TEXAS PENSION PLANS

Austin Police posts positive returns in multiple periods ended June 30 but trails benchmark in each

August 24, 2018, By Christine Willamson

Austin (Texas) Police Retirement System produced positive net returns in all reported periods over the 10 years ended June 30 but trailed its policy benchmark in each period.

The net return of the $778 million pension fund was 1.2% in the quarter ended June 30 compared to 1.8% for the benchmark; one year, 7.3% (benchmark, 9.6%); three years, 5.6% (8.1%); five years, 6.1% (9.1%); seven years, 5.4% (9.1%); and 10 years, 3.2% (7.9%).

The pension fund's asset allocation as of June 30 was 47.5% U.S. equity, 15.3% international equity, 8.9% multiasset funds, 8.8% real estate, 4.9% core fixed income, 4.7% non-core fixed income, 4.1% other fixed income, 2.8% timber, 1.8% other equity, 0.8% cash and 0.4% other.

Pensions & Investments

Texas Employees gains 9.9% in year ended June 30

August 28, 2018, By Christine Willamson

The $28.3 billion Texas Employees Retirement System, Austin, produced positive net returns that topped the fund's policy benchmark in all reported periods ended June 30.

The fund's net return for the quarter ended June 30 was 1.5%, compared to 1% for the benchmark; one year, 9.9% (benchmark, 7.6%); three years, 7.3% (7%); five years, 8.1% (7.7%); and 10 years, 6.7% (6.4%).

The actual asset allocation of the pension fund as of June 30 was 54% global equity (target weighting, 58%); 17.1% rates (13.7%); 12.4% real assets (11.5%); 10.5% global credit (10.9%); 5% hedge funds (3.7%); 1% and cash (2.2%).

Pensions & Investments

TEXAS ECONOMIC INDICATORS

DART board deletes two North Dallas stations, sends $1.1 billion Cotton Belt on a path forward

August 7, 2018, By Ray Leszcynki

After years of planning and months of debate, DART board members voted 13-0 to approve a plan for the $1.1 billion east-west commuter rail line — which would stretch from Plano to DFW International Airport — without the two hotly debated North Dallas stops.

Without the two stations, DART shaved $30.3 million from the cost of the line. The board, with some dissension, voted to move most of that money into the budget for "betterments," such as sound walls and vibration controls beyond the minimum requirements of the federal government.

Dallas Morning News

In America's Hottest Drilling Spot, Gas Is Going Up in Smoke

August 29, 2018, By Rebecca Elliott

In America's busiest oil field, roughly $1 million worth of natural gas is burned away every day, going to waste. Shale drillers in the Permian Basin of Texas and New Mexico say they have no way to move the gas—a byproduct of oil drilling—to market because there aren't enough natural-gas pipelines. Instead, they are getting rid of the excess gas by setting it on fire, a practice known as flaring.

Companies flare about 3% of the gas they extract in the Permian. But production in the basin is so high that the volume of gas burned every day would be large enough to supply the daily needs of states such as Montana or New Hampshire, by some estimates. The flaring also produces greenhouse gas emissions equivalent to 2 million cars.

Texas officials say they expect the issue to resolve itself eventually once the necessary infrastructure is built.

The Wall Street Journal reviewed data on the more than 20,000 permit requests that companies submitted to the Texas Railroad Commission to flare gas over the past five years. None was denied as of early August, the data show. Officials confirmed the figures were accurate.

Wall Street Journal

NATIONAL PENSION, INVESTMENTS & LEGAL

Skyrocketing Spending on Benefits Hurts Teachers and the Schools That Employ Them.

August 22, 2018, By Chad Aldeman & Max Marchitello

Nationally over the past 10 years, education spending on an inflation-adjusted basis went up 1.6 percent. In contrast, student enrollment rose 3.6 percent. And total benefit spending rose 22 percent. The result: a higher percentage of spending going toward benefits and fewer dollars going directly into classrooms.

