



Weekly Clips, June 22 2018
Texas Pension Review Board
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PRB PLANS

Texas Pension Review Board adopts principles of retirement plan design

June 18, 2018, By Monty Exter

A subcommittee of the Texas Pension Review Board (PRB) has been working over the last several months on a set of non-binding guidelines meant to impart what the board feels are best practices with respect to retirement plan design for use by the retirement plans that are required to report to the board.

Despite some concern expressed by smaller funds over how the board's non-mandatory recommendation on vesting periods might be made into a legal mandate by the Texas Legislature, the full PRB unanimously adopted the proposed principles, which can be found here, at its most recent meeting.

[Teach the Vote](#)

Fort Worth could be the next city on the hot seat for pension reform at the legislature

June 19, 2018, By Kimberly Reeves

Fort Worth could be the next city on the hot seat for employee pension problems, a problem the Fort Worth City Council has only begun to address.

The Texas Pension Review Board has begun round-robin sessions with some of the most problematic pension funds in the state at each meeting. The clock is ticking on Cowtown, which is scrambling to address chronic pension shortfalls before legislative action is needed.

Without adjustments to benefits, the pension fund could run out of money within 20 years.

A consultant told city leaders contributions to the fund must increase by 36 percent to maintain solvency, a consultant told city leaders, according to the *Fort Worth Star Telegram*. The cost to taxpayers could be another \$40 million per year, or 4 to 5 cents on the property tax rate.

[Quorum Report](#)

TEXAS ECONOMIC INDICATORS

Union Pacific offers progress report at official groundbreaking for Brazos Yard

June 21, 2018, By Kenny Wiley

Local officials and business leaders joined national Union Pacific Railroad representatives Wednesday for a progress report and formal groundbreaking at the construction site of the 1,875-acre Brazos Yard rail facility in Robertson County.

The facility will be a classification yard, receiving trains carrying mixed cargo. The rail cars will be separated and sorted before new trains are put together. It will, according to Jeff DeGraff, director of corporate relations and media for Union Pacific, have the capacity to switch up to 1,300 rail cars per day, making it one of the highest-capacity yards in the railroad's 23-state network.

Once the yard is complete, Moore said, 350 Union Pacific employees will be reporting to work in Robertson County, "stimulating the economy around here." He added the company anticipated 1,200 more jobs to come to the region indirectly due to the presence of the railyard. Officials expect the project to be completed in 2020.

[The Eagle](#)

Booming Austin topples rest of Texas to become a top economic powerhouse in U.S.

June 22, 2018, By John Egan

The San Francisco Bay Area may be the economic king of America, but Austin is next in line to the economic throne, according to a new study by *Business Insider*.

The analysis shows the San Jose, California, metro area — better known as Silicon Valley — ranks as the top economy among the country's 40 largest metro areas, followed in second place by the San Francisco metro area, its next-door neighbor. Coming in at No. 3 is the Austin metro area.

Business Insider says Austin had the second highest rate of job growth among the 40 largest metro areas, with employment rising 3.7 percent between February 2017 and February 2018. The region's February 2018 unemployment rate of 3 percent was tied for third lowest, and its 4.9 percent growth rate for GDP (a key measure of economic output) was the third highest in 2016.

[Culture Map Austin](#)

LEGAL PROCEEDINGS, LAWS & REGULATIONS

Kentucky's pension reform law struck down by judge as unconstitutional

June 21, 2018, By Tom Loftus

A Franklin Circuit Court judge struck down Kentucky's pension reform law on Wednesday, saying the rapid manner in which it was passed was unconstitutional.

Judge Phillip Shepherd said the process, which took six hours after the pension language was substituted into an unrelated sewer bill on March 29, violated safeguards to ensure "legislators and the public" can know the content of bills under consideration.

Democrats and advocates for teachers and public employees hailed the decision.

[Courier Journal](#)

Supreme Court widens reach of sales tax for online retailers

June 21, 2018, By Adam Liptak, Ben Casselman and Julie Creswell

The Supreme Court on Thursday moved to close that loophole, ruling that internet retailers can be required to collect sales taxes even in states where they have no physical presence.

The decision, in *South Dakota v. Wayfair Inc.*, was a victory for brick-and-mortar businesses that have long complained they are put at a disadvantage by having to charge sales taxes while many online competitors do not. And it was also a victory for states that have said that they are missing out on tens of billions of dollars in annual revenue.

In Thursday's ruling, the court effectively overturned a system that it created. In 1992, the court ruled in *Quill Corporation v. North Dakota* that the Constitution bars states from requiring businesses to collect sales tax unless they have a substantial connection to the state. The Quill decision helped pave the way for the growth of online retail by letting companies sell nationwide without navigating the complex patchwork of state and local tax codes.

[The New York Times](#)

S.E.C. Judges Were Appointed Unlawfully, Justices Rule

June 21, 2018, By Adam Liptak

The Supreme Court ruled on Thursday that in-house judges at the Securities and Exchange Commission had been deciding cases without constitutional authorization.

The in-house judges, known as administrative law judges, were appointed by staff members rather than by the five-member commission itself. That ran afoul of the Constitution's appointments clause, Justice Elena Kagan wrote for the majority in the 7-to-2 decision.

