TEXAS PENSION PLANS

Governor Abbott Appoints Fariña-Strauss To State Pension Review Board

July 6, 2018, By Office of the Governor

Governor Greg Abbott has appointed Rossy Fariña-Strauss to the State Pension Review Board for a term set to expire on January 31, 2023. The board reviews all Texas public retirement systems, both state and local, for actuarial soundness and compliance with state law.

Rossy Fariña-Strauss of Austin is retired as an architecture project manager after working a combined 26 years with the City of Austin and the City of Dallas. She is a volunteer and deputy registrar and a poll worker for the State of Texas, a member of Literacy Support, and a former member of Support our Troops. Fariña-Strauss received a Bachelor of Science in architecture from The University of Texas at Arlington.

Office of the Texas Governor

New CIO chosen for Dallas Fire and Police system

July 9, 2018, By Meaghan Kilroy

Kent Custer was named chief investment officer of the $2.1 billion Dallas Police & Fire Pension System.

Kelly Gottschalk, executive director, said in an email that Mr. Custer started last week. He replaced **James A. Perry**, who resigned in July 2016 to join Maple Fund Services as head of institutional investor solutions.

CIO responsibilities were handled in the interim by Ms. Gottschalk, existing investment staff and investment consultant Meketa Investment Group.

Mr. Custer had been CIO of the College Illinois prepaid tuition program, the state's 529 program. He also previously served as a senior investment officer for the $51.4 billion Illinois Teachers' Retirement System, Springfield.

Mr. Perry was appointed the system's first CIO in August 2015 following a board decision to split the duties of retirement administrator into two roles — executive director and chief investment officer. He served as CIO for slightly less than a year.

Pensions & Investments

TEXAS ECONOMIC INDICATORS

Thanks to a healthy economy, Texas comptroller bumps revenue estimate by $2.8 billion

July 11, 2018, By Edgar Walters

If Comptroller Glenn Hegar’s latest revenue estimate is to be believed, Texas budget writers awoke Wednesday morning to a $2.8 billion present.

With help from rising oil prices and production, state lawmakers are on track to have more than $110 billion to spend on the next two-year budget, according to the comptroller.

That forecasted revenue could go a long way toward plugging some of the huge holes that have worried lawmakers since they signed off on their last two-year budget at the end of the 2017 legislative session, such as a $2 billion underfunding of the Medicaid program for the poor and disabled, a $2.5 billion annual commitment to the state highway fund and the continued costs of Hurricane Harvey recovery.

Lawmakers and Capitol observers have fretted for months over a potentially dismal fiscal outlook for next year. In March, Hegar warned that the state could face a credit-rating downgrade if lawmakers didn't come up with funds to address significant future liabilities, such as state government pensions and a health care program for retired teachers.

The revenue numbers could still change between now and January, when the comptroller will issue a new estimate that will determine how much lawmakers may spend on the two-year budget they craft in 2019.

Texas Tribune

NATIONAL PENSION, INVESTMENTS & LEGAL

N.J. governor signs bill transferring control of police and fire pension system to new board
July 6, 2018, By James Comtois

New Jersey Gov. Phil Murphy signed a bill transferring management of the Police and Firemen's Retirement System to a revised board of trustees after the Legislature concurred with his recommendations to revise the bill.

The bill, which takes effect immediately, requires an actuary to certify the long-term viability of the pension fund, a critical safeguard to ensure stability. Additionally, the treasurer would continue to the set the rate of return for the pension fund, but the board would set its own internal targets.

The bill also allows for members of the separate board to oversee their own investments of the $26 billion pension fund.

The legislation transfers the police and firefighters' pension fund from the Treasury Department to a newly constituted board of trustees with 12 members instead of the current 11. Police and firefighter union members will hold seven of the board seats, up from five.

Pension & Investments

Supreme Court gives Milwaukee police greater voice on pension board
July 6, 2018, By Bruce Vielmetti and Mary Spicuzza

The Wisconsin Supreme Court on Friday undid 2013 changes to the City of Milwaukee's pension board, which the court said unlawfully diluted the voice of police and firefighters on the board.

The 4-3 decision ordered the Employee Retirement System board be returned to its eight-member size, from its current 11, and that all city employees be allowed to vote for three members.

The 2013 changes gave Mayor Tom Barrett authority to appoint three additional members to the board, and restricted police officers and firefighters to voting for a single member, who must also belong to their respective unions, and all other city employees to electing a single member.

The police and firefighter unions challenged the change and lost at both the trial and appeals court levels.

But the Supreme Court majority agreed with the unions that the changes affected "other rights" of employee members of the retirement system, as defined when it was first created under state law in 1937.

The state granted the city the power to manage ERS itself through a home rule charter ordinance, which the city took advantage of in 1967, but said the city could not modify the "annuities, benefits or other rights" of members.

Milwaukee Journal Sentinel

Florida's pension fund keeps positive streak alive for ninth straight year

July 10, 2018, By Lloyd Dunkelberger

Florida's $160.4 billion state pension fund showed a preliminary return of 8.99 percent for the fiscal year that ended June 30, marking the ninth straight year the retirement fund has shown a positive gain.

Ash Williams, executive director of the State Board of Administration, which oversees the fund that pays retirement benefits for teachers, county workers, law enforcement officers, state workers and higher-education employees, said he expects the final number to be even higher.

The initial estimate, according to the State Board of Administration, was .71 percent above the various indexes and benchmarks the financial managers use to gauge the performance of the investments, which include domestic and foreign stocks, bonds, real estate, other financial instruments and cash.

The nine-year positive run began after the fund plunged more than 19 percent in 2008-09 as Florida was dealing with the impact of the Great Recession. Since then, the fund had two years where the return was less than 1 percent, but there were also five years of double-digit returns, including a 13.77 percent return in 2016-17.

Over the last 33 years, the fund has only had five negative years and has had 21 years of double-digit returns.

Orlando Weekly

Many States Are Likely Unprepared for Next Downturn

July 11, 2018, By John Mauldin

Many U.S. states have been slow to improve their finances nine years into the economic expansion. That raises a risk they won't be prepared when another downturn hits, making them susceptible to big spending cuts that make that next recession worse.

State governments have been grappling with tepid revenue growth and heavy pension and Medicaid costs.

In many places that has resulted in smaller reserves. Measured as a share of spending, 21 states had smaller rainy day funds in 2017 than they did in 2008, according to data from the National Association of State Budget Officers compiled by the Tax Policy Center. Rainy day funds help states preserve spending levels when their revenues plunge. Those reserves are especially important because, unlike the federal government, states don't run budget deficits in downturns.

Most states rely primarily on income and sales taxes to fund their budgets. That makes them particularly vulnerable during recessions, when layoffs result in lost incomes and scaled-back purchases. At the same time, recessions put pressure on state spending as demand for government services, such as unemployment insurance and Medicaid, soars.

In previous recessions, the federal government stepped in with spending to keep states afloat. That may be harder to do next time because federal debt is rising rapidly.

Wall Street Journal