



Weekly Clips, February 9, 2018
Texas Pension Review Board
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PRB PLANS

Hedge fund investments rebound, up 5.6%

February 5, 2018, By Christine Williamson

Investments in single and multistrategy hedge funds by the largest funds in P&I's universe rose 6.1% to \$132.2 billion in the year ended Sept. 30, 2017, and hedge fund-of-funds assets rose 3.4% to \$27.4 billion.

By contrast, P&I survey data as Sept. 30, 2016, showed direct investments in hedge funds fell 4.7% in the year and hedge fund-of-funds assets were down 13.7%.

The largest hedge fund investor in P&I's 2017 survey remained the Teacher Retirement System of the State of Texas, Austin, which reported a 10% increase to \$11.8 billion in single and multistrategy hedge funds in the year ended Sept. 30.

Pensions & Investments

Texas ERS puts \$151m into real estate debt strategies

February 8, 2018, By Jon Peterson

Employees Retirement System of Texas (Texas ERS) has set aside \$151m (€123m) to invest in real estate debt funds.

The pension fund said it has approved a \$101m commitment to BPEA Real Estate Fund II, managed by Hong Kong-based Baring Private Equity Asia, and \$50m to Torchlight Debt Opportunity Fund VI, managed by Torchlight Investors.

As previously reported, BPEA Real Estate Fund II is expected to raise \$750m, according to sources that tracking fundraising.

IPE Real Assets

TEXAS ECONOMIC INDICATORS

Texas Comptroller: Texas has a strong economy

February 4, 2018, By Kathryn Cargo

Texas has the 10th largest economy in the world and has a bright future, Texas Comptroller Glenn Hegar says. Hegar conveyed that message Thursday at the 2018 Victoria Chamber of Commerce Banquet. "I don't know about you, but every day I wake up and I'm proud to call Texas home," he said. "We live in a very blessed state. We're very fortunate to be in this state, especially from an economic perspective."

Victoria Advocate

Thriving Texas Economy Expands Broadly

February 5, 2018, By Stephanie Gullo and Emily Kerr

The Texas economy continues its broad expansion. Texas employment growth accelerated in the fourth quarter and was strong across most metros and industries. The Dallas Fed's Texas Business Outlook Surveys (TBOS) showed notable strength in revenue and production in January, with the three-month moving averages of the headline indexes at levels well above their postrecession averages. However, labor markets continue to tighten, and price pressures are mounting.

The Texas economy is benefiting from oil prices above \$60 per barrel, rising exports, business optimism stemming from the new federal tax law and strength in the U.S. economy. Headwinds include uncertainty about North American Free Trade Agreement renegotiations and a tight labor supply damping the potential for even stronger economic growth going forward.

Federal Reserve Bank of Dallas

Here are the national, North Texas stocks pummeled in the market rout

February 6, 2018, By Example

The recent losses have been widespread and industry agnostic. Among the biggest losers as of Monday was Seattle-based radio technology and software maker Impinj Inc. (Nasdaq: PI), which saw its stock price plummet 45 percent to \$11.94 between Jan. 29 and Feb. 5. Other companies that took double-digit hits to their stock prices included Overstock.com (Nasdaq: OSTK), down 36 percent to \$49.50; Eastman Kodak Co. (NYSE: KODK) down 35 percent to \$6.20; and Bellicum Pharmaceuticals (Nasdaq: BLCM) down 35 percent to \$5.61.

Dallas Business Journal

Dallas Has the 20th Most Expensive Office Rents in the Country

February 7, 2018, By Julia Bunch

Office rents continue climbing to rates many longtime brokers thought they'd never see in North Texas. A new study from Commercial Café shows just how expensive Dallas rent is compared to other major metros (using data from real estate firms CBRE and Cushman & Wakefield).

Turns out, Dallas is the 20th most expensive U.S. city for office rents with an average of \$42 per square foot. (That number includes things like taxes, maintenance, and insurance.) But it could be worse. At least we're not in Hong Kong—home to the most expensive office rents in the world—or Midtown Manhattan.

D Magazine

Businesses along Texas border fear 'going belly up' without NAFTA

February 9, 2018, By Collin Eaton

Mexico is the destination for 40 percent of the state's exports -- some \$90 billion in goods alone were sold to Mexico in 2016 -- and an increasingly important market for the Texas and Houston energy industry, which exports natural gas and fuels to the growing market south of the border.

