



Weekly Clips, January 12, 2018  
Texas Pension Review Board  
P.O. Box 13498 · Austin, TX 78711-3498  
[www.prb.state.tx.us](http://www.prb.state.tx.us)

## **PRB PLANS**

### **UTIMCO Hires Harvard Executive as Deputy CIO**

January 10, 2018, By Alicia McElhaney and Amy Whyte

Hall joined Harvard in 2014 from the Teacher Retirement System of Texas, where he previously worked with Harris. His move to UTIMCO was first reported by Axios on Wednesday.

“I feel very fortunate to return to Texas and to be a part of UTIMCO’s leadership team,” Hall said in a statement. “Personally, I consider it a great privilege to serve both the UT and A&M University systems and to support their missions as world-class educational and research institutions that significantly impact the state of Texas and the broader global community.”

[Institutional Investor](#)

## **TEXAS ECONOMIC INDICATORS**

### **Texas ranks near the top (again) for economic freedom**

January 6, 2018, By Dean Stansel and Vance Ginn

Texas' economic policies keep it near the top in economic freedom, but government barriers hinder more human flourishing. The Fraser Institute gleans these insights in its recently released annual Economic Freedom of North America report. Based on variables related to government spending, taxes and labor market freedom, Texas and Florida tied for second place, behind only New Hampshire, where fewer than 1.5 million people reside.

Texas, with a population of roughly 28 million, has ranked in the top five for 11 straight years, and has its highest overall score since the report began. On the other end of the spectrum, New York ranked 50th and California 49th, as they have for three of the last five years.

[The Dallas Morning News](#)

### **San Antonio has third fastest-growing economy in U.S., according to report**

January 7, 2018, By Mariah Medina

SAN ANTONIO - While the U.S. has seen an 11 percent increase in gross regional product in the past five years, some large metropolitan areas have encountered nearly triple the national average.

San Antonio and Austin have seen a more than 30 percent growth of GRP -- the value of all products and services produced in the area -- according to data organized by Headlight Data, an Austin based company.

[KSAT News](#)

## **Texas is starting to become a little less special**

January 9, 2018, By Richard Parker

AUSTIN -- If one thing is clear on the start of the new year, it's this: Texas, which has burned bright since the beginning of the century, is cooling off. The Lone Star State isn't so much headed for a downturn as it is leveling off.

But that doesn't mean it won't continue to change. It will, but in ways more rapid and subtle than we've seen so far. In a nutshell, Texas will start the process of becoming a lot like the rest of America. Yes, I said it. A little less like the Texas I've known for more than 50 years and a lot like the rest of America.

### **[The Dallas Morning News](#)**

## **Texas economy forecast to pick up speed in 2018, Dallas Fed says**

January 9, 2018, By Collin Eaton

The Texas economy is expected gain more momentum this year and add hundreds of thousands of jobs as the energy and manufacturing sectors rebound amid higher oil prices, according to a forecast by the Federal Reserve Bank of Dallas.

The forecast, released Tuesday, coincided with another jump in crude prices to nearly \$63 a barrel amid growing optimism in energy markets that supplies are tightening after a three-year oil glut. The Energy Department, meanwhile, predicted that U.S. oil production, centered in West Texas, will soon exceed 10 million barrels a day for the first time ever as energy demand reaches record levels.

### **[Houston Chronicle](#)**

## **Texas Job Growth 'Firing On All Cylinders,' says Fed**

January 9, 2018, By Paul Flahive

Texas had a 3.8 percent unemployment rate in November, according to the Federal Reserve Bank of Dallas' 2018 economic forecast. It is the lowest rate they have seen they started monitoring it in 1976.

Dallas Fed's vice president and senior economist Keith Phillips said in 2017 the state's job growth was 2.5 percent, but next year it will grow more quickly at 3 percent, adding 366,000 jobs. Phillips described Texas as "hitting on all cylinders" with broad-based growth driven largely by energy and manufacturing.

### **[Texas Public Radio](#)**

## **News data shows DFW's job market is the best in the country**

January 11, 2018, By Evan Hoopfer

Among the dozen largest metropolitan areas in the U.S., Dallas had both the highest job growth rate and the most jobs added from November 2016 to November 2017.

That's according to new information from the U.S. Bureau of Labor Statistics, which released its November data Thursday morning. DFW added 100,400 jobs in the time frame and local non-farm employment rose 2.8 percent for North Texas as a whole.

"The BLS report for November further demonstrates that if you're a company looking to expand, or a worker looking to start or continue your career, there is no better place to be than the Dallas region," said Darren Grubb of the Dallas Regional Chamber.

