



Weekly Clips, November 3, 2017
Texas Pension Review Board
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PRB PLANS

Pension reform deal may not be perfect, but it's good for the city

October 28, 2017, By Erica Grieder

Polling has found that a majority of Harris County voters are in favor of Proposition A, which asks Houstonians to authorize a billion dollars worth of pension obligation bonds.

Experience shows that a majority of Texans don't vote in off-year elections, even if the stakes are as high as they are in this one. Passage of Prop A may be "absolutely critical to Houston's financial future," as my colleagues on the editorial board put it. Its failure would mean the city begins the next fiscal year with a sizable budget hole. Even so, early voting began on Monday, and people are not yet stampeding to the polls.

[Houston Chronicle](#)

Don't be scared away from the polls Tuesday

October 31, 2017, By Lisa Falkenberg

The reforms, as my colleague Mike Morris has reported, would erase the debt over 30 years in part by cutting pension benefits by \$2.8 billion and capping future pension costs.

To get pension systems to go along with another round of cuts, the city agreed to issue \$1 billion in bonds that would shore up underfunded police and municipal employee pension plans.

[Houston Chronicle](#)

TEXAS ECONOMIC INDICATORS

Dallas home price gains slow in latest Case-Shiller report

October 31, 2017, By Steve Brown

North Texas used to be one of the top markets in the country for rising home prices.

But the rate of those gains in the area has cooled in recent months.

Dallas-area home prices were 7.1 percent higher in August than a year earlier, according to the latest Standard & Poor's/Case-Shiller Home Price report. It's the smallest such gain in more than four years.

[Dallas Morning News](#)

The Houston area's biggest bond elections for November 2017

November 1, 2017, By Dana Guthrie

Houston-area voters are heading to the polls to approve or deny billions of dollars in school improvements and other public infrastructure.

Early voting runs through Nov. 3, ahead of Election Day on Nov. 7.

Some of Houston's fastest growing school districts, such as Tomball ISD, are asking for more money to expand with new facilities.

[Houston Chronicle](#)

Here's how much federal money Texas is asking for Houston area after Harvey

November 2, 2017, By Jack Witthaus

Gov. Greg Abbott is asking for about \$41 billion in federal funding for the Houston area as part of a \$61 billion Hurricane Harvey recovery package.

Abbott presented his plan to Capitol Hill on Oct. 31. The plan requests funding for specific projects "identified at local and state levels and reviewed by experts in coastal flooding and disaster mitigation," Abbott's request states. About \$36.62 billion worth of those projects would be funded through the U.S. Army Corps of Engineers, according to the request.

[Houston Business Journal](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Argument preview: Justices to parse Bankruptcy Code's fine print in high stakes dispute over recovering assets for creditors of bankrupts

October 30, 2017, By Ronald Mann

When the justices hear oral argument next Monday in Merit Management Group v FTI Consulting, they will finally be turning their attention to one of this century's most prominent disputes about how to read the Bankruptcy Code.

The case involves limits on the so-called "avoidance" powers of the bankruptcy trustee designed to protect intermediaries in the securities industry. Traditionally, bankruptcy courts (and the trustees acting in those courts) have had the power to recover (or "avoid") dubious payments that bankrupts make shortly before they file for bankruptcy. In some cases, the trustees avoid "preferences," payments that improperly prefer one creditor over another. In others, they avoid "fraudulent" transfers, transfers that defraud existing creditors by moving assets out of the estate unfairly.

[SCOTUSblog](#)

IRS Criminal Investigation Division Expects Official "Stand Up" of National Coordinated Investigation Units in January

October 30, 2017, By Laura L. Gavioli and Kevin Spencer

In early August 2017 (as we previously reported), the Chief of the Internal Revenue Service's (IRS) Criminal Investigation Division (CID), John D. Fort, announced that CID would be forming new National

Coordinated Investigation Units over the next few months. In a recent conference, Fort has confirmed that these units will be fully operational in January, and they are already sending out referrals to field offices.

The units are intended to modernize CID's investigative tools to rely more upon data analytics to harvest leads from information received through the Swiss Banking Program, the Foreign Account Tax Compliance Act (FATCA) and the Panama Papers investigation, among other sources. The effort is also clearly intended to maximize the Division's resources in light of budgetary concerns.

