



Weekly Clips, November 17, 2017

Texas Pension Review Board

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PRB PLANS

Pension reform could force dozens of Dallas cops and firefighters to retire in January

November 13, 2017, By Tristan Hallman

At 64, Jim Aulbaugh has long been eligible to retire from Dallas Fire-Rescue. He loved working too much to call it quits, but he says he might have to now.

A new state law aimed at fixing the ailing pension fund contains a provision — a vestigial part of the original proposed fix — that could cause him and dozens of other police and firefighters to finally leave their shrinking departments in January.

[The Dallas Morning News](#)

This is how changes in pensions can lead to changes in worker behavior

November 14, 2017, By Alicia H. Munnell

Those of us who think about state and local retirement plans tend to focus on funded levels, the implications of large liabilities for borrowing costs, and the extent to which required contributions may crowd out other activities in the state's or locality's budget. We tend to lose sight of the human resources aspects of public plans. Namely, they are part of a compensation package designed to attract talented people to teach our children, protect our lives and property, and run the government's operations.

Recently, two items — one from Dallas and one from Rhode Island — reminded me that it's important to pay attention to the human resources, or HR, implications of proposed pension reforms. That is, the response of individual participants to changes in their pension plan can introduce unforeseen wrinkles and additional costs into pension reform efforts.

[Market Watch](#)

Pension shortfall could cost Fort Worth taxpayers \$40 million a year

November 14, 2017, By Sandra Baker

Fort Worth taxpayers could be looking at pumping tens of millions of dollars more into the city's employee pension fund if changes are not made soon and before the fund runs out of money, city leaders learned Tuesday.

In a joint meeting of the Fort Worth City Council and the Fort Worth Employees Fund Board, members learned the magnitude of the issue when financial reports prepared by independent actuaries for the fund and the city showed how the fund is struggling. The city's consultant said the fund could run out of money in as early as 20 years, depending on investment returns and if no changes are made.

[Star Telegram](#)

\$61.7M Dallas police, fire back pay lawsuit settlement unanimous City Council approval

November 15, 2017, By Tristan Hallman

The Dallas City Council on Tuesday unanimously approved a \$61.7 million settlement for four of six long-running back pay lawsuits filed by police and firefighters.

The sizable agreement avoids hundreds of millions in claims that would have been owed if a Collin County jury had ruled in favor of the public safety workers. But the city remains exposed to a massive potential liability in two larger class-action lawsuits in Rockwall County.

[Dallas Morning News](#)

TEXAS ECONOMIC INDICATORS

Austin-area housing market on pace for another record year

November 14, 2017, By Shanda Novak

In a year that's shaping up to be another record-breaker, Central Texas home sales increased more than 2 percent in October and the median sales price climbed more than 4 percent, the latest figures show.

Year to date, sales across the region are up 1.7 percent, putting the region on track for an anticipated seventh straight year of record sales, the Austin Board of Realtors said Tuesday.

[Austin American-Statesman](#)

Texas unemployment rate falls to record low

November 17, 2017, By Houston Chronicle Staff

The state unemployment rate fell to a record low in October, slipping below 4 percent for the first time in more than 40 years, the Texas Workforce Commission reported Friday.

Unemployment declined to 3.9 percent from 4 percent as employment growth accelerated to an annual rate of 2.6 percent, nearly double the national rate 1.4 percent. All told, the state gained more than 71,000 jobs over the month and has added more than 300,000 over the past year, the Workforce Commission said.

[Houston Chronicle](#)

While manufacturing is important to Dallas, it matters more in Houston

November 17, 2017, By Evan Hoopfer

About 12.78 percent of Dallas-Fort Worth's gross domestic product in 2016 came from the manufacturing sector. That means \$65.4 billion came from manufacturing, according to the U.S. Bureau of Economic Analysis.