In El Paso, businesses from warehouses to accountants to financial services depend on the maquiladora industry in Juarez. The end of NAFTA, analysts said, would likely push Mexico into recession and disrupt supply chains, leading to layoffs and bankruptcies in El Paso and slower economic growth across Texas and the United States.

Houston Chronicle

LEGAL PROCEEDINGS, LAWS & REGULATIONS

NJ Lawmakers Revive Police, Firefighter Pension Spin Off Bill

February 5, 2018, By Chris Butera

Now that Chris Christie no longer operates as New Jersey's governor, state lawmakers are looking to relaunch a pension management movement his replacement's administration may be in support of.

The measure, known as Bill S-5, will spin off the \$27 billion Police and Fire Retirement System (PFRS) from the state's \$78 billion system to a 12-member board of trustees. The new board will then be responsible with hiring its own executive director, actuary, CIO, and ombudsman.

Chief Investment Officer

Ohio School Employees sued by union over COLA freeze

February 6, 2018, By Rob Kozlowski

Ohio School Employees Retirement System, Columbus, is the target of a lawsuit filed by an Ohio union of school employees for its decision in October to freeze the cost-of-living adjustment for three years.

The Ohio Association of Public School Employees/AFSCME Local 4/AFL-CIO filed the suit on Jan. 29 in the Franklin County Court of Common Pleas against the \$14.1 billion pension fund, Ohio Attorney General Mike DeWine and Cavanaugh Macdonald Consulting, the pension fund's actuarial consultant.

Pensions & Investments

An obscure court decision against a Rhode Island town's police officers and firefighters could be a warning sign for Social Security

February 7, 2018, By Simon Black

The United States Court of Appeals for the First Circuit gave us an interesting glimpse of the future last week when it ruled on an obscure case involving government pension obligations.

Ever since the mid-1990s, police officers and fire fighters in the town of Cranston, Rhode Island had been promised state pension benefits upon retirement. But, facing critical budget shortfalls over the last several years that the Rhode Island government called "fiscal peril," the state legislature voted to unilaterally reduce public employees' pension benefits.

Business Insider

Bevin broke law by hiding financial analysis of pension plan, Beshear rules

February 8, 2018, By Daniel Desrochers

Gov. Matt Bevin's administration violated the Kentucky Open Records Act when it refused to release an actuarial analysis showing how much the Republican governor's proposed pension reform plan would cost, according to a ruling by Attorney General Andy Beshear's office.

After a financial analysis of the plan's impact on teachers' pensions was released against Bevin's wishes, his office refused to release in November an analysis of its impact on the pension systems for state and local government workers.

Lexington Herald Leader

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Largest U.S. retirement funds set record at \$10.3 trillion in assets

February 5, 2018, By Rob Kozlowski

The total assets of the largest 1,000 U.S. retirement plans reached a record \$10.326 trillion as of Sept. 30, up 10% from a year earlier, thanks in part to outstanding market returns, Pensions & Investments' annual survey found.

Assets of defined benefit plans among the P&I 1,000 rose 7.9% to \$6.597 trillion while defined contribution plans rose 13.9% to \$3.729 trillion. Among the 200 largest retirement plans, assets totaled \$7.452 trillion as of Sept. 30, up 9.7% from the previous year. DB plans in the top 200 reached \$5.218 trillion, up 8% from a year earlier and DC plan assets totaled \$2.234 trillion, up 13.9% from the year before.

Pensions & Investments

Powell sworn in as new Fed chair amid stock market sell-off

February 5, 2018, By Martin Crutsinger

Jerome Powell was sworn in Monday as the 16th chairman of the Federal Reserve on what turned out to be a turbulent day for Wall Street, with the Dow Jones industrial average plunging by more than 1,100 points.

Powell, 65, was given the oath of office by Randal Quarles, the Fed's vice chairman for supervision, in a ceremony that took place before stock trading opened on Wall Street.

The Washington Post

Public Pension Doomsday Clock Stops as Funds Gain 15 Percent

February 5, 2018, By Martin Z. Braun

U.S. state and local governments have good reason to root for stocks to rebound from the crash. The record-setting rally had muted warnings since the financial crisis by investment consultants, academics and public officials that government retirement plans couldn't meet their targeted returns of seven to eight percent annually. The median public pension has exceeded those assumptions over the past five years, returning an annualized 9.1 percent, according to the Wilshire Trust Universe Comparison Service.