[National Law Review](#)

Fewer lawsuits filed against Texas firms

October 30, 2017, By Mark Curriden

The number of lawsuits companies face has declined significantly during the past five years, even though nearly 80 percent of Texas business leaders were sued during the past year, according to exclusive data provided to The Texas Lawbook by the Norton Rose Fulbright law firm.

There would be even fewer civil lawsuits if not for the increase of Texas businesses suing each other, according to The 2017 Litigation Trends Survey.

[Houston Chronicle](#)

Does Your Plan Have Investment Managers? Can Those Managers Trade Derivatives? Here's Why We Ask

October 30, 2017, By Julie K. Staple

One key issue to confirm is the extent of the investment manager's authority to expose assets of the plan in the event of a default by the plan or adverse developments in a derivatives trade. Often the trading documents for derivatives include a provision that the counterparty can collect against all assets of the plan, not only the assets of the account under the manager's management. For some strategies, this may be necessary and appropriate. In other strategies, it may not be necessary or desirable.

[National Law Review](#)

Paying Temporary Total Disability Benefits After Retirement?

October 31, 2017, By Richard J. Simmons

It seems intuitive that if an injured worker chooses to leave the workforce while receiving TTD benefits, either during the course of treatment or thereafter, he or she has made the choice to forfeit those benefits. In fact, this is a well-supported position. An employer is entitled to terminate TTD benefits when an injured worker refuses to return to work. This is especially true when the worker is at MMI and has been released back to work, even if the release includes work restrictions. *Lukasik v. Industrial Comm'n*, 124 Ill. App. 3d 609, 614-15 (1st Dist. 1984).

This seemingly clear distinction becomes muddy when an injured worker chooses to retire while they are receiving TTD. After all, isn't that a voluntary action? A recent unpublished Rule 23 order of the Illinois Appellate Court, Workers Compensation Commission Division, sheds light on this topic as it addresses when an employer can be held responsible for paying TTD benefits to an injured worker after that injured worker retires.

[National Law Review](#)

Treasury Reports Continue to Inform Dodd-Frank Reform Efforts

October 31, 2017, By Daniel F.C. Crowley, William A. Kirk, Karishma Shah Page, Eric A. Love and Dean A. Brazier

On October 26, 2017, the U.S. Department of the Treasury (the “Treasury”) released a report entitled “A Financial System That Creates Economic Opportunities: Asset Management and Insurance,” the third in a series of reports that President Trump’s Executive Order 13772 on Core Principles for Regulating the U.S. Financial System (the “Core Principles”) requires Treasury to issue about potential ways to legislatively and administratively reform the U.S. financial system, consistent with the Core Principles. Earlier this month, Treasury released its second such report, which outlined recommendations concerning the capital markets.

[National Law Review](#)

ERISA’s Six-Year Statute of Repose for Fiduciary-Breach Claims Can Be Tolled

November 1, 2017, By Steven A. Sutro

The Sixth Circuit ruled that ERISA’s six-year statute of repose can be tolled by the parties even though it is a statute of repose. During pre-litigation negotiations between the U.S. Department of Labor and a trustee of an employee stock ownership plan, the parties signed a series of tolling agreements, which delayed the filing of any action in exchange for the trustee agreeing not to raise a timeliness defense if the DOL later sued. Ultimately, the negotiations failed and the DOL sued the trustee for breach of fiduciary duty and prohibited self-dealing.

[National Law Review](#)

No Standing To Pursue Fiduciary-Breach Claim Where Plan Became Overfunded During Litigation

November 1, 2017, By Tulio D. Chirinos

The Eighth Circuit agreed and held that “when a plan is overfunded, a participant in a defined benefit plan no longer falls within the class of plaintiffs authorized under [ERISA] to bring suit claiming liability . . . for alleged breaches of fiduciary duties.” The case is *Thole v. U.S. Bank, Nat’l Ass’n*, No. 16-1928, 2017 WL 4544953 (8th Cir. Oct. 12, 2017).

[National Law Review](#)

New Hurricane Legislation Grants Additional Distribution, Withdrawal and Loan Relief for Certain Retirement Plan Participants

November 2, 2017, By Diane M. Morgenthaler, Alan D. Nesburg, Stephen Pavlick, Ruth Wimer and Rick Stephanovic

The new Disaster Tax Relief and Airport and Airway Extension Act of 2017 provides additional relief and flexibility for retirement plan participants impacted by recent hurricanes, including relaxed rules for plan distributions, withdrawals and loans.

