



Weekly Clips, December 8, 2017
Texas Pension Review Board
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PRB PLANS

Texas retired teachers leaving state health program in droves

December 7, 2017, By Julie Chang

About 7,800 retired Texas teachers are abandoning the health insurance program the state has created for them — long one of the top benefits for Texas public school teachers — a troubling development for a health care system that faces a \$700 million funding shortfall.

The abnormally large wave of requests to leave the health insurance program, which is housed under the Teacher Retirement System of Texas, threatens to exacerbate the program's budget woes and signals possible higher costs to retired teachers down the road.

"Before if somebody called and told me they were leaving TRS-Care, I would have said, 'Why would you do that,' and advise against it," said Tim Lee, executive director of the Texas Retired Teachers Association. "But this plan has become far more expensive and there are real reasons that somebody may choose to leave ... and most of it has been, can they afford it."

[Austin American-Statesman](#)

TEXAS ECONOMIC INDICATORS

Withdrawal from NAFTA would damage Texas's economy

December 3, 2017, By Matt Rose

Over the past two-decades, NAFTA has powered the growth of Texas' economy. Almost one million jobs in Texas are supported by trade with Mexico and Canada. In 2015, Texas exported more than \$125 billion in goods to Mexico and Canada. That's more than the next 50 export destinations combined. This means that one out of every eight dollars of economic activity in Texas is supported by exports to countries around the world, and nearly half of that is connected to exports to Mexico and Canada.

Abandoning NAFTA would trigger disastrous consequences for Texas workers and businesses throughout the state.

Recently, San Antonio hosted members of the Senate for a congressional field hearing on the modernization of NAFTA. Sen. John Cornyn highlighted the importance of NAFTA to the entire U.S. economy, but especially Texas when he said after the recent hearing, we should make sure "to do no harm."

[San Antonio Express-News](#)

Texas ranks No. 2 on Forbes list of best states for business

December 4, 2017, By Megan Donofrio

Texas climbed two spots this year to sit at No. 2 on the Forbes 2017 list of the best states for business. Analyzed across six categories — business costs, labor supply, regulatory environment, economic growth, climate prospects and quality of life — the \$1.6 trillion Texas economy is second only to California.

Due to strong employment and gross state product growth over the past five years, Texas ranks first for current economic climate. Texas boasts a strong gross state product, with 2.2 percent job growth and the cost of doing business 11.5 percent below the national average. AT&T, ExxonMobil and Dell are just a few of the major companies headquartered in Texas. In total, Texas is home to 100 of the 1,000 largest public and private companies in the United States.

[Houston Agent Magazine](#)

November saw a surge in D-FW “sold” signs

December 8, 2017, By Steve Brown

North Texas home sales soared in November - the second month in a row of double-digit percentage gains from the same month in 2016.

More than 8,600 preowned single-family homes were sold by area real estate agents last month, an increase from the 8,376 houses that changed hands in October and the 7,569 purchases in November 2017.

The final months on the calendar usually see a slowing of sales. But home purchases have stayed strong in North Texas through the end of 2017.

[Dallas Morning News](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

US Senate Passes Tax Reform Legislation- Here Is What You Need to Know

December 4, 2017, By Squire Patton Boggs

This week, House and Senate leaders are expected to begin the process of conferencing their respective versions of the bill. In particular, they will have to reconcile differences between the two Chambers, including the phase-in of the corporate rate, pass-through rates, Byrd-rule compliance, repeal of the Obamacare individual mandate and the mortgage interest deduction (to name a few). With hopes of passing the reconciled bill and getting it to the President prior to December 25, 2017, the GOP could be mere weeks away from securing their long-awaited and hard-fought legislative “win.” (NB: Though we are currently predicting a formalized conference process between the two chambers, the possibility remains that the Senate will simply say to the House, “this is the best we can do – take it or leave it.”)

In our previous alerts, available here and here, we have discussed the substance of the House and Senate bills, respectively. Tax-writers have made important changes since those were published, so, in this alert, we take stock of the latest developments. Below we highlight key aspects of the Senate-passed bill, starting with a brief overview of some domestic provisions, followed by more detailed points applicable to multinationals.

[National Law Review](#)

Senate passes tax bill; focus on House differences is next

December 4, 2017, By Hazel Bradford

Senate Republicans are celebrating passage of their \$1.4 trillion tax cut package but stark differences with the House version, including taxing public pension funds' investment income, will make it challenging to finalize tax reform by the end of the year.

