



Weekly Clips, December 22, 2017
Texas Pension Review Board
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PRB PLANS

City of Houston Pension Obligation Bonds - \$1 Billion

December 18, 2017, By Jeffrey L. Garceau

This week's featured bond comes from the State of Texas. The City of Houston is issuing \$1 billion in pension obligation bonds the week of December 18, 2017. These pension obligation bonds are being issued as a single series. The purpose of this debt issuance is to use the proceeds to fulfill currently unfunded liabilities of the Houston Municipal Employees Pension System (HMEPS) and the Houston Police Officers Pension System (HPOPS).

MuniNet Guide

Injunction sought to stop Houston's \$1 bln pension bond sale

December 19, 2017, By Reuters Staff

Dec 19 (Reuters) - A lawyer sought a temporary injunction on Tuesday to stop Houston from selling \$1 billion of pension bonds until a lawsuit seeking to void voter approval of the debt can be heard in court. But the sale of the taxable bonds through senior underwriters Barclays Capital and Jefferies was moving forward as planned on Tuesday, according to Max Moll, spokesman for Houston Controller Chris Brown.

The lawsuit, filed in Harris County District Court on Friday, contends the Nov. 7 ballot measure for the bonds mislead voters by failing to mention that money to pay off the debt would not be subject to Houston's property tax cap. It asks the court to void the election result.

Reuters

TEXAS ECONOMIC INDICATORS

Newly Released High-Speed Rail Impact Study Highlights Potential Houston Terminals

December 18, 2017, By Kyle Hagerty

Texas Central Railroad's \$15B bullet train connecting Dallas to Houston hit a major milestone, completing a highly anticipated environmental impact study. The study, signed by the Federal Railroad Administration, looks at six different route alternatives and several station locations for the 240-mile electrified rail line.

As part of its initial planning effort, Texas Central Railroad identified and evaluated four HSR corridor alternatives and then narrowed down to two options: One that primarily followed the BNSF rail line and one using existing, high-voltage transmission line easements along the utility corridor.

BISNOW

Tech job growth is fueling D-FW's office boom

December 18, 2017, By Steve Brown

The Dallas-Fort Worth real estate market isn't built out of bricks and mortar. It's jobs that keep the construction cranes swinging and homebuilders hammering out new subdivisions. As of October, D-FW was the top market in the country for year-over-year employment gains. North Texas has added more than 94,000 workers since a year ago.

Many of those workers filling up all the office space in D-FW are taking high-tech jobs, according to a new report by commercial property firm JLL. D-FW has been one of the top gaining markets for tech sector employment in the last five years, JLL found.

[Dallas News](#)

Fort Worth Has Most Vacant, Developable Land in Metroplex

December 19, 2017, By Larry Collins

Looking ahead to the new year, the city Fort Worth seeks to become the powerhouse of North Texas when it comes to big business, development and job creation.

According to estimates from the North Central Texas Council of Governments, Fort Worth has more than 70,000 acres of vacant, developable land. This exceeds every other city in the Dallas-Fort Worth metro area. It more than doubles Dallas, which has less than 30,000 acres of vacant land. The city also has more acreage than the four largest cities in Collin County of Frisco, McKinney, Plano and Allen combined.

[NBC DFW](#)

Texas Economy Finishes the Year Firing on All Cylinders

December 20, 2017, By Christopher Slijk and Keith Phillips

The Texas economy continues to expand at a steady pace as payroll employment rebounds strongly in the wake of Hurricane Harvey. The Texas Business Outlook Surveys suggest continued growth in the state's manufacturing and service sectors. Early benchmark data for job growth in the first half of the year was revised down slightly from an annualized pace of 3.0 percent to 2.6 percent. When incorporating this data and adjusting for the hurricane effects, the Texas Employment Forecast projects 2.4 percent growth this year, slightly below the previous estimate of 2.6 percent. Job growth in 2018 is expected to stay on a similar pace and above the state's long-term trend of 2.1 percent.

[Federal Reserve Bank of Dallas](#)

How will tax overhaul affect Houston economy, real estate market?

December 20, 2017, By Paul Takahashi

The largest federal tax overhaul in 30 years is expected to have a modest impact on the Houston economy and real estate market as it delivers deep tax cuts to companies, puts more money into the pockets of many families, and limits mortgage and property tax deductions.