The recent Disaster Tax Relief and Airport and Airway Extension Act of 2017 provides additional relief and flexibility for retirement plan participants impacted by Hurricane Harvey, Hurricane Irma and Hurricane Maria, including relaxed rules for plan distributions, withdrawals and loans. The relaxed rules are available to any tax-qualified retirement plan with a “qualified individual,” who had a principal residence in a disaster area on a specified date for each hurricane. The Internal Revenue Service (IRS) has not yet provided needed guidance on the new law.

[National Law Review](#)

The Legalities of Pension Reform: How You Get There from Here?

November 2, 2017, By Sasha Volokh

Another reason is that states differ in whether they classify public employee pensions as contracts at all. Generally, public employee pensions are defined by statute rather than being written down in a physical contract. And classically, they were usually categorized as “gratuities”—which the state could change virtually at will, without running into any Contract Clause problems. Arkansas still takes this approach, at least for pensions with no employee contribution element. The path to public-employee pension reform in such states is quite easy: the politics of pension reform may still be tricky, but legally, all the legislature needs to do is amend the statute — even to the point of wiping out the pensions entirely.

[The Washington Post](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Here comes a big increase in U.S. jobs in October – but there’s a big caveat, too

October 28, 2017, By Jeffrey Bartash

Mother Nature threw the U.S. labor market for a loss in September, but hiring likely roared back in October.

Wall Street expects big employment gains in October, with the economy adding as many as 300,000-plus new jobs. Most Americans have gone back to work two months after the onslaught of hurricanes Harvey and Irma, and it didn’t take long for companies to get back to hiring, too.

[Market Watch](#)

The US economy isn’t quite as strong as it looks

October 28, 2017, By Pedro Nicolaci da Costa

Gross domestic product, the measure used to represent the US economy, expanded by a robust 3% in the third quarter, the Commerce Department reported on Friday. That’s a second straight quarter of growth above the 2% pace that has persisted for much of the economic recovery, and it’s well above Wall Street’s expectation of a 2.6% rise.

But there are a few important details in the numbers that economists, including those at the Federal Reserve, will look at. They paint a more subdued picture.

[Market Insider](#)

Inflation: The Slumbering Giant Begins to Stir

October 29, 2017, By Lev Borodovsky

Central bankers are slowly unwinding the stimulus that has helped support the epic postcrisis rally in financial markets. Inflation has been quiet throughout, but there are signs it may soon be heard from.

Inflation has tiptoed higher in major economies, and there are signs in smaller nations that prices are beginning to get traction as well.

Some analysts see the development as the natural next step following a global reflation that began in earnest in mid-2016, just as bond yields were bottoming. Time will tell.

[The Wall Street Journal](#)

Savings rate hits lowest since financial crisis as Americans take on more risk

October 30, 2017, By Jeff Cox

Americans are saving at the lowest pace in nearly 10 years, a sign of growing confidence as money pours into risk.

The savings rate in September fell to 3.1 percent, according to Commerce Department data released Monday. That's the weakest level since December 2007, just as the U.S. economy was entering the worst of the financial crisis amid the Great Recession. The August savings rate was 3.6 percent.

As the downturn's effects back then ate into economic activity, consumers pushed their money into mattresses and reduced debt, which hit a historic peak of 13.2 percent of disposable income in the fourth quarter of 2007, the same time savings had bottomed.

[CNBC](#)

U.S. consumer confidence rises in October to 17-year high

October 31, 2017, By Paul Wiseman

American consumers are the most confident they've been in nearly 17 years, more good news for an already healthy economy.

The Conference Board said Tuesday that its consumer confidence index hit 125.9 in October, up from a revised 120.6 in September and the highest reading since December 2000.

The business research group's index measures consumers' assessment of current conditions and their outlook for the next six months. Both rose in October.

[USA Today](#)

Blame Amazon for America's underfunded public pensions

October 31, 2017, By Bailey Childers

You have to give Amazon credit. In a rare public auction, the retail giant promised up to 50,000 jobs at a second headquarters, or "HQ2," and sat back while 238 cities and states tripped over each other to offer the most lucrative tax break packages. While most of the bids have yet to be disclosed, some are staggering, especially considering the same states have recently claimed they don't have money for pensions, education, infrastructure, or other state priorities.