When a conference committee of the two chambers meets in the coming weeks, one of the biggest stumbling blocks will be the \$1 trillion the Senate package adds to the federal deficit, as calculated by the non-partisan Joint Committee on Taxation. The federal debt ceiling is projected to be reached Thursday, but another short-term extension is now likely, given the tax reform push.

[Pensions & Investments](#)

Pa. Officials restore six-figure pension for former senator convicted of corruption

December 6, 2017, By Liz Navratil

Years after Robert Mellow went to federal prison for corruption, the longtime Democratic leader of the state Senate will get his \$245,000 annual pension back, a state board has narrowly decided.

It's the only time in at least 11 years that the board of the State Employees' Retirement System has returned someone's pension after it was taken away for a criminal conviction. Former State Sen. Mellow had appealed the initial decision.

[Pittsburgh Post-Gazette](#)

The Latest: Lawmakers Pass Retirement Bills After Changes

December 7, 2017, By Associated Press

Michigan lawmakers have approved legislation aimed at underfunded municipal retirement plans, after deciding to abandon a contentious proposal for state intervention in communities that are unwilling or unable to resolve their liabilities.

New versions of the bills were passed early Thursday, capping a marathon session. Lawmakers will give a final OK to the legislation next week.

[US News & World Report](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Funded status for U.S. corporate plans continues upward march

December 4, 2017, By Meghan Kilroy

The funded status of the largest U.S. corporate pension plans improved in November, according to reports from Wilshire Consulting and Legal & General Investment Management America.

The aggregate funding ratio for S&P 500 companies with corporate pension plans rose 1 percentage point over the month to 85.6%, according to Wilshire.

[Pensions & Investments](#)

Fed rate hike is expected next week and three more increases are expected in 2018: Reuters poll

December 4, 2017, By Reuters Staff

The U.S. Federal Reserve is almost certain to raise interest rates later this month, according to a Reuters poll of economists, a majority of whom now expect three more rate rises next year compared with two when surveyed just weeks ago.

The results, from a survey taken just before the U.S. Senate voted to pass tax cuts that are expected to add about \$1.4 trillion to the national debt over the next decade, show economists were already becoming more convinced that rates will need to go even higher.

CNBC

Missouri's pension buyout expected to save the state \$90 million

December 5, 2017, By Kurt Erickson

The state's largest employee pension system is on track to save an estimated \$90 million as part of a buyout program for former employees.

According to data provided by the Missouri State Employees Retirement System, 3,748 former state workers - from prison guards to social service workers - signed up to receive a lump sum payment rather than wait for a monthly pension check to begin arriving when they reach retirement age.

St. Louis Post-Dispatch

A government shutdown would cost the U.S economy \$6.5 billion a week, S&P says

December 7, 2017, By Jeff Stein

On Wednesday, S&P Global analysts said a shutdown would cost the economy about \$6.5 billion per week, or about 0.2 percent of gross domestic product growth in the fourth quarter of 2017, as the impact of furloughing federal employees ripples across the country.

"If a shutdown were to take place so far into the quarter, fourth-quarter GDP would not have time to bounce back, which could shake investors and consumers and, as a result, possibly snuff out any economic momentum," the report says. "The timing could not be worse."

Washington Post

Pension plans will need nearly \$800 million more next year, Kentucky Retirement System says

December 7, 2017, By Tom Loftus

Nearly \$800 million more will be needed next year to put the state and local government retirement plans of the Kentucky Retirement Systems on the road to recovery.

That breaks down to \$477 million more for three plans that provide pension and health benefits for state government retirees, and \$317 million more from local governments and school districts for the pension and health benefits of their employees.

Courier-Journal

Can CalPERS Time the Market?

December 7, 2017, By Amy Whyte

“What’s a CIO to do in light of the knowledge that a correction could happen?” Cummings asks. “If they de-risk, they could possibly leave return on the table. So do they get out of equities, do they change the position?”

The California Public Employees’ Retirement System, led by CIO Ted Eliopoulos, is among the allocators now attempting to answer that question. At a board workshop in mid-November, CalPERS managing investment director Eric Baggesen presented four possible portfolio changes to adopt beginning in 2018. One option, including a 50 percent allocation to global equities and a 28 percent fixed-income target, closely resembled CalPERS’ existing portfolio at the end of September, adhering to the 7 percent expected return the board adopted in December 2016.

