TEXAS PENSION PLANS

As changes loom over retired teachers' pensions, retirees look to Legislature for more money
July 27, 2018, By Sydney Greene

After teaching for 36 years in the Rio Grande Valley, Rosalva Reyna looked at her pension and health plan in July 2016 and decided she could live a comfortable life and finally retire.

Reyna thought "no more work." But that quickly changed, she said.

“At this point. I’m seriously considering going back to work," Reyna said. "A retired teacher going back to work — so I can pay my medical [bills].”

Texas has a number of retired teachers now worried that their pensions may be lowered next year. The state's Teacher Retirement System board voted on Friday to lower the expected rate of return on investments, meaning the state is predicting it will earn less money to use for benefits. Retired educators said they are now looking to the Legislature to make sure more funding is secured for the TRS pension fund in light of Friday's vote.

The Texas Tribune

Texas Teachers drops return rate 75 basis points to 7.25%
July 27, 2018, By Christine Williamson

Texas Teacher Retirement System, Austin, lowered the assumed rate of return for the $151.3 billion defined benefit plan to 7.25% from 8% at a board meeting Friday.

The vote by the fund's board was 5-4. The measure also includes a decrease in the inflation assumption to 2.3% from 2.5%, a webcast of the meeting showed.

The proposal was drafted by the fund's actuary, Joseph Newton, pension practice leader at Gabriel, Roeder, Smith & Co., and was based on an experience study.

In preparing the study, TRS and GRS sought input from the board's consultant, Aon Hewitt Investment Consulting, other large pension funds and investment managers about market forecasts over the next 10 to 20 years.

Aon's expected annualized rate of return over 30 years, for example, was 7.27%, and its 10-year forecast was 7.21%, board materials showed.

Brian Guthrie, TRS executive director, told trustees the consensus among outside parties was that market returns will be significantly lower, and he stressed that "not taking action" to lower the assumed rate of return would not be prudent.

Pension & Investments

City Manager Proposes Fix for Troubled Fort Worth Pension Fund
July 31, 2018, By Scott Gordon

A plan to fix Fort Worth’s troubled pension fund includes increased contributions from employees and taxpayers – and would also slash cost-of-living raises for retirees.

City Manager David Cooke on Tuesday presented the plan to a pension task force, which was formed about three years ago to deal with the issue.

A retiree group threatened a lawsuit.

The city's pension fund has about $1.6 billion in unfunded liabilities, is projected to run out of money in about 25 years, and has led to the city's credit rating being downgraded.

NBC DFW

TEXAS ECONOMIC INDICATORS

Texas This Week: Affordable Housing Conference

July 30, 2018, By Ashley Goudeau

It's something people in Austin hear about frequently; affordable housing. This week, local, state and federal leaders joined market insiders and stakeholders in Austin for the Texas Affiliation of Affordable Housing Providers' annual housing conference. In Texas This Week, Ashley Goudeau sits down with Janine Sisak, vice president of the board for the organization.

Ashley Goudeau: *Let's begin by talking a little bit about the conference. What's the purpose of the conference?"*

Janine Sisak: "Well, the conference is an annual conference that we hold here in Austin every year. And it's an opportunity for everybody in the affordable housing industry in Texas and beyond to get together and talk about, you know, what are the hot topics, what are best practices, sharing resources, sharing war stories. So it's a chance for us to all get together once a year and talk about the challenges of our industry."

ABC KVUE

NATIONAL PENSION, INVESTMENTS & LEGAL

The Pension Hole for U.S. Cities and States Is the Size of Germany's Economy

July 30, 2018, By Sarah Krouse

For the past century, a public pension was an ironclad promise. Whatever else happened, retired policemen and firefighters and teachers would be paid.

That is no longer the case.

Many cities and states can no longer afford the unsustainable retirement promises made to millions of public workers over many years. By one estimate they are short $4 trillion, an amount that is roughly equal to the output of the world's fourth-largest economy.

Certain pension funds face the prospect of insolvency unless governments increase taxes, divert funds or persuade workers to relinquish money they are owed. It is increasingly likely that retirees, as well as new workers, will be forced to take deeper benefit cuts.

The Wall Street Journal

Why Our Public Pensions Need Stress Tests

July 31, 2018, By Susan K Urahn.

In the wake of the 2008 financial crisis, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which among many oversight-strengthening provisions requires large financial institutions to conduct stress tests. The purpose of the testing is to make sure these banks can absorb losses and pay their creditors without a bailout from taxpayers.

But the risks associated with a severe economic downturn that came to light because of the Great Recession aren't limited to the financial industry. State and local legislators and budget managers face a similar challenge: how to ensure that their public-employee pension systems can pay future obligations without sacrificing fiscal discipline or cutting core services. Stress testing their pension plans is an important way to deal with that challenge.

There's no disputing the dimensions of the challenge. State and local governments today are grappling with a cumulative unfunded pension liability of $1.6 trillion -- a larger deficit in both absolute terms and as a percentage of GDP than at any time before the bottom fell out of the economy 10 years ago. And because of consistent underfunding, volatile investment returns and rising benefit costs, the financial health of most state plans is now vulnerable to even a mild recession. In some cases these systems face a real risk of insolvency.

Governing

Fidelity Eliminates Fees on Two New Index Funds

August 1, 2018, By Justin Baer

The race to zero in the investing world has finally reached bottom at one of the nation's biggest money managers.

Starting Friday, Fidelity Investments will offer clients the chance to invest in two new stock-index funds without paying any fees, putting new pressure on low-cost rivals such as Vanguard Group and Charles Schwab Corp.

The Boston investment giant also said it slashed fees on existing index-based stock and bond funds by an average of 35% and did away with investment minimums. Fidelity oversees a total of $2.5 trillion in assets.

The moves are part of a broader reduction in the price of investing as firms duel for increasingly cost-sensitive clients. Cheaper funds tied to indexes have attracted trillions in new money since the 2008 financial crisis as investors lost faith in stock pickers, prompting sweeping changes throughout the financial world.

"Asset managers have been avoiding breaking this seal and going to free for awhile," said Todd Rosenbluth, director of exchange-traded funds and mutual-fund research at CFRA. "This is a key moment for managers to accept that index-based investing is here to stay."

Fidelity's cuts are the latest in a series of aggressive moves by a privately held company long known for pricier investment products run by star stock pickers.

The Wall Street Journal