The tax bill's centerpiece - slashing corporate taxes to 21 percent from 35 percent - is likely to deliver some boost to Houston, which has the nation's second-highest concentration of Fortune 500 companies.

But how big a lift the local economy gets, analysts said, will depend on how companies spend that extra money - whether they invest it in new projects and hiring, or merely distribute it to shareholders and buy back stock to increase share prices.

[Houston Chronicle](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Interesting Angles on the DOL's Fiduciary Rule #74 One More Fiduciary Issue for Recordkeepers

December 18, 2017, By Fred Reish

This is 74th article about interesting observations concerning the Department of Labor's (DOL) fiduciary rule and exemptions. These articles also cover the DOL's FAQs interpreting the regulation and exemptions and related developments in the securities laws.

In my last four posts, Angles 70 through 73, I discussed issues and opportunities for recordkeepers under the new fiduciary rule and the transition Best Interest Contract Exemption. This post covers a carve-out to the fiduciary definition that probably will not work—or, at least, won't work effectively—for recordkeepers.

That carve-out to the fiduciary definition is one that allows recordkeepers to provide lists of the investments available on their platforms that satisfy certain criteria specified by the plan sponsor, for example, performance, expense ratios, volatility, etc.

National Law Review

Bevin can't suspend raises for retired teachers in pension plan, Beshear says

December 20, 2017, By Jack Brammer

FRANKFORT – Attorney General Andy Beshear said Wednesday that changes in Gov. Matt Bevin's proposed public pension bill dealing with the cost-of-living adjustment formula violate state law.

In a four-page opinion requested by state Rep. James Kay, D-Versailles, Beshear said the changes violate the state law that establishes the so-called "inviolable contract" between the state and public school teachers.

The inviolable contract, say public employees and retirees, guarantees they will get the retirement benefits promised to them when they were hired.

Lexington Herald Leader

Gov. Rick Snyder signs municipal retirement changes into law

December 20, 2017, By Emily Lawler

LANSING, MI -- Gov. Rick Snyder on Wednesday signed into law a pared-down package of municipal retiree health care and pension changes. The legislation comes after a task force he formed made some recommendations on the issue, but failed to reach an agreement on some items.

What the legislature passed is what lawmakers could agree on: more financial reporting and help from the state treasury if a community doesn't have an adequate plan to address unfunded liabilities.

"This legislation is an important step forward in addressing one of Michigan's remaining unfunded liability challenges," Snyder said. "I appreciate the task force's hard work in developing a framework that will help move more communities toward greater financial stability. I also look forward to a continued cooperative effort as future work occurs on this important issue."

Michigan News

Kentucky pension reform: Beshear says law protects retired teachers' pay increases

December 20, 2017, By Grace Schneider

In a setback to Kentucky Gov. Matt Bevin's pension reform push, Attorney General Andy Beshear ruled Wednesday that a Republican-backed proposal to suspend cost-of-living adjustments for current retired teachers violates state law.

Beshear's opinion, which is advisory, says the proposal to suspend retiree's annual 1.5 percent payments for five years starting this July would violate the inviolable contract between educators and the state.

The idea of suspending the COLAs, as they are called, has been promoted by Bevin as one step toward restoring the solvency of the state's ailing pension systems. But teacher groups insisted that suspending the adjustments would be illegal because retirees already contributed to their cost-of-living benefits while working.

[Courier Journal](#)

The Final Tax Bill: A Thoughtful Analysis

December 21, 2017, By Saba Ashraf and Adam S. Wallwork

Earlier today, both the House and the Senate passed the Tax Cuts and Jobs Act of 2017 (the final bill). With the signature of President Donald J. Trump, it will become law. The tax legislation represents the biggest overhaul to the U.S. tax system since the tax reform enacted in 1986 under President Ronald Reagan.

Our previous alerts have closely tracked and compared the bills as they were proposed and moved through the House and Senate. This alert focuses more on the final version of the legislation and provides our initial analysis as we begin tax planning under the new rules. We expect to engage in and issue broader and deeper analysis in the coming days and weeks.