Illinois and New Jersey, two states notorious for underfunding their public pensions, are suddenly flush with cash when Amazon comes calling. Illinois's bid with Chicago is priced at \$2 billion. New Jersey's bid with Newark more than triples that at a whopping \$7 billion. Since 2000, New Jersey has ranked last among the 50 states in making its annually required contribution to the pension system.

[The Hill](#)

The US economy is strong, and it's about to get even stronger, Atlanta Fed Model Shows

November 1, 2017, By John W. Schoen

The Atlanta Fed model looks at multiple, current measures of economic activity and uses them to forecast where the overall economy is headed.

The latest estimate for fourth-quarter GDP growth is much faster than the 2.9 percent rate the model showed Monday, the Atlanta Fed said. The improved outlook came even as data on U.S. factory output eased off a 13-year high in October.

The GDP Now forecast has roughly tracked the government's initial estimate of the U.S. economy. The Bureau of Economic Analysis will publish its next "advance" estimate on Jan. 27 for the last three months of this year.

[CNBC](#)

Charting the U.S. Economy Powell Will Inherit as Fed Chair

November 1, 2017, By Vince Golle

At the direction of President Donald Trump, the Federal Reserve chairmanship baton will be passed to Jerome Powell, and with it, a U.S. economy that's been uninspiring in terms of growth yet remarkable in its longevity.

America's economic expansion has run for roughly 100 months and is already the third-longest on record, yet the average growth rate is more subdued than the previous three periods. As for the Fed's mandate -- maximizing employment and keeping prices stable -- the report card is mixed.

[Bloomberg](#)

U.S. factory activity index eases off 13-1/2 year high

November 1, 2017, By Lucia Mutikani

WASHINGTON (Reuters) - A measure of U.S. factory activity retreated from a 13-1/2-year high in October as some of the boost from hurricane-related supply disruptions faded, but continued to point to strengthening manufacturing conditions.

Other data on Wednesday showed a surge in private sector hiring in October, indicating that job growth rebounded last month after being depressed in September as hurricanes Harvey and Irma left some workers temporarily unemployed.

Manufacturing and labor strength likely keep the Federal Reserve on track to increase interest rates in December. The U.S. central bank kept rates unchanged at the end of a two-day meeting on Wednesday. The Fed said "the labor market has continued to strengthen and that economic activity has been rising at a solid rate despite hurricane-related disruptions."

[Reuters](#)

Pensions, OPEB rank as states' biggest problem

November 2, 2017, By Paul Burton

Texas and Virginia were among nine states receiving the lowest grade of D-minus for how they handle retirement costs in the report, titled "Truth and Integrity in State Budgeting: What is the Reality?"

Ten others received D grades.

"By far, in financial terms, this is the biggest issue — pensions and OPEB," said Volcker Alliance chairman and former Federal Reserve Chairman Paul Volcker.

"By far, in financial terms, this is the biggest issue — pensions and OPEB," Volcker Alliance chairman and former Federal Reserve Chairman Paul Volcker said while releasing the report during a luncheon at Hunter College's Roosevelt House in New York.

[Bond Buyer](#)

Iowa Employee Pension Accounts Compromised, Security Practices Scrutinized

November 2, 2017, By Theo Douglas

The incident at the state pension fund that began in mid-October came to light on Tuesday, Oct. 31, when IPERS received a telephone call indicating one of its more than 350,000 members had not received a check.

The agency, which counts more than 115,000 retirees among its members, ran system queries and discovered 103 retiree accounts had been "compromised," according to Judy Akre, IPERS director of communications.

The amount thieves took electronically amounted to several hundred thousand dollars, Akre said, but by reaching out to banks and financial institutions involved, a portion of that money was able to be "reverted" to its previous destinations. IPERS had assets of about \$30.7 billion as of June 30.

[Government Technology](#)

U.S. Adds 261,000 Jobs In October And A Revision Restores Job Creation Streak

November 3, 2017, By Bill Chappell

The U.S. economy added 261,000 jobs in October, according to the monthly jobs report from the Bureau of Labor Statistics. The unemployment rate fell by a small notch, from 4.2 percent to 4.1 percent.

