Texas Pension Review Board

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Texas Pension Review Board

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TEXAS PENSION PLANS

Fort Worth kicks in more money for pension fix. Police, fire say it's not enough

September 7, 2018, By Bill Hanna

In an attempt to find a compromise that would be supported by both the City Council and employees, City Manager David Cooke rolled out a new proposal Friday to fix the city's struggling pension fund.

The proposal would increase the city's contribution from $92 million to $110.7 million annually and preserve the cost of living adjustment (also known as a COLA) for retirees. Employee contributions would increase from $37 million annually to about $50 million annually. Police and firefighters contribute at a higher rate than general fund employees.

Any change to the pension approved by the City Council still must pass an employee vote to go into effect. The City Council is scheduled to vote on a pension solution at its Sept. 18 meeting.

Star-Telegram

As $1.6 billion pension shortfall vote looms, negotiations intensify in Fort Worth

September 11, 2018, By Todd Unger

The clock is ticking and negotiations are intensifying surrounding a projected $1.6 billion dollar pension shortfall in Fort Worth. City leaders and representatives from the city's police and fire departments, as well as general employees, met again on Tuesday without reaching any consensus ahead of a must-vote next week. "It's an incredibly emotional issue," Mayor Betsy Price told WFAA in a sit-down interview. "You expect a lot of angst."

She acknowledged the single biggest sticking point remains COLA, or annual cost of living adjustments, that many police and fire retirees depend on.

Fort Worth Police Association President Manny Ramirez said the city's latest proposal would still reduce their annual COLA from two to one percent, something his members and reitrees can't accept. "That's huge for them. They work their entire career on the promise something is going to be paid," said Ramirez.

WFAA

Inspired by strikes across the country, many Texas teachers want action

September 12, 2018, By Fernando Ramirez

"Something very interesting happened after West Virginia," said Louis Malfaro, Vice President of Texas American Federation of Teachers, referring to the strike that earned West Virginian teachers a 5 percent pay raise. "All this talk went around, 'Could this be us? Could we do that?'"

For Texas teachers, there's a danger in following the example of their out-of-state colleagues. In Texas, teachers could lose their teaching certificates and pensions if they decide to engage in "organized work stoppage" against the state. Instead of striking, Malfaro said the 65,000 member union is focused on getting the right people elected to help their agenda. At the same time, however, he said teachers are ready to show up if things don't work out in November.

In addition to making calls and speaking to voters, he said the Texas AFT is planning a massive mobilization in Austin next year. The union hopes to rally around 10,000 teachers and educators during the first Monday of Spring Break.

Houston Chronicle

TEXAS ECONOMIC INDICATORS

How Do Ambitious Climate Pledges Impact Economic Growth? For Insight, Compare Texas And California.
September 10, 2018, By Chris Busch

Tesla embodies California's surprising strength in the manufacturing sector, which is often viewed as providing higher quality jobs while also being particularly sensitive to international or interstate competition.

California is often underestimated when it comes to the industrial sector and manufacturing, but since the state's climate policies started ratcheting up in 2012, it has outperformed Texas and the rest of the U.S., growing in real terms by 26%.

Texas's manufacturing performance suffers over this time period because of its dependence on oil and the drop in oil prices. The state's manufacturing output shrank by 1% in 2017 compared to 2011, in part because of oil price volatility in the world market.

These results highlight the economic risks introduced by Texas' dependence on an extractive industry subject to global prices. However, even when leaving out petroleum-related manufacturing, California's stronger growth persists. Texas' non-petroleum related manufacturing grew by 10% compared to a 30% increase for California on the comparable metric.

Forbes

Texas ranked No. 2 on list of top states for aerospace manufacturing
September 12, By Bob Sechler

Texas could be in line to land thousands of additional aerospace-related manufacturing and engineering jobs if companies in the fast-growing sector heed a new ranking of the most competitive places for them to operate. The report by PricewaterhouseCoopers lists Texas behind only Washington state as a top location in the United States for "aerospace manufacturing attractiveness."

The consulting firm views the aerospace and defense industry overall as "well-positioned to consider expansion opportunities" at a time when the sector is "poised to achieve new record (financial) results."

The aerospace, aviation and defense sector directly employs nearly 150,00 Texans, according to the state's economic development office, with Texas already accounting for about 9 percent of all aerospace manufacturing jobs in the United States

Austin American-Statesman

NATIONAL PENSION, INVESTMENTS & LEGAL

House unveils tax reform 2.0 with some retirement provisions
September 11, 2018, By Hazel Bradford

A second round of tax reform with some — but not all — of the expected provisions on retirement security was introduced Monday by House Ways and Means Committee Chairman Kevin Brady, R-Texas.

The tax reform 2.0 package has three bills, including one to make permanent individual tax rates that expire in 2026. The retirement bill — the Family Savings Act of 2018 — mirrors many of the provisions in a Senate retirement legislative package, the Retirement Enhancement and Savings Act of 2018, that would make it easier for smaller employers to join open multiple employer plans, ease non-discrimination testing rules for plan sponsors, lift a 10% safe harbor cap on default contributions for automatic enrollment and escalation in defined contribution plans, and reduce the Pension Benefit Guaranty Corp. premiums paid by cooperatives and small-employer charities.

Pensions & Investments

Kentucky's pension law goes before high court next week.
September 11, 2018 , By Jack Brammer

The controversial law places teachers hired after Jan. 1, 2019, in a hybrid cash-balance plan, which is similar to a 401(k), rather than a traditional defined-benefits pension, and requires those teachers to work longer before becoming eligible for retirement.

It also caps the amount of accrued sick leave teachers may convert toward retirement to the amount accrued as of Dec. 31, 2019. State employees hired between 2003 and 2004 also are required to pay 1 percent more for health care.

The case is on appeal from Franklin Circuit Court. On June 20, Franklin Circuit Judge Phillip Shepherd ruled that the legislature violated the Constitution in approving the law by not giving it the proper number of readings and not getting the support of a majority of all members in the House since it appropriated money.

Thousands of teachers and state workers marched on the state Capitol during the legislature's handling of the measure, which was attached to a bill dealing with sewage in the final days of the legislative session.

Lexington Herald Leader

The Politics of Public Pension Boards
September 12, 2018, By Daniel DiSalvo

Among the sources of the underfunding malaise are the boards that oversee the pension funds. Boards make decisions about how funds are invested and determine the assumed rate of return on those investments. Unfortunately, the incentives of board members lead them away from protecting employees and taxpayers from major financial risks.

Political appointees to pension boards are responsive to constituencies—such as local industry or the governor's budget—that steer them away from acting in the long-term interest of the pension fund's fiscal integrity. But the representatives of public employees and their unions on these boards are also tempted to trade pension savings tomorrow for higher salaries today.

The incentive problem is inherent in the structure of public pension fund boards. The only lasting solution is to replace state-administered, defined benefit pensions with defined contribution pensions, which, by definition, cannot be underfunded. In a defined contribution plan, employee contributions, combined with government employer contributions, would be managed by major money-management firms that are not exposed to political interference.

Defined contribution plans do transfer risk to employees, though no more so than in the IRAs and 401(k)s that are common throughout the U.S. economy. Meanwhile, defined benefit plans also pose risks that are borne both by employees and taxpayers, at the expense of other government programs and services.

Manhattan Institute