How does that stack up? To compare, the *Dallas Business Journal* examined the 50 U.S. metro regions that have the largest manufacturing GDPs. In layman's terms, the 50 largest manufacturing cities. And of those 50 metro areas, Dallas is right smack dab in the middle with its 12.78 percentage.

[Dallas Business Journal](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

GOP tax reform a mix of good and bad so far

November 13, 2017, By Hazel Bradford

Executives at public pension plans and other state and local entities were equally shocked to learn they could soon have to pay taxes on income earned from investments, as early as 2018. The House wants to expand the rules on unrelated business taxable income, or UBTI, reversing a long-held belief their status as tax-exempt public entities under another tax code section covers investment income as well.

It would also upend a preference of some state pension funds to invest directly in hedge funds, private equity funds or other taxable vehicles, with confidence in the pension fund's tax-exempt status, which the House bill would take away.

Pensions & Investments

House passes bill to curb presidential pensions

November 13, 2017, By Cristina Marcos

The House easily passed legislation on Monday to reduce the pensions and federal benefits provided to former presidents. Before approving the bill by voice vote, lawmakers expressed agreement that modern-day former presidents don't need financial assistance from the government if they already earn salaries in the millions.

Under a law established in 1958, former presidents are eligible for an annual six-figure pension, plus funds for staff salaries, office space and other expenses.

The Hill

Thanksgiving Tax Frenzy- New Tax Bill Proposes Executive Compensation Changes That Could Derail Deferred Compensation and Stock Options

November 14, 2017, By Gregory C. Schick

Congress has been in a frenzy to try and get new tax legislation passed by Thanksgiving, and members of the House and Senate would presumably rather be enjoying a feast rather than drafting and analyzing additional tax provisions when Turkey day rolls around. This blog addresses the executive compensation related provisions in the proposed new tax legislation which is likely to be voted on in the very near future.

National Law Review

U.S. Tax Reform: The Current State of Play

November 17, 2017, By David J. Passey, John G. Crisp and Elizabeth A. Kelly

Earlier today the House of Representatives voted on and passed the Tax Cuts and Jobs Act. If passed by the Senate, the Act would significantly change the current federal income tax regime in the United States. The legislation would impact all levels of the U.S. economy. The final version of the Tax Cuts and Jobs Act passed by the House is the culmination of a series of negotiations and amendments to the original version of the Act that was released by the House on November 2, 2017. The attached chart summarizes key aspects of the Tax Cuts and Jobs Act passed by the House today.

National Law Review

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

The U.S. Yield Curve Is Flattening and Here's Why It Matters

November 12, 2017, By Brian Chappatta

Peter Cecchini, chief market strategist at Cantor Fitzgerald, calls it “the most important thing to have a clear idea about now.” Billionaire fund manager Bill Gross says we’re rapidly approaching a point at which the trend will induce an economic slowdown. Others claim it’s only natural, with the Federal Reserve raising short-term interest rates in the face of stubbornly low inflation.

To put it simply, the Treasury yield curve measures the spread between short- and long-term debt issued by the U.S. government. It’s the extra compensation that investors demand to lock away their money for an extended period.

Bloomberg

Teachers’ retirement system a bright spot in government

November 12, 2017, By The Oklahoma Editorial Board

GOOD financial management hasn't been a strong suit for those in Oklahoma government in recent years, so it's worth noting that the Teachers' Retirement System of Oklahoma has been an exception to the rule.

Tom Spencer, the system's executive director, announced last week that it achieved a 70.4 percent funded ratio for the fiscal year ending June 30, 2017. That's notable because the system has never been that well-funded in the 74 years that have passed since it was created in 1943.

That means the system now has more than 70 percent of the assets on hand to pay all of its pension liability. And projections indicate the system could be 100 percent funded in 17 years.

The Oklahoman

Housing starts likely rose in October as hurricane reverse

November 13, 2017, By Paul Davidson

Hurricanes Harvey and Irma had both positive and negative effects on the economy in September, boosting car sales but hurting housing starts, for example. Those impacts likely reversed in October, which should amount to a net gain for an economy that’s been humming along.