While job creation showed a rebound from hurricane season, the October result didn't meet analysts' expectations that the report would easily top 300,000 jobs.

[National Public Radio](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

China's Debt Battle Has Global Growth at Stake

October 29, 2017, By Edna Curran and Chris Anstey

It used to be that when America sneezed, the world caught a cold. This time around, it's the risk of a sickly China that poses a bigger threat.

The world's second-largest economy is now trying to ward off the sniffles. While output is still growing at a pace that sees gross domestic product double every decade, the problem remains that much of that has been fueled by a massive buildup of credit.

Total borrowing climbed to about 260 percent of the economy's size by the end of 2016, up from 162 percent in 2008, and will hit close to 320 percent by 2021 according to Bloomberg Intelligence estimates. Economy-wide debt levels are on track to rank among "the highest in the world," according to Tom Orlik, BI's Chief Asia Economist.

[Bloomberg](#)

Half of European investors plan to boost ESG allocation next year

October 30, 2017, By James Phillips

European institutional investors are leading the way in their response to environmental, social and governance (ESG) concerns compared to their American and Canadian counterparts, research has revealed.

Pension funds and other institutional investors in Europe are the most likely to view ESG strategies as positive compared to across the pond, according to RBC Global Asset Management.

Almost all European investors (96%) believe these strategies will perform better or just as well as non-ESG strategies.

Professional Pensions

China's war on smog, risk, taking edge off Asia's growth sprint

November 1, 2017, 2017, By Marius Zaharia

HONG KONG (Reuters) - Growth in China's manufacturing output slowed in October, threatening to chill activity across Asia, as tough steps to reduce air pollution forced factories to reduce production and a crackdown on financial risk-taking weighed on smaller firms.

While business surveys on Wednesday suggested Asia's export-driven expansion still has legs, the readings are starting to reflect signs of fatigue after an impressive sprint so far this year, suggesting regional economic growth has peaked.

Still, barring any unexpected shocks, most analysts polled by Reuters expect the global economy will remain on a roll for one more year, even if China sees a gradual loss of momentum.[ECILT/WRAP]

Reuters

In Raising Interest Rates, Bank of England Issues 'Brexit' Warning

November 2, 2017, By Peter Goodman

The potential panic phase of Britain's decision to leave the European Union is effectively history. That appeared to be the message delivered by the Bank of England as it lifted interest rates on Thursday for the first time in a decade, tightening credit in the world's fifth largest economy.

But if the risk of a precipitous plunge is now safely in the rear view, a trudge through confusing terrain remains ahead as Britain pushes on toward Europe's exits — or Brexit. It is a journey that will almost certainly entail pain and lost treasure, the central bank explicitly warned in a statement accompanying its rate hike.

New York Times

The Global Economy Looks Good for 2018 (Unless Somebody Does Something Dumb)

November 2, 2017, By Peter Coy

The big story for 2018 is likely to be how to manage the continued expansion. A turning point may come at the end of September, when the European Central Bank might stop or curtail monthly bond purchases. The central banks bought bonds to drive down long-term interest rates; while the Japanese will keep buying, the Americans and soon the Europeans are betting that the patient, the economy, is finally well enough to get along without life support.

The International Monetary Fund, which has reported subpar growth for years, now says “the global upswing in economic activity is strengthening.” In its World Economic Outlook, published in October, the IMF says now would be a good time to deal with issues that went unaddressed during the convalescence from the 2007-09 financial crisis, including sometimes-unpopular measures such as raising retirement ages and making it easier for companies to hire and fire.

[Bloomberg](#)

The global economy is booming. Here’s what that means

November 3, 2017, By Rebecca Ungarino

Global economic health has never been more robust, as the number of countries in recession has fallen to the lowest level in decades, according to a new report from Deutsche Bank.

An analysis of International Monetary Fund forecasts for individual countries' real gross domestic product year-over-year growth from 1980 out to 2021 reflects that the global economy has "never been in better shape," said Torsten Slok, Deutsche Bank's chief international economist.

"We have never seen a smaller number of countries in recession as we do at the moment; and if you look ahead to the next few years ... we are going to see that fall even lower," Slok said Thursday on CNBC's "Trading Nation."

[CNBC](#)

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