### **[Dallas Business Journal](#)**

# **LEGAL PROCEEDINGS, LAWS & REGULATIONS**

## **Tax Reform and Employee Benefits – What You need to Know Now**

January 8, 2018, By Arthur T. Phillips and Casey K. Fleming

As you have probably heard by now, the recently enacted Tax Cuts and Jobs Act (the Tax Reform Act) made significant changes to the Internal Revenue Code. With regard to executive compensation, the Tax Reform Act made widely publicized changes impacting public companies and nonprofit entities. The new law also made changes affecting employer-provided retirement, welfare, and fringe benefits.

Nearly all employers, including publicly held, private, and nonprofit, need to understand what is required by the new rules. To get started, here is our list of the Top Three Things to Know Now.

### **National Law Review**

#### **California Pension Battles Play Out in Court**

January 9, 2018, By Matthew Renda

SAN FRANCISCO (CN) – A state appeals court ruled that overtime, severance pay and on-call pay cannot be included in pension formulas for public employees in the latest in the seemingly ceaseless battle over pensions in California.

A three-judge panel of the First Appellate District in the California Court of Appeals attempted to strike a balancing act on Monday between a lower trial court ruling that set forth a rigid interpretation of the state's pension reform and public employee unions that wanted to give discretion entirely to County Employee Retirement [CERL] boards.

"In the end, we believe that the correct understanding of board discretion under CERL lies somewhere in between the expanded notion of discretion espoused by appellants and the constrained, arithmetical approach endorsed by the trial court," Judge Timothy Reardon wrote for the panel in a 73-page opinion.

### **Court House News**

#### **Judge allows pension board reorganization but tells Bevin 'Kentucky is not a police state'**

January 9, 2018, By Tom Loftus

Franklin Circuit Court has dismissed the lawsuit challenging Gov. Matt Bevin's 2016 reorganization of the Kentucky Retirement Systems board but scolded the Bevin administration for its early tactics to enforce that order.

Judge Phillip Shepherd ruled on Monday that the once high-profile challenge to the governor's reorganization powers is now moot because the 2017 Kentucky General Assembly passed a bill affirming Bevin's order restructuring the board.

The lawsuit was filed by Tommy Elliott, a board member appointed by former Gov. Steve Beshear, who was removed from the board by Bevin's order. Joining Elliott in filing the suit was Mary Helen Peter, a member of the board who was not removed by Bevin's order.

### **Louisville Courier Journal**

## **Baltimore fire and police pension changes ruled unlawful**

January 10, 2018, By Hazel Bradford

Some pension reforms made to the \$2.8 billion Baltimore City Fire & Police Employees Retirement System in 2010 were ruled unlawful by Baltimore Circuit Judge Julie Rubin.

In 2014, a federal appeals court upheld the reforms, but left the door open for further challenges under a different legal argument. In 2012, Judge Marvin Garbis declared the change unconstitutional in U.S. District Court in Baltimore, but 4th U.S. Circuit Court of Appeals in Richmond, Va., vacated that decision, saying the active and retired workers' constitutional rights were not impaired by the disparate treatment, but instead were a "mere breach of contract" for which the plaintiffs could seek remedy under state law.

Reforms implemented in 2010 by then-Mayor Stephanie Rawlings-Blake increased employees' contributions and replaced a variable benefit tied to investment returns with a tiered cost-of-living increase. Instead of annual increases that averaged 3% under the variable benefit, the 2010 pension reforms created a tiered COLA that gave older retirees 2% increases, while retirees under 55 did not receive an increase.

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

## **California's Brown Raises Prospect of Pension Cuts in Downturn**

January 10, 2018, By Romy Varghese

California Governor Jerry Brown said legal rulings may clear the way for making cuts to public pension benefits, which would go against long-standing assumptions and potentially provide financial relief to the state and its local governments.

Brown said he has a "hunch" the courts would "modify" the so-called California rule, which holds that benefits promised to public employees can't be rolled back. The state's Supreme Court is set to hear a case in which lower courts ruled that reductions to pensions are permissible if the payments remain "reasonable" for workers.

### **[Bloomberg](#)**

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

## **Military personnel face a critical choice for their retirement plan**

January 7, 2018, By Sharon Epperson and Katie Young

The U.S. military is launching a new mission this year, one that aims to ensure more of those who serve are also saving for their financial future.

Pentagon officials are calling the move the biggest update to the military's pension and benefits since World War II. The dramatic changes to its retirement system will impact millions of current and future service members.