The clause requires "inferior officers" to be appointed by the president, the courts or "heads of departments." The commission itself is a "head of department," while its staff members are not.

[The New York Times](#)

NATIONAL ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Michigan a model for retirement system debt

June 17, 2018

The vast majority of public pension plans in the United States are dangerously underfunded, squeezing government budgets to the point where benefits promised to retirees and vital community services are threatened.

Michigan has long been a model for how to look ahead and create long-term solutions for broken public retirement systems, becoming the first state to close pensions to new state workers some 20 years ago. Reforms to contain health care costs for state and public school employees followed, and just last year, the state moved to fix a school employee pension system that was only about 60 percent funded and devouring more than a third of school payroll costs. We approved a law requiring new hires to default into a very competitive defined contribution plan mirroring the one offered to state employees.

[Crain's Detroit Business](#)

State's \$12.5B pension shortfall contributes to reduced bond rating

June 19, 2018, By Joseph Ditzler

A lagging economy and New Mexico's "extremely large pension liabilities" helped lead a national credit rating agency this week to downgrade the state's bond rating by a notch

In dropping New Mexico's general obligation bonds to Aa2, its third-highest rating, Moody's Investors Service cited New Mexico's obligations to the Public Employees Retirement System and the Educational Employees Retirement System, which face total shortfalls of about \$12.5 billion.

Along with its pension obligations, New Mexico faces a large Medicaid caseload, an economy lagging the rest of the nation, below-average wealth levels and financial reporting practices "weaker than typical for a U.S. state," according to Moody's. New Mexico also has a "revenue structure more concentrated and volatile than most similarly rated states," meaning New Mexico relies heavily on oil and gas revenues.

[Santa Fe New Mexican](#)

Rebuking Trump, Senate panel okays federal pay raise, but House plans big hit on pensions

June 21, 2018, By Joe Davidson

In the Senate, the Appropriations Committee voted Thursday to give workers a 1.9 percent pay raise in 2019, rejecting President Trump's call for a pay freeze.

In the House, Budget Committee Republicans proposed taking from federal workers by cutting \$145 billion from their pensions over 10 years — that's \$1.5 billion more than Trump wanted.

The raise was included in a larger Financial Services and General Government Appropriations Act, which the committee approved unanimously. Committee members demonstrated bipartisan support for the workforce by defeating an attempt to delete the pay raise from the bill with a 29-to-2 vote.

[Washington Post](#)

WORLDWIDE ECONOMIC, PENSION, INVESTMENT & BANKING INFORMATION

Two-fifths of Russian men 'may not live to see their retirement'

June 17, 2018, By Tom Barnes

Russians are accusing their government of raising the retirement age close to men's current average life expectancy while the country is distracted by its hosting of the World Cup.

Prime minister Dmitry Medvedev announced on Thursday the Russian state pension age would be hiked from 60 to 65 for men by 2028 and 55 to 63 for women by 2034.

Expected to be officially adopted by next year, the new policy would mean the country's retirement age for men would be only a year lower than the World Health Organisation's estimated life expectancy for a Russian man of 66.

[Independent](#)

UK pension funds get green light to dump fossil fuel investments

June 18, 2018, By Paulina Pielichata

Managers of the £1.5tn invested in Britain's workplace pension schemes are to be given new powers to dump shares in oil, gas and coal companies in favour of long-term investment in green and "social impact" opportunities.

Government proposals published on Monday are designed to give pension fund trustees more confidence to divest from environmentally damaging fossil fuels and put their cash in green alternatives if it meets their members' wishes. Until now many pension trustees have been hamstrung by fiduciary duties that they feel requires them to seek the best returns irrespective of the threat of climate change.

The new rules, though couched in opaque legalese, are a coded go-ahead for pension funds to sell shares in fossil fuel companies if they believe that they could turn into "stranded assets". The term refers to companies' coal, oil and gas deposits that may not ever be monetised as the world transitions to a low-carbon economy.

[The Guardian](#)

China's economy shows signs of slowing. A trade war won't help

June 20, 2018, By Daniel Shane

The start of a trade war between the United States and China comes at an inconvenient time for the Chinese economy.

In recent weeks, concerns have been mounting that growth in the world's second-biggest economy is cooling faster than previously expected. Weaker Chinese growth will have repercussions for big trading partners, such as the United States and Europe, and for global companies who do business there.

Now, an intensifying clash with the United States is adding to the difficulties. Both sides announced tariffs on \$50 billion of each other's products last week, and President Donald Trump upped the ante further on Monday with a threat to impose duties on at least another \$200 billion of Chinese goods.

[The Guardian](#)

UK government presses pause on proposal for default decumulation strategies

June 22, 2018, By Patrick Collinson and Julia Kollwe

The U.K. government declined Friday to move forward on a proposal for compulsory default decumulation arrangements on grounds that plan participants' situations are too diverse, it said in a response to the Work and Pensions Committee's recommendation made in April.

The U.K. Work and Pensions Committee proposed that all plan sponsors start to default participants into drawdown strategies beginning in April 2019. However, the government found insufficient evidence that plan participants were actively looking for drawdown products and had adequate understanding of income in retirement investment options.

[Pensions & Investment](#)

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