Consumer prices got a lift from the storms in September as refinery disruptions caused gasoline prices to spike. Pump prices, in turn, fell nearly 1.5% last month, PNC Financial Services Group says, tempering inflation overall. Core prices, which strip out volatile food and energy items, rose just modestly in September, defying expectations that damaged homes and vehicles would push up rent and auto prices, says Nomura economist Lewis Alexander. But he says a bump in rent may show up with a lag in the October data. Alexander is also looking for a leap in prescription drug prices after a sharp drop in September.

USA Today

Puerto Rico Requests \$94.4 Billion From U.S. Congress for Rebuilding

November 13, 2017, By Daniel Bases

NEW YORK (Reuters) - Puerto Rico Governor Ricardo Rossello on Monday requested \$94.4 billion from Congress to rebuild the island's infrastructure, housing, schools and hospitals devastated by Hurricane Maria.

"This is a conservative estimate based on similar efforts that have been done in New York, New Jersey and of course in Texas most recently," Rossello said at a press conference streamed online from the National Governors Association in Washington.

US News

Why your mental map of the US economy is probably wrong

November 13, 2017, By Evan Horowitz

If you think of America as a divided nation, with the coastal cities thriving and the vast middle struggling, it might be time to stop.

The heartland has its own high-performing hubs of economic growth. In fact, since 1980, the counties with the biggest income gains lie mostly in the vast middle, including a spring of success across the South and another running up the central corridor, from Texas to the Dakotas.

What's behind the gains of interior America? Oil, gas, and the fracking boom have played a part, but not the only part. Just as important are geographic shifts that have brought manufacturing jobs to the plains and service jobs to the Gulf of Mexico.

Boston Globe

One of the World's Biggest Funds is Slashing Its Exposure to Stocks

November 13, 2017, By John Gittelsohn

The California Public Employees' Retirement System, the largest U.S. pension fund, is considering more than doubling its bond allocation to reduce risk and volatility as the stock bull market approaches nine years.

Calpers is looking at a menu of options for its fixed-income target ranging from the current 19 percent to as much as 44 percent, according to a presentation for a board workshop in Sacramento coming up Monday. Equities could be cut to as little as 34 percent from 50 percent. Stocks were the best-performing asset class in fiscal 2017, returning almost 20 percent.

Bloomberg

US Producer Price Index up 0.4% in Oct, vs 0.1% increase expected

November 14, 2017, By CNBC Staff

U.S. producer prices rose more than expected in October, driven by a surge in the cost of services, leading to the biggest annual increase in wholesale inflation in over 5-1/2 years.

Tuesday's report from the Labor Department also showed steady gains in underlying producer prices, which support expectations of a gradual increase in inflation and keep the Federal Reserve on track to raise interest rates in December.

CNBC

Bevin seeks redo of teacher pension analysis

November 14, 2017, By Staff

LOUISVILLE, Ky. (AP) — Gov. Matt Bevin's efforts to overhaul Kentucky's ailing pension systems took another twist Tuesday when his administration asked consultants to redo their analysis of his proposed changes to retirement benefits for public school teachers.

The request comes days after consultants forecast Bevin's pension bill would cost Kentucky taxpayers an extra \$4.4 billion over 20 years to fund teacher pensions. That projection assumes more teachers would retire early and the state would earn less on investments.

[Harlan Daily Enterprise](#)

Overnight Finance: House passes sweeping tax bill in huge victory GOP | Senate confirms banking regulator | Mulvaney eyed for interim head of consumer agency

November 16, 2017, By Sylvan Lane

House passes sweeping tax bill in huge victory for GOP: The House on Thursday passed legislation to overhaul the tax code, moving Republicans one step closer to achieving the top item on their legislative agenda.