[National Law Review](#)

Tax Reform: It Happened, Now What?

December 21, 2017, By Michael L. Platner

The conference report on the tax reform bill (unofficially referred to as **The Tax Cuts and Jobs Act**) has now been approved by both the House and Senate. As you may know, the conference report passed the house on Tuesday morning and was sent to the Senate. During the Senate consideration on Tuesday evening, the Democrats raised a point of order against three provisions in the bill (the Senate Parliamentarian had ruled that these provisions violated the rules of budget reconciliation). One of those provisions was the short title of the bill: The Tax Cuts and Jobs Act. The Republican leadership moved to waive those points of order, which failed on a 51-48 vote (60 votes are required to waive a budget reconciliation point of order), and the three provisions were removed from the bill. Very early Wednesday morning, the Senate approved the amended conference report and sent it back to the House for a final vote. The House approved the amended version early Wednesday afternoon. The final step for this bill is for the House and Senate to finish enrolling the amended version and to send it to the President for his signature. This will not occur until after the first of the year in order to avoid potential sequestration (cuts) in spending for Medicare, Medicaid, and other government programs caused by increased deficits from the tax cuts in the conference report.

[National Law Review](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

South Korea trade ministry says ready to begin renegotiating US trade pact

December 17, 2017, By Reuters Staff

South Korea's trade ministry said on Monday it had reported to parliament a plan to renegotiate the 2012 free trade agreement (FTA) with the United States after President Donald Trump threatened earlier this year to scrap the accord unless it was revised.

The trade ministry said in a statement that Monday's report completes South Korea's own process to begin renegotiations of the KORUS FTA, as it is known.

[CNBC](#)

You can commit a crime and still collect a public pension in many states

December 17, 2017, By Nancy Hicks

Former Nebraska State Patrol Maj. Billy Hobbs, convicted of sexually assaulting a child, has been receiving at least \$1,800 a month in pension benefits during the 11 years he's been in a state prison.

His ex-wife also continued to collect more than \$1,800 each month from his pension following Hobbs' conviction, part of their divorce, according to court records.

That's because Nebraska law allows public employees to collect pensions even if they are convicted of serious crimes.

[Lincoln Journal Star](#)

US Homebuilder Sentiment Hits Highest Mark Since 1999

December 18, 2017, By Associated Press

U.S. homebuilders are feeling more optimistic than they have in nearly two decades.

The National Association of Home Builders/Wells Fargo builder sentiment index released Monday rose five points to 74 this month. That's the highest reading since July of 1999, more than 18 years ago.

Readings above 50 indicate more builders see sales conditions as good rather than poor. The index has remained above 60 since September of 2016.

[US News and World Report](#)

US Stock Indexes Keep Climbing on Tax News and Company Deals

December 18, 2017, By Marley Jay

U.S. stocks are making more gains Monday as investors react to the Republican tax plan, which could boost corporate profits and stock prices, as well as several corporate deals. Two major food companies bought smaller snack makers: Campbell Soup will buy pretzel maker Snyder's-Lance for \$4.87 billion and Hershey will buy Amplify Snack Brands for \$1.2 billion. Banks and technology companies are making some of the biggest gains.

[US News and World Report](#)

Cybersecurity Risks to Employee Benefit Plans- Are You Prepared?

December 18, 2017, By Belinda S. Morgan

Duty to Protect Participant Data. The Employee Retirement Income Security Act of 1974, as amended (ERISA), doesn't currently require plan sponsors to safeguard participants' personally identifiable information (though that may one day change). Even without a specific statutory or regulatory requirement to protect such data, however, ERISA Section 404 still requires benefit plan sponsors and other fiduciaries to administer their plans for the exclusive benefit of plan participants and beneficiaries, and with the "care, skill, prudence, and diligence under the circumstances that a prudent man acting in a like capacity and familiar with such matters would use." That likely includes protecting participants' personal information.

National Law Review

Borenstein: CalPERS about to bury taxpayers, cities, counties in more debt

December 18, 2017, By Daniel Borenstein

Brace yourself taxpayers: CalPERS is about to bury you deeper in debt. The nation's largest pension system is expected to adopt a funding plan this week that anticipates shortfalls during the next decade and then banks on exceptional investment returns over the following half century to make up the difference.