Bloomberg

What on Earth Happened to Stocks? Here's Where to Cast the Blame

February 6, 2018, By Cormac Mullen and Christopher Anstey

The sharp sell-off in stocks that started last week and gathered steam this week lacked a specific trigger - unlike the last time U.S. shares fell this much, which came in the wake of the U.S. losing its AAA sovereign rating at S&P Global Ratings in 2011.

Experts are pointing to a confluence of factors, from concerns over the path of Federal Reserve interest-rate increases to a rapid unwinding of trades predicated on continued low volatility in markets.

Bloomberg

Market Volatility Has Gone Through the Roof. Here's Why That Matters

February 6, 2018, By Grant Clark and Rachel Evans

A popular investment strategy for riding the unusual recent calm of global stock markets is suddenly in tatters. It's called short volatility, and since around 2015 has been something of a one-way bet thanks to the orderly rise of global equities. That's all changed following Monday's rout, putting at risk an estimated \$2 trillion tied to the strategy and stoking concerns of wider repercussions.

[Bloomberg](#)

How the market's turmoil could affect Fed's rate decisions

February 8, 2018, By Martin Crutsinger

On Monday, Powell's very first day as Federal Reserve chairman, the Dow Jones industrial average suffered its worst percentage drop since 2011. The selling has raged on in the days since, fueled partly by fear that higher inflation will lead the Fed to accelerate its interest rates hikes and weaken the economy and the stock market. On Thursday, the Dow plunged over 1,000 points, bringing the index's losses from its January highs to more than 10 percent.

[Houston Chronicle](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Why are global stock markets falling?

February 5, 2018, By Phillip Inman

Why are stock markets falling? For several weeks, economists and analysts have warned that inflation levels in major economies could increase this year beyond the 2% to 3% that central banks believe is good for developed countries. Official US figures turned those concerns into a sell-off last Friday, after they showed average wage rises in the US had reached 2.9%. The data increased fears that shop prices would soon rise further, increasing the pressure for high interest rates to calm the economy down. Investors then bolted at the prospect of an era of cheap money – which encourages consumers and companies to spend – coming to an end. Over the past month, several members of the US central bank, the Federal Reserve, have argued that three 0.25% interest rate rises scheduled for this year could become four or five.

[The Guardian](#)

Asset managers set for China IRA market boom

February 5, 2018, By Douglas Appell

The long-awaited launch by China's regulators of a framework for individual retirement accounts could finally be drawing near, leaving foreign asset management firms scrambling to compete for what some expect will become a multitrillion-dollar market over the coming decade.

"A lot of managers have started internal preparations" to pursue that private pension opportunity, said Ivan Shi, head of research with Shanghai-based financial industry consulting firm Z-Ben Advisors, in a recent interview. A lot of global managers, meanwhile, are likewise "very, very interested" in competing for that business, he said.

[Pensions & Investments](#)

Brazil's pension bill short on votes, running out of time

February 5, 2018, By Maria Carolina Marcello

President Michel Temer appealed to Congress on Monday to approve his pension reform proposal to bring Brazil's budget deficit under control, but a cabinet minister said his government still lacks some 40 votes to pass the unpopular bill.

Congressional leaders said that the plan to overhaul the costly social security system would never get through if it was not voted on this month before lawmakers begin to focus on the October general election.

Reuters

Global retirement assets rise record 13.6% in 2017 – report

February 5, 2018, By Sophie Baker

Global retirement assets grew more than 13.6% to a record \$41.35 trillion as of Dec. 31, the largest single-year growth in the last 20 years, said the Thinking Ahead Institute.

The non-profit group, which is part of Willis Towers Watson's Thinking Ahead Group, said total assets across 22 markets have grown to their highest level since the study began in 1997. Average growth per year in dollar terms was 6.2% across these countries.

Pensions & Investments

Stock Markets Unsettled as Global Rout Persists

February 6, 2018, By Jack Ewing and Alexandra Stevenson

A stock market rout that began in the United States took on global contours on Tuesday, as investors from Tokyo to London sent shares tumbling. Wall Street opened lower but then recovered.

The sharp falls, including Wall Street's drop of more than 4 percent on Monday, have come despite generally positive economic news around the world. There is strong growth on every continent, interest rates are at or near record lows, and the United States has just passed a sweeping tax overhaul that will significantly lower corporate taxes. President Trump has touted seemingly unending stock market highs as proof of improved economic prospects.

The New York Times

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