prospect of shorter, and less active, retirements than their parents enjoyed.

Here are the stats: The U.S. age-adjusted mortality rate—a measure of the number of deaths per year—rose 1.2 percent from 2014 to 2015, according to the Society of Actuaries. That's the first year-over-year increase since 2005, and only the second rise greater than 1 percent since 1980.

### **Bloomberg**

## **Goldman: US economy to flounder while rest of globe booms**

October 24, 2017, By Jason Gewirtz

The global economy is set to enjoy steady growth with one notable exception, according to a note from Goldman Sachs out this morning.

The firm's portfolio strategy research team calls for 3.9 percent annual global growth through 2020, but believes GDP in the U.S. will decelerate to just 1.5 percent.

The U.S. Commerce Department's official figure had U.S. growth at 3.1 percent after the second quarter of this year – the last quarter for which statistics are available.

### **CNBC**

## **The 'Amazon effect' doesn't explain the Fed's biggest dilemma**

October 24, 2017, By Pedro Nicolaci da Costa

Online shopping may be convenient, and may even lower prices on some items, for some consumers.

That has led to some debate among economists about what exactly the "Amazon effect" on the US economy might be, including the possibility that online retailers might be to blame for some of the low inflation trend that has befuddled Federal Reserve officials, who set US interest rates based on their forecasts of inflation.

Federal Reserve Chair Janet Yellen nodded somewhat skeptically to the recent debate in a September speech.

### **[Business Insider](#)**

## **IRS Issues Updated Mortality Tables for 2018-Impact on Pension Plan Sponsors**

October 24, 2017, By Jeffrey M. Holdvogt and Maureen O'Brien

The IRS recently issued new mortality tables for 2018, which will likely increase pension funding liabilities for many plan sponsors. Plan sponsors should consider options to delay the use of the new mortality tables for funding purposes, while large plan sponsors should consider the option to utilize plan-specific mortality tables instead.

On October 3, 2017, the US Department of Treasury (Treasury) and Internal Revenue Service (IRS) released final regulations updating the mortality tables to be used for defined benefit pension plan funding, as well as the valuation of lump sum and other accelerated distribution options, for 2018. The update is required by the Pension Protection Act of 2006, which requires the mortality tables to be updated at least every ten years.

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

## **Kentucky Teachers' Retirement System to blame for its own debts, Senate president says**

October 25, 2017, By Tom Loftus

FRANKFORT, Ky. — Senate President Robert Stivers said Wednesday that the multi-billion dollar debt of the Kentucky Teachers' Retirement System is due to poor management of the system — not a lack of funding from the General Assembly.

Stivers, a Manchester Republican, was speaking at a press conference Wednesday he called to clarify what he said was "misinformation" regarding the causes of Kentucky's public pension crisis.

### **[Courier Journal](#)**

## **The downward spiral**

October 26, 2017, By Charles McGrath

State and local governments have had to allocate greater percentages of their payroll expense to pension funds. Local government pension contributions have increased by an average 1.5% annually since 2000, while state government contributions have grown an average 0.7% over the same period. The increased burden on these plans has been noticed by the rating agencies when rating municipal debt. Lower ratings or downgrades compound the problem for state and local governments that consequently see interest expenses grow as investors require higher compensation for their higher perceived risk.

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

## **Illinois pension fund enjoys big investment gains in FY 2017**

October 26, 2017, By Karen Pierog

CHICAGO, Oct 26 (Reuters) - Illinois' biggest state public pension fund generated its largest investment return in three years in fiscal 2017, an improved performance that was undermined by continued underfunding by the state, the Teachers' Retirement System (TRS) reported on Thursday.

The fund, which covers public school teachers in all Illinois districts with the exception of the Chicago Public Schools, said a 12.6 percent return on investments gained \$5.5 billion for the system in the fiscal year that ended June 30.

### [Reuters](#)

## **U.S. Economy Grew at 3% Rate in 3<sup>rd</sup> Quarter, Despite Storms**

October 27, 2017, By Natalie Kitroeff

In a show of resilience, the American economy grew at a solid pace in the latest quarter despite the impact of the hurricanes in Texas and Florida.