It's an absurd strategy designed to placate labor unions, who want more public money available now for raises, and local government officials who are struggling to make annual installment payments on past debt CalPERS has rung up.

Mercury News

NY City Comptroller proposes pension funds to cut fossil fuel portfolio

December 19, 2017, By Reuters Staff

New York City Comptroller Scott Stringer said on Tuesday his office would propose to the trustees of the NYC pension funds to explore stopping additional investments in fossil fuels and increasing investments in clean energy.

The proposals in the coming weeks will also include divesting current holdings in fossil fuel companies as part of efforts to reduce carbon footprint in various portfolios, Stringer said in a statement. As trustee and custodian of the city's five pension funds, Stringer and his staff oversee its \$160 billion public pension system.

Reuters

Trump Asks 'How's Your 401 (k)?' But Most Voters Don't Have One

December 19, 2017, By Toluse Olorunnipa

President Donald Trump is trying out a new campaign slogan: "How's your 401(k) doing?" The answer for more than half of Americans is that they don't have one.

Trump has tested out the line this month at a fundraiser, a campaign rally and in a White House meeting, predicting that the rising U.S. stock market will help him win re-election. But only about 45 percent of private-sector workers participate in any employer-sponsored retirement plan, and the lower-income workers in Trump's political base are the least likely to hold money in such an account, according to the Government Accountability Office.

Bloomberg

Cuomo Urges New York Pension Fund to End Fossil-Fuel Investments

December 19, 2017, By Emily Chasan

New York Governor Andrew Cuomo on Tuesday called on the \$201.3 billion New York State Common Retirement Fund to stop all significant fossil-fuel investments and develop a plan to “de-carbonize” the portfolio.

“Moving the Common Fund away from fossil-fuel investments will protect the retirement savings of New Yorkers,” Cuomo said in a statement. He cited recent moves by the Norwegian sovereign wealth fund to divest fossil fuels and the World Bank’s announcement that it will stop financing oil and gas exploration within two years.

[Bloomberg](#)

US existing home sales jump to 11-year high

December 20, 2017, By Reuters Staff

The National Association of Realtors said on Wednesday that existing home sales surged 5.6 percent to a seasonally adjusted annual rate of 5.81 million units last month amid continued recovery in areas in the South ravaged by Hurricanes Harvey and Irma. That was the highest level since December 2006 and followed an upwardly revised 5.50 million-unit pace in October.

Economists polled by Reuters had forecast home sales rising 0.9 percent to a 5.52 million-unit rate in November from a previously reported 5.48 million-unit pace in October.

[CNBC](#)

Financial Stability Oversight Council identifies cybersecurity as primary area of risk for the banking industry

December 20, 2017, By Pavitra Bacon

On December 14, the Financial Stability Oversight Council (FSOC), which was established by the Dodd-Frank Act to analyze and mitigate potential threats to the financial sector, released its first report under the Trump administration (the “Report”). FSOC is comprised of representatives from each of the federal financial regulators, including the CFPB. Mick Mulvaney, President Trump’s designee as CFPB Acting Director, signed the report on behalf of the CFPB.

Among other risk areas discussed in the Report, the FSOC identifies cybersecurity as the first area of risk to be addressed by financial institutions.

[National Law Review](#)

Final reading on US Q3GDP is up 3.2%, vs 3.3% growth expected

December 21, 2017, By Associated Press

The U.S. economy grew at its fastest pace in more than two years in the third quarter, powered by robust business spending, and is poised for what could be a modest lift next year from sweeping tax cuts passed by Congress this week.

Gross domestic product expanded at a 3.2 percent annual rate last quarter, the Commerce Department said in its third GDP estimate on Thursday. While that was slightly down from the 3.3 percent rate reported last month, it was the quickest pace since the first quarter of 2015 and was a pickup from the second quarter’s 3.1 percent rate.

[CNBC](#)

How the ‘impact of technology’ could be radically reshaping the US bond markets December 21, 2017, By David Reid

The sell-off in 10-year Treasury bonds won't run much further, according to one strategist, who says the effect of technology will keep a firm cap on U.S. interest rates.