Institutional Investor

Bond market puts up a caution flag for Fed and economy

December 7, 2017, By David Nicklaus

Of even more concern is the behavior of the yield curve, a term for the relationship between short- and long-term rates. In good times, the curve has a steep upward slope because investors want to be paid more for tying up their money.

The yield curve has flattened considerably in recent months. One closely watched measure, the spread between 10-year and two-year Treasuries, has fallen to just half a percentage point, its lowest level in a decade.

St. Louis Post-Dispatch

US debt ceiling threat could ‘snuff out’ economic recovery, S&P warns

December 7, 2017, By Tim Wallace

Defaulting on the debt could even plunge the economy into recession, Standard and Poor’s warned.

Efforts have been focused on the new tax bill rather than extending funding to government agencies, S&P said, which has to be done before Friday, and the debt ceiling deadline of Dec 15. If no resolution is reached then the government will run out of money in the spring.

The Telegraph

US employers add 228K jobs; unemployment rate stays 4.1 pct.

December 8, 2017, By Christopher Rugaber

U.S. employers added a robust 228,000 jobs in November, a sign of the job market’s enduring strength in its ninth year of economic recovery.

The unemployment rate remained at a 17-year low of 4.1 percent, the Labor Department reported.

Friday’s jobs report made clear that the U.S. economy is on firm footing and is likely benefiting from more resilient global growth, with all major economies across the world expanding in tandem for the first time in a decade.

Houston Chronicle

Retailers' December imports to rise on last-minute restocking: NRF

December 8, 2017, By Reuters Staff

Imports by retailers are forecast to rise 1.5 percent in December year-over-year, indicating that companies are expecting strong sales through the holiday season, according to industry group National Retail Federation (NRF).

Major U.S. retail container ports are expected to handle 1.6 million Twenty-Foot Equivalent Units (TEU) in December, according to the NRF's monthly Global Port Tracker report. A TEU is a 20-foot-long cargo container or its equivalent.

More than 174 million U.S. shoppers made purchases over the Thanksgiving weekend and Cyber Monday, the NRF said last week, beating the industry group's expectations and signaling a strong start to the holiday quarter.

[Reuters](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Asia To Stay World's Fastest-Growing Region Through 2030

December 4, 2017, By Anthony Fenson

The global economy is continuing its gradual recovery from the financial crisis, with the latest data pointing to a broad-based pickup. However, longer term Asia is seen maintaining its position as the fastest-growing region, with China and India leading the charge.

The Organization for Economic Cooperation and Development's (OECD) latest "Economic Outlook" report suggests fiscal and monetary stimulus has underpinned a synchronized improvement in growth rates across most countries. The Paris-based organization forecasts a 3.6 percent global expansion this year, rising to 3.7 percent in 2018, albeit still below the pre-crisis period and that of past recoveries.

[The Diplomat](#)

Support for Brazil's pension reform more organized: lawmaker

December 4, 2017, By Ricardo Brito and Viga Gaier

The government of Brazil's President Michel Temer is far from assembling the coalition needed to pass a landmark pension reform, but potential supporters of the measure are now more organized, a key legislator said on Monday.

"We're still enormously far (from having the needed votes), but we have a party leader committed, a party president committed, one party that's set to commit," Brazil's lower house speaker, Rodrigo Maia, told journalists after an event in Rio de Janeiro.

[Reuters](#)

China's Bid to Become Market Economy Opposed

December 4, 2017, By Ayako Hobbs

The Trump administration has formally opposed China's bid to be recognized as a "market economy." Aligning itself with the European Union and other countries including Japan, the U.S. submitted a statement to the World Trade Organization ("WTO") in mid-November and made its decision to oppose public on November 30, 2017.

Under a market economy status, China would be protected from WTO members applying non-market economy methodologies when investigating China's anti-dumping regulations. China was expecting to automatically be considered a market economy last year pursuant to paragraph 15 of China's Protocol of Accession. If the WTO denies market economy status, China will face increased tariffs and stands to lose billions in exports.

[The National Law Review](#)

Retirement is becoming a self-serve item, too

December 4, 2017, By David Isrealson

Many forces are pushing and drawing Canadians toward working out their own destinies. They include the decline of defined benefit pension plans, the closing and consolidation of bank branches, the rise of online and mobile banking and the increasing ease and lower costs of self-serve investing in general.