The measure was approved by a vote of 227-205. No Democrats voted for the bill, while 13 Republicans broke ranks to oppose it. "Passing this bill is the single biggest thing we can do to grow the economy, to restore opportunity and help these middle-income families who are struggling," Speaker Paul Ryan (R-Wis.) said ahead of the vote.

[The Hill](#)

NCPERS: Trying to close or freeze underfunded pension plans is misguided

November 17, 2017, By Rob Kozlowski

Policymakers exerting pressure to close or freeze U.S. public pension plans because their funding ratios are less than 100% are misguided, argues the National Conference on Public Employee Retirement Systems in a study in the November edition of the trade association's monthly research newsletter.

U.S. public pension plans for roughly the past quarter-century consistently have met their benefit and other obligations, NCPERS states in the study, which used U.S. Census Bureau data from 1993 through 2016.

[Pensions & Investments](#)

US Rep. Richard Neal, Democrats push bill to ensure retired workers get their full pensions

November 17, 2017, By Shannon Young

U.S. Rep. Richard Neal, D-Massachusetts, joined House and Senate Democrats this week in unveiling a proposal that they say will help ensure more than a million American retired workers can keep their pensions in full.

Democratic leaders in both chambers of Congress announced legislation, which seeks to ensure teamsters, miners and other American workers' retirement plans are not "put at risk," as part of their so-called "A Better Deal" plan Thursday.

[Mass Live](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Act now to protect the recovery

November 12, 2017, By Chris Giles

The change in mood is understandable. For the first year since 2010, all the leading economies are expected to expand in 2017, with none in recession. This is a feat achieved for only a few years in the mid-2000s, 1997 and 1987.

Many leading economies have also performed better than expected, particularly the eurozone, China and Japan. With confidence sky high, Paul Sheard, chief economist at S&P Global, the rating agency, says US president Donald Trump “has unleashed animal spirits”. Mr Trump has also promised to supply the US with “rocket fuel” on an already decent growth rate by means of tax cuts and Jay Powell, the new Federal Reserve chairman, is highly unlikely to take away the punch bowl soon.

However, the reality behind the upbeat new mood in the global economy is more complicated. Central bankers have certainly played a large part by continuing to find ways over the past decade to stimulate their economies against the headwinds of the global financial crisis.

Financial Times

Euro Economy Is Heading Towards a Golden Period

November 12, 2017, By Jana Randow

Europe is no longer the sick man of the world economy. The 19-nation euro-zone bloc is already enjoying the strongest growth in a decade and now economists at Credit Suisse Group AG and Oxford Economics are declaring that it’s heading toward a golden period of low-inflationary expansion.

The turnaround is striking for a region that plunged from the global financial crisis into its own sovereign debt turmoil, record unemployment and near-deflation that threatened the very survival of the currency union. While still to make up most of the ground lost in the dark years, and with productivity still weak, the upturn at least holds out the hope that some scars will start to heal.

“This is euro-area growth at its best,” said Nathan Sheets, a former international economist at the Federal Reserve and U.S. Treasury. “Our friends on the continent should enjoy it, it’s been a long famine.”

Bloomberg

European Commission seeks feedback on how institutional investors can include ESG

November 13, 2017, By Sophie Baker

The European Commission has launched a consultation on how money managers and institutional investors could include environmental, social and governance factors into consideration when making decisions.

The consultation is public, and the commission is seeking comment from beneficiaries and retirement plan participants, pension and insurance providers, insurance companies, money managers, financial advisers, service providers such as those providing indexes and research, and law firms.

Pensions & Investments

Balkans need legal reforms to boost economies, IMF says

November 13, 2017, By Reuters Staff

BELGRADE/SARAJEVO (Reuters) - Balkan nations need to develop a legal framework for dealing with bad loans, speed up judicial reforms and improve bankruptcy and insolvency laws to improve their economic prospects, the International Monetary Fund said in report on Monday.