After a long period of benign activity, the 10-year Treasury yield ripped higher to around 2.50 percent this week. Yields move inversely to bond prices. The sudden increase was related to talk of increased government debt and higher inflation caused by tax cuts.

[CNBC](#)

New Jersey lowers assumed rate of return to 7% December 21, 2017, By Robert Steyer

The New Jersey Pension Fund's assumed rate of return has been reduced to 7% from 7.65% by state Treasurer Ford M. Scudder, the second rate cut he has enacted this year.

The reduction was announced Tuesday to board members of the seven pension systems that are part of the \$76.6 billion New Jersey Pension Fund, Trenton, confirmed Willem Rijkssen, a Treasury Department spokesman.

[Pensions & Investments](#)

Owed a Pension? Labor Dept. Broadens Effort to Locate Workers December 21, 2017, By Kristen Ricaurte Knebel

A program that began in a Labor Department Philadelphia regional office to help find retirees who are owed money from pension plans has gone national, an agency official told Bloomberg Law.

Since 2015, the regional office of the DOL's Employee Benefits Security Administration has looked into large defined benefit plans, including some from Fortune 500 companies that have failed to locate and pay retirement-eligible plan participants who are owed benefits. These participants are vested in the pension plan but no longer work for the employer sponsoring the plan.

In the Philadelphia region, there are approximately 86,000 retirees over the age of 65 who are owed pensions and aren't receiving the money, a DOL official familiar with the program told Bloomberg Law Dec. 21.

[Bloomberg](#)

U.N. Investigator On Extreme Poverty Issues A Grim Report – On The U.S. December 21, 2017, By Sasha Ingber

Philip Alston wanted to know: Just how bad is poverty in the United States? He's an Australian law professor who in 2014 was appointed as a United Nations special rapporteur on extreme poverty and human rights. He contacted the Obama administration before the presidential election to get permission to undertake a fact-finding mission in the United States. The Trump administration honored the invitation.

Now, after two weeks of reporting, Alston has released his preliminary findings. And they present a bleak picture. The American dream, he says, is an "American illusion." But he did find a few glimmers of hope.

[NPR](#)

Strong U.S. consumer, business spending bolster fourth quarter growth picture

December 22, 2017, By Lucia Mutikani

WASHINGTON (Reuters) - U.S. consumer spending accelerated in November and shipments of key capital goods orders increased for the 10th straight month, the latest signs of strong momentum in the economy as the year winds down.

But the bullish growth picture was dimmed somewhat as the reports on Friday also showed household savings dropped last month to their lowest level in more than nine years. Low savings could hurt consumer spending, though economists are optimistic wage growth will pick up next year.

[Reuters](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Southeast Asia Is Riding a Global Trade Boom

December 17, 2017, By Jamrisko

Southeast Asian nations are riding a global trade boom that's set to underpin solid economic growth next year, supporting the region as it embarks on monetary policy tightening and braces for a spate of elections.

The Philippines and Vietnam will remain the star performers in 2018, with economic growth projected to exceed 6 percent again, according to the median forecasts of economists surveyed by Bloomberg. Most of the region's top six economies are set to sustain 2017 momentum, with growth in Indonesia seen mildly firmer at 5.3 percent next year, while Singapore and Malaysia will probably moderate.

Export-reliant Southeast Asia is ending 2017 on a high note, counter to fears at the start of the year that a U.S.-China trade war could blow up supply chains and send the region into disarray. Malaysia, Thailand and Singapore all posted third-quarter gross domestic product growth that was faster than at any time since 2014 and earlier.

[Bloomberg](#)

Mexico looks to Europe and beyond for free-trade allies as NAFTA falters

December 19, 2017, By Michael Birnbaum

BRUSSELS — Mexicans want European customers for their cheese and orange juice. Europe's manufacturers hope to sell toothbrushes and marble to Mexico's growing middle class. And if Mexican revelers need some fizz to ring in the New Year, France wants it to be French champagne.

So much for NAFTA.

With President Trump threatening to tear up North America's 23-year-old free-trade agreement, Mexican officials are in Brussels this week trying to upgrade a deal with Europe to soften the hit.

Mexico is not the only U.S. ally forced to look for new friends. Since Washington shrugged off its role as globalization's biggest cheerleader, Japan has worked out an agreement with the European Union that is awaiting a final green light.