Military service has long brought with it a highly valued pension for members of the armed forces, who have made their careers in the U.S. Army, Air Force, Marines, Navy and Coast Guard.

### **[CNBC](#)**

## **Goldman Sachs says US wages will really start to rise this year**

January 9, 2018, By Natasha Turak and Joumana Bercetche

On Friday, the Bureau of Labor Statistics released its nonfarm payroll numbers, a monthly measure of job and wage growth in the U.S. The figures were generally received as disappointing, with a mere nine cent increase in average hourly earnings to \$26.63 in December. The year's increase in average hourly earnings was 65 cents, a relatively low figure considering the strong performance of the country's economy.

### [CNBC](#)

## **NYC sues, divests from oil firms over climate change**

January 10, 2018, By Frank Eltman

NEW YORK — New York City sued five major oil companies, claiming they have contributed to global warming, on the same day officials announced they will sell off billions in fossil fuel investments from the city's pension funds.

Mayor Bill de Blasio said the city would be seeking billions of dollars in the lawsuit to recoup money spent for resiliency efforts related to climate change.

### [The Washington Post](#)

## **Should Tax Reform Change How You Save for Retirement?**

January 11, 2018, By Maryalene LaPonsie

It's the most sweeping tax reform enacted in decades, but don't expect the Tax Cuts and Jobs Act to significantly change how you save for retirement. "I don't know that it fundamentally changes the advice we give," says David Brinkman, an investment relationship manager for Schneider Downs Wealth Management Advisors in Columbus, Ohio.

However, that doesn't mean the law won't have any effect. In particular, those planning to convert money from a traditional to a Roth account should carefully consider the tax implications. For everyone else, it could be wise to increase savings in the coming years to guard against rising health care costs and to take advantage of temporarily lowered tax brackets.

### [US News](#)

## **What does a \$15 minimum wage do to the economy? Economists are starting to find out**

January 11, 2018, By Christopher Ingraham

The United States has one of the lowest minimum wages of any advanced democracy in the world. Those low wages are a factor in everything from rising income inequality to high child-poverty rates to high rates of public spending on assistance programs for low-income families.

As a result, in recent years there's been a push to drastically scale up the minimum wage, including to \$15 an hour by 2024 if some progressive groups have anything to say about it. Conservatives have warned of dire economic consequences if this happens: the elimination of millions of jobs. Steep price hikes. The death of the \$5 foot-long.

### [The Washington Post](#)

## **Are pension system's short-term returns meaningless?**

January 11, 2018, By John J. Mctighe, Jim Baross and David A. Hall

Pension systems are funded by three sources: employees, employers and returns on investment. The goals for those returns on investment are properly focused on the 25-year-plus range, because employees contributing to these plans will not typically receive benefits until after a lengthy career is over. Prudent, long-term investing that meets achievable targets ensures adequate funding of pensions.

Along with most retirement funds across the nation, the county and city pension systems have been gradually reducing their long-term investment return targets in accordance with predictions from actuaries that future investment returns may not be as robust as past returns.

### **[San Diego Union Tribune](#)**

## **This Man Started a Tussle Over North Carolina's \$96 Billion Pension Fund**

January 12, 2018, By Dawn Lim

Dale Folwell promised a fight with Wall Street if he became North Carolina's treasurer. Now, the elected official is clashing with employees as he rethinks how one of the largest U.S. public retirement funds should invest its \$96 billion.

His decision in 2017 to shift more than \$7 billion from outside equity managers into cash and bonds put him at odds with his staff, said people familiar with the matter. Employees worried the action would throw the fund's investment mix out of balance, two of these people said.

### **[The Wall Street Journal](#)**

## **Financial performance, not politics, matters most to America's pension holders**

January 12, 2018, By Mark J. Perry

Every January, the New Year sees millions of Americans make a host of resolutions; to give something up, exercise more, and of course most common of all, be more financially responsible. We look at our bank account and non-pension investments knowing that the more we save today, the more comfortable we will be when we retire.

But new research suggests that the financial cushion we spend years building up, may not be what be enough. According to a study released last week by Spectrum Group, many pension members are unaware that a significant number of public funds are underperforming and underfunded, partly at least, because they are increasingly focusing on socially or politically motivated investment strategies.

### **[Washington Examiner](#)**

## **Will mutual funds get a pension plan in budget 2018?**

January 12, 2018, By ET Online

Mutual funds have been asking for a pension plan with an exclusive tax deduction for a long time. Some mutual fund players are hopeful that the government may finally allow it in the coming budget. "We are hopeful that the government would allow a pension plan. This will help us to offer a long-term retirement plan," said a senior mutual fund official.