The nation's gross domestic product, a key indicator of economic strength, expanded at an annual rate of 3 percent in the third quarter, the Commerce Department reported on Friday. Economists initially expected that Hurricanes Harvey and Irma would deal a blow to the country's steady growth, but became more optimistic in recent weeks.

### [New York Times](#)

## **Following NYC, Philadelphia Pulls Pension Stock in Private Prisons**

October 27, 2017, By David Gambacorta

The Philadelphia Board of Pensions and Retirement voted Thursday to withdraw its investments in the for-profit prison industry, which has been dogged for years by health and safety problems.

Francis Bielli, the board's executive director, said the board voted 6-1 in favor of liquidating the \$1.2 million worth of stock it held in three companies: the GEO Group, CoreCivic, and G4S.

The funds will be routed to other investments over several months. In August, the Inquirer and Daily News published a report on the perils of the for-profit prison industry, which has been paid billions by the federal government since 1997 to house more than 34,000 inmates every year.

### [Governing](#)

## **The Week in Public Finance: Tax Reform Fast-Tracked, Puerto Rico's Cleanup Mishap, and the Pension Penalty**

October 27, 2017, By Liz Farmer

Does your state or local government have a large unfunded pension liability? If so, it's paying a pension penalty in the bond market. That's the finding from a study released this week by Boston College's Center for Retirement Research.

The analysis compared the interest rates of governments with well-funded pensions to those of governments with poorly funded pensions. It found that the higher a state or local government's unfunded pension liability was, the higher its borrowing costs.

### [Governing](#)

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

## **Caterpillar Is the Latest Sign the World's Economy Hasn't Looked This Good in Years**

October 24, 2017, By Agnel Philip

All told, Caterpillar reinforced the International Monetary Fund's move earlier this month to raise its forecasts for global growth this year and next, as three-quarters of the world is now expanding.

That's good news at a time when the Federal Reserve and other central banks are starting to pull back on emergency monetary stimulus yet don't want to choke demand.

A weakening dollar and increased momentum in global markets have led U.S. manufacturing to a strong earnings season so far with some of the industry's largest players showing greater revenue and improved outlooks.

### **Bloomberg**

## **Government pensions in Venezuela used to mean security in old age-but not any more**

October 26, 2017, By Gustavo Ocando Alex

The scene in Maracaibo, the second-largest city in Venezuela, is a common one at banks across the country on the third week of every month. And Beltran, like others, is worried he will go home empty-handed like he did in August, when his three-hour trip from Paraguaipoa — an area adjacent to Colombia's border — didn't pay off. Beltran's government pension simply wasn't paid that month.

And with inflation hitting a staggering 536 percent so far this year, the money doesn't go far.

"I won't be able to buy almost anything, even if they pay us," he complained from beneath a straw hat that safeguards him from the relentless afternoon sun.

### **Miami Herald**

## **Xi's ironclad grip on power will actually help China's economic reforms, Says Moody's**

October 26, 2017, By Huileng Tan

The further consolidation of power in China under President Xi Jinping could help the country achieve its economic rebalancing and reform goals, Moody's said in a report released Friday.

The world's second-largest economy announced its new leadership lineup on Wednesday after a week of closed-door meetings and internal voting. That lineup saw Xi once again at the top of the country's ruling party, and it was notable for the lack of an heir-apparent — indicating that Xi was not ceding any of his authority anytime soon.

"We believe this consolidation could increase the alignment of incentives between the central leadership and other officials, and thus could advance the process of economic reform and rebalancing," Moody's Investors Service said in the report.

### **CNBC**

## **UK Pension Schemes Told to Give More Detail on Investments, Costs**

October 27, 2017, By Reuters

LONDON — UK pension schemes should give more information to members about their investments and how much asset managers are charging them to run members' money, the government said on Thursday.

The move is the latest attempt by the authorities to increase transparency in the market for pensions and investments.

The Department of Work and Pensions (DWP) said a failure to provide the information could see occupational workplace pension scheme trustees fined up to 50,000 pounds from April, 2018, under the proposed new rules.

[New York Times](#)

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