[Washington Post](#)

Argentina passes pension reform despite violent protests

December 19, 2017, By Staff

Clashes between protesters and police broke out on Monday ahead of the vote, amid fears the changes would have a heavy impact on the poor. But the governing coalition managed to push through the changes on Tuesday, winning the vote 128-116.

President Mauricio Macri's government said the move was needed to lower the deficit. One of the controversial changes in the new law is moving the retirement age from 65 to 70 for men and from 60 to 63 for women.

At the same time, changes are to be made to the formula used to calculate payments, which is expected to lower the amounts paid.

[BBC](#)

GLOBAL MARKETS- Asian shares waver as U.S. tax bill passes Senate, dollar steadies

December 19, 2017, By Reuters Staff

Asian shares bobbed lower in a choppy session on Wednesday, hobbled by Wall Street's losses as the long-awaited U.S. tax reform bill wound its way through Congress, while higher Treasury yields underpinned the dollar.

The Republican-led U.S. Senate approved the sweeping \$1.5-trillion tax bill in the small hours of Wednesday morning. A re-vote by the House of Representatives was scheduled for later in the day, with approval expected, and the bill will then go to President Donald Trump to sign into law.

[Reuters](#)

Brexit vote is already damaging UK economy, says IMF

December 20, 2017, By Chris Giles

The International Monetary Fund said on Wednesday that Britain's vote to leave the EU is already damaging the UK economy, as it defended its gloomy outlook for the UK after Brexit.

Speaking at the end of the fund's two-week mission to assess the health of the UK economy, Christine Lagarde said the economy was performing much as the Washington-based international organisation predicted before last year's EU referendum.

[Financial Times](#)

EU singles out China as distorted state-run economy

December 20, 2017, By Philip Blenkinsop

The European Union introduced new rules on Wednesday to guard against excessively cheap imports and singled out China for special attention in a report spelling out how its economy is distorted by the state.

In a 465-page report, the European Commission concluded that Beijing exerts a decisive influence over the allocation of resources, such as land or capital, and influences prices of various factors of production "in a very significant manner".

[Reuters](#)

Britain to EU: You Need Our Banks as Much as They Need You

December 20, 2017, By Robert Hutton

The day after the European Union's chief negotiator warned that there could be no special deal for Britain's finance sector, the U.K. sent a message back: You need our banks as much as they need you.

"The City of London is actually the banker for Europe," Prime Minister Theresa May told a parliamentary committee on Wednesday. "It's a significant provider of capital finance for Europe. There will be greater recognition of the role that the City plays."

[Bloomberg](#)

China's Clever Tax Solution

December 21, 2017, By Shuli Ren

If Donald Trump finds tax rates in the U.S. too high, he should check out China. There, the effective corporate levy is 67.3 percent, the 12th highest among 190 economies polled by the World Bank. A similar measure in the U.S., which includes charges such as mandatory social security contributions, was 43.8 percent.

To be sure, it's not corporate income tax that's burdening China Inc. The nominal corporate rate may be 25 percent, but effectively, about half of the nation's publicly listed companies paid less than 17 percent in the latest quarter, data compiled by Bloomberg shows.

[Bloomberg](#)

Pension funds set to transform British businesses doing good

December 21, 2017, By Lee Mannion

LONDON (Thomson Reuters Foundation) - Britain is mulling legal reform to encourage pension funds to invest more of their billions in businesses with a positive social impact, such as green energy and social housing.

Millions more people are putting aside money for their retirement following the introduction of auto-enrolment, where companies automatically sign staff up to pension schemes.

[Reuters](#)

Temer warns pension reform failure will hurt Brazil's credibility

December 22, 2017, By Reuters Staff

BRASILIA (Reuters) - Brazil's President Michel Temer warned on Friday the country would face economic volatility and loss of international credibility if a bill overhauling its costly social security system is not passed by Congress early next year.

Speaking to reporters, Temer acknowledged that corruption accusations had undermined his popularity and delayed passage of a pension reform bill that is now scheduled to be put to a vote on February 19. He said his government would not support a candidate in the 2018 presidential elections that does not back pension reform.

[Reuters](#)

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