### **[The Economic Times](#)**

### **3 challenges to getting the world ready for retirement – and 3 solutions**

January 12, 2018, By Daniel Houston

Given the projection of a global pension asset shortfall of \$400 trillion by 2050, I expect to hear a lot about retirement within the broader agenda of sustainable and inclusive economic development at Davos.

The issue reflects a convergence of multiple global factors: ageing populations, longer life expectancies, lower fertility rates, as well as low interest rates. Combined with high levels of government debt and global business competition, it's clear why responsibility for financial security continues to shift to individuals. Many call this a retirement security crisis. But in my mind, it's only a crisis if we – governments, employers, providers, asset managers and individuals – fail to come together and act.

#### **World Economic Forum**

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

### **Italy's rightist bloc vows to reverse pension law if elected**

January 7, 2018, By Crispian Balmer

One of their main early goals if they win power would be to eliminate the “damaging effects” of 2011 legislation, named after then-Welfare Minister Elsa Fornero, which called for staggered increases in the retirement age.

Italy still spends more than 16 percent of its gross domestic product on state pensions, the second highest percentage in Europe after Greece. Economists warn that undoing the law would cost billions of euros and alarm financial markets.

But the law is highly unpopular with Italians and the Northern League, led by Matteo Salvini, has made its repeal its number one priority. “Cancelling the Fornero Law (is) in the center-right program. Mission accomplished,” Salvini wrote on Twitter on Sunday.

#### **Reuters**

### **Pension crisis looms as Afghanistan grapples to fix public finances**

January 8, 2018, By James Mackenzie

KABUL (Reuters) - In a country not short of problems, a looming pensions crisis that could cripple Afghanistan's budget in coming years is a new headache for a government dependent on increasingly war-weary foreign donors.

Pension liabilities - set to swallow the equivalent of a third of the current \$5 billion budget within 15 years unless something is done - typify accumulated problems the government is now trying to tackle.

“Previously, they kicked the can down the road and it's snowballing right now and needs to be fixed,” said Deputy Finance Minister Khalid Payenda. Many countries face pension problems but it is especially unwelcome in Afghanistan, struggling to restore an economy shattered by four decades of war.

#### **Reuters**

## **Japan investors bet big on Bitcoin**

January 8, 2018, By AFP

Known as "Miss Bitcoin" on Japanese social media, Mai Fujimoto says she invests all of her savings in the virtual currency that has proved a huge hit in Japan. "I convert all my disposable income into cryptocurrency," the 32-year-old tells AFP. "I've been doing this for nearly a year now. I convert all my savings into cryptocurrency instead of putting them in a bank."

She is not alone in her enthusiasm. Bitcoin is recognised as legal tender in the world's third- biggest economy and nearly one-third of global bitcoin transactions in December were denominated in yen, according to specialised website jpbitcoin.com.

## **The Economic Times**

### **The global economy is doing great... for now**

January 10, 2018, By Daniel Shane

The World Bank just upgraded its forecast for this year after a stronger than expected 2017.

Countries around the world are experiencing a broad upturn that's expected to last for "the next couple of years," the bank said Tuesday in its latest Global Economic Prospects report.

It predicts the global economy will expand 3.1% in 2018, up from the 2.9% it previously forecast in June. That's also faster than the 3% growth the world managed last year, according to the bank.

## **CNN**

### **World Bank: Global growth will peak this year and then decline**

January 10, 2018, By Camilla Hodgson

LONDON — Global growth is likely to peak this year and decline going forward, due to a slowdown in productivity, weak investment and ageing workforces worldwide, the World Bank has said.

According to a new report, global economic growth will edge up to 3.1% in 2018 after a much stronger than expected 2017, driven by the recovery in investment, manufacturing and trade. But momentum is then likely to wane, and growth is projected to drop back to 3% in 2019 and 2020, with the slowdown likely to extend into the next decade.

## **Business Insider**

### **S&P Cuts Brazil Debt Rating as Pension Reform Doubts Grow**

January 11, 2018, By Reuters Staff

BRASILIA, Jan 11 (Reuters) - Ratings agency Standard & Poor's cut Brazil's credit rating on Thursday as doubts grew about the result of a presidential election in October and a push to trim its costly pension system, seen as vital to closing a huge fiscal deficit.

S&P lowered its long-term rating for Brazil sovereign debt to BB- from BB previously, with a stable outlook, citing less timely and effective policymaking. S&P also said there was a risk of greater policy uncertainty after this year's elections.

## **Reuters**

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