The platinum pension continues to disappear. Between 2002 and 2012, the number of Canadians in the private sector enrolled in registered pension plans declined from 27 to 23 per cent, and the number of private-sector workers who enjoyed defined benefit pension plans dropped precipitously from 73 to 48 per cent.

[The Globe And Mail](#)

Why taking the bull by the horns is not always enough with pensions

December 4, 2017, By Michael Kennedy

As a result of such 'encouragement', we have a growing industry of defined benefit to defined contribution transfers, and these rumblings among financial advisers that giving up the security of a final salary pension usually just isn't a good move.

Also, the Bank of England 'guvnor' Mark Carney has hinted that the base rate of interest could soon rise to 1 per cent, twice its current level, which will hit the transfer value of final salary pensions. The high transfer values we now see – 30 or 40 times the annual pension – are unlikely to last.

[The Irish News](#)

Venezuela Will Create New 'Petro' Cryptocurrency, President Maduro Says

December 4, 2017, By Bill Chapell

Venezuelan President Nicolás Maduro says his country will create a cryptocurrency system called the "petro," backed by oil reserves and other natural resources, in his latest attempt to cope with an abysmal national economy and multiple rounds of U.S. sanctions.

Unveiling the petro plan on his weekly national TV program Sundays with Maduro, the president said the cryptocurrency (in Spanish, criptomoneda) could help Venezuela evade international sanctions.

[NPR](#)

European shares edge lower amid Brexit uncertainty; Provident tumbles 12%

December 5, 2017, By Alexandra Gibbs and Sam Meredith

European markets were slightly lower on Tuesday afternoon, as investors digested the latest news surrounding Brexit talks and monitored fresh economic data.

The pan-European Stoxx 600 edged 0.24 percent lower during lunchtime deals with most sectors in negative territory, while major bourses pointed in opposite directions.

Europe's basic resources stocks led the losses, down more than 1.1 percent amid heavy falls in metals markets. Glencore, Antofagasta and Anglo American were all more than 1 percent lower.

CNBC

U.K., U.S. lag in OECD ranking of gross retirement replacement rates

December 5, 2017, By Sophie Baker

The U.K. comes last in a ranking of future gross replacement rates at 22%, finds a new report by the Organization for Economic Cooperation and Development.

The OECD's "Pensions at a Glance 2017" report analyzed the level of retirement benefits from mandatory public and corporate plans relative to earnings. For full-career workers with average earnings, the future gross replacement rate averages 53% for men and 52% for women in 35 OECD countries.

Pensions & Investments

Will 2018 be a turning point for markets?

December 6, 2017, By Stephanie Baxter

After a year of stellar growth and stubbornly high valuations, asset bubbles may be forming that could lead to market corrections. Stephanie Baxter looks at what 2018 has in store.

It has been yet another challenging and eventful year for pension scheme investors. Geopolitical risks emanating from North Korea, Brexit, and European elections dominated the agenda but did not feed into the financial markets. In fact, despite concerns these risks would shock markets, 2017 has actually turned out to be a pretty positive year globally.

Professional Pensions

Brexit: 3 shocking things we learned last week

December 7, 2017, By Ivana Kottasova

The U.K. doesn't yet know what Brexit means, what economic impact it will have or how to execute it.

These are the big takeaways from a week of turmoil that prevented Prime Minister Theresa May from unlocking the second phase of Brexit talks about the future terms of trade between the U.K. and the European Union.

Negotiations continue, but time is tight: Britain will crash out of the EU if no deal is agreed by March 2019, an outcome that the U.S. Chamber of Commerce warned Wednesday would be "devastating."

CNN

E.U. and Japan Reach Deal to Keep “Flag of Free Trade Waving High”

December 8, 2017, By Prashant S. Rao and Jack Ewing

The European Union and Japan said on Friday that they had finalized a sweeping deal that would create a free trade area covering more than a quarter of the world’s economy, pushing against rising calls for protectionism in much of the West.

Leaders of both parties to the agreement trumpeted its strategic, as well as economic, importance. That it was announced just hours after Britain and the European Union broke a deadlock to start a new round of talks over that country’s withdrawal from the bloc only heightened its symbolic impact.

[New York Times](#)

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