Of course, this wouldn't be such a bad thing if the expenditures on benefits were making teaching a more attractive profession. But the costs are increasingly going toward paying off past debts, not funding benefits for current workers. Moreover, we have evidence that employees value $1 in salary more than they do $1 in benefits. As we've written before, teachers can't pay their mortgages or their child care expenses with benefits. This dynamic plays out in the research literature, which finds that most teachers, other than those very close to retiring, do not respond to benefit incentives. Either teachers don't know about the various rules affecting their benefit eligibility, or the incentives aren't strong enough to make them change their behavior.

Add it all up, and we have an expensive system that doesn't work well for employers or employees.

The 74 Million

Controversial retirement program for L.A. police and firefighters would be reformed under new proposal

August 24, 2018, By Jack & Ryan Menezes

Los Angeles Mayor Eric Garcetti on Friday announced reforms to the city's controversial retirement program that pays veteran police officers and firefighters their salaries and pensions simultaneously for the last five years of their careers.

Under the plan, Garcetti said pension payments would be suspended for officers who miss significant time due to injury or illness. Those officers will still collect their salaries while they are off work recovering from their ailments.

A Los Angeles Times investigative series this year found that nearly half of the officers who have joined the Deferred Retirement Option Plan (DROP) since its inception in 2001 have taken injury leaves, typically for bad backs, sore knees and other conditions common with advancing age, regardless of profession. The average absence was about 10 months, but The Times found hundreds of cases of individuals who had taken off for more than a year at essentially twice their usual pay.

Los Angeles Times

SOA seeks to update mortality tables for public pension funds; teachers top life expectancy

August 28, 2018, By Hazel Bradford

New mortality tables for public-sector pension plans could be coming, following an exposure draft released for public comment Tuesday by the Society of Actuaries.

The SOA has updated mortality tables for private-sector pension plans, and this is the first effort to do so for public plans. SOA officials are soliciting feedback on the exposure draft until Oct. 31, which they will assess before considering final tables.

Takeaways from the exposure draft include the finding that higher income is correlated with lower mortality, with income being a more statistically significant mortality factor than job category, geographic region or calendar year. In the private sector, income is also a separator of mortality rates, but the difference is more blue collar vs. white collar.

The public-sector tables also show that pension obligations for teachers are higher than other job categories, when other factors are equal. Female teachers reaching age 65 have a life expectancy of 90 or above. "It shows the good mortality in that subgroup and ongoing mortality improvement," said R. Dale Hall, SOA managing director of research, in an interview.

Updating mortality tables "is consistent with our goal at SOA to help plan sponsors and their actuaries set actuarial assumptions," said Mr. Hall, who added that plan sponsors and their actuaries could refine them even further for their specific plans.

Pensions & Investments

FASB takes big steps on disclosure effectiveness

August 28, 2018, By Ken Tysiac

Two changes to FASB's conceptual framework will help the board identify and evaluate disclosure requirements in accounting standards and clarify the concept of materiality, FASB Chairman Russell Golden said in a news release.

The changes announced Tuesday address some of those concerns. In the conceptual framework, a new chapter has been added to explain the information the board should consider including in notes to financial statements. The newly added Chapter 8, Notes to Financial Statements, describes the purpose of notes, the nature of appropriate content, and general limitations. The chapter also addresses the board's considerations on interim reporting disclosure requirements.

The board also updated an existing chapter of the conceptual framework to align FASB's definition of "materiality" with other definitions in the financial reporting system. As a result, FASB's materiality concepts will be consistent with the definition used by the SEC, the U.S. judicial system, and the auditing standards of the PCAOB and the AICPA.

The new fair value measurement disclosure requirements are published in ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement. The amendments take effect for all organizations for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2019. Early adoption is permitted.

New disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans are published in ASU No. 2018-14, Compensation — Retirement Benefits — Defined Benefit Plans — General (Topic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans. These amendments take effect for public companies for fiscal years ending after Dec. 15, 2020. For private companies, the amendments take effect for fiscal years ending after Dec. 15, 2021. Early adoption is permitted.

Journal of Accountancy