The report on six western Balkan nations - Albania, Bosnia, Kosovo, Montenegro, Macedonia and Serbia - found their banking systems were plagued by lack of funding, a high level of bad loans and poor bankruptcy procedures. Those drawbacks have slowed the growth of lending at their banks, it said.

[Reuters](#)

Venezuela says debt refinancing underway, S&P calls selective default

November 14, 2017, By Andrew Cawthorne, Dion Rabouin

CARACAS/NEW YORK (Reuters) - Venezuela's cash-strapped government said its plan to refinance some \$60 billion in bonds was successfully underway after a creditors' meeting in Caracas but a rating agency declared the nation in selective default over missed coupon payments.

President Nicolas Maduro's negotiating committee met briefly with investors in Caracas on Monday but offered no firm proposals on its intention to alleviate Venezuela's crippling foreign debt amid an unprecedented economic meltdown.

[Reuters](#)

Euro zone growth, eclipsing U.S. economy, set to be best in decade

November 14, 2017, By Example

The euro zone's annual economic growth rate outstripped that of the United States in the third quarter setting up 2017 as the best year for the currency area since financial markets crashed a decade ago.

Germany was a major factor, but even some of the bloc's laggards, such as Italy, showed signs of revival.

Eurostat, the European Union statistics office, confirmed a preliminary estimate that euro zone gross domestic product (GDP) grew 0.6 percent from July to September from the previous quarter and on a year on year basis was 2.5 percent higher.

[Reuters](#)

Commodities extend losses as traders take profits after weaker Chinese data

November 15, 2017, By Henry Sanderson and David Sheppard

Markers are jittery over uncertainty as weaker-than-expected industrial production growth, retail sales and fixed asset investment in October showed that China's structural reform of its economy has deepened, according to Helen Lau, an analyst at Argonaut Securities in Hong Kong.

Fixed asset investment growth in China fell to 7.3 per cent in the first ten months of this year from 7.5 per cent year-over-year growth in the first nine months. Industrial production grew by 6.2 in October compared to 6.6 per cent year-over-year growth the previous month.

Metal prices had also "over-priced in positive developments with regards to China's supply side reform, winter production cuts or the robust growth outlook in electric vehicles," Ms Lau added.

[Financial Times](#)

Foreign Investment and National Security: Stricter Controls Proposed by the EU November 15, 2017, By Gillian Sproul

Within the last few weeks, both the EU and the UK have published proposals for greater screening and control of foreign direct investments (FDI) into their territories. In both cases, these proposals seek to balance the protection of critical national infrastructure and technology on the one hand and an open foreign investment environment on the other.

The EU proposals seek to address an increase in inward investments by individuals and businesses from emerging economies such as Brazil and China, whose share of investment into the EU over the past 20 years has increased by over 1000 percent and 600 percent respectively.

[National Law Review](#)

Oil Rally May Be Inflation Game Changer for Asian Central Banks November 15, 2017, By Edna Curran

With the region's economic growth already enjoying the tailwinds of an export boom, the ingredients for a pick-up in inflation are falling into place.

Food costs can rise in response to higher oil prices, with implications for policy makers in emerging Asia, where the combined weight of food and energy in inflation gauges averages 38 percent, and is around 50 percent or higher in several markets, according to analysts at Nomura Holdings Inc.

[Bloomberg](#)

EU Audit Admits Greek Bailouts Didn't Go as Planned November 16, 2017, By Viktoria Dendrinou

Greece's successive bailouts have only met their objectives to a limited extent as economic growth remains weak, debt has increased and banks' ability to lend is still restricted, according to a report by the European Union's auditors.

While the lifelines ensured the country could meet its financial obligations and improve its budget situation, they failed to achieve their main goal of full market access for the continent's most indebted state, according to the examination by the Luxembourg-based European Court of Auditors. The report focused on how the European Commission, the EU's executive arm, helped oversee Greece's three rescue programs.

[Bloomberg](#)

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