TEXAS PENSION REVIEW BOARD

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Texas Pension Review Board
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TEXAS PENSION PLANS

Fort Worth delays pension vote as employees say proposed fix is not enough

November 14, 2018, By Luke Ranker

The Fort Worth City Council on Tuesday planned to vote on a compromise that includes the city contributing an additional 4.5 percent or about $21 million annually to the Fort Worth Employee's Retirement Fund. City employees would pay an average of 2.6 percent more of their pay toward their pension.

Instead, the council stalled on the vote, choosing to take up the subject Dec. 11.

The sticking point was a cost of living adjustment that would be 2 percent for the first $30,000 of a pension and 1 percent after that for retirees with at least 25 years of service. It eliminates cost of living for future retirees and reduces the adjustment to 1 percent for current retirees with less than 25 years.

City Manger David Cooke had hoped that plan would be enough to satisfy unions and keep the pension problem away from the Texas Legislature, where a cost of living adjust might be lost altogether.

The pension package must pass a majority vote of all employees. Fort Worth has just over 6,600 employees and more than 4,400 retirees receiving a pension.

Star-Telegram

TEXAS ECONOMIC INDICATORS

US Awards Second Border Wall Contract in Texas

November 13, 2018, By Staff

THE U.S. government has awarded a $167 million contract to build 8 miles (13 kilometers) of border wall in south Texas.

U.S. Customs and Border Protection announced the contract Wednesday. Construction will begin in February. CBP already announced a $145 million award for another 6 miles (10 kilometers) in South Texas' Rio Grande Valley.

Galveston, Texas-based construction firm SLSCO won both contracts.

CBP says it plans to install fence posts on the levee north of the Rio Grande, the river that separates the U.S. and Mexico in Texas, as well as lighting, patrol roads, and the clearing of vegetation.

Environmental advocates warn that construction will damage sensitive areas and endanger wildlife.

US News

San Antonio oil and gas company enters bankruptcy

November 13, 2018, By Patrick Danner

A San Antonio oil and gas company with operations in California has filed for bankruptcy protection, blaming a dispute with its new lender.

All American Oil & Gas Inc.'s Chapter 11 reorganization is the largest bankruptcy filing in San Antonio this year. It's the parent company of exploration and production company Kern River Holding Inc. and small power company called Western Power and Steam Inc., both of which also filed for bankruptcy.

The companies' equity value ranges from $35 million to $55 million, Morris said. They have an enterprise value ranging from $175 million to $195 million based on a recent valuation. They have about $142 million in debt that doesn't mature for at least a year, he added in the court papers filed Monday.

San Antonio Express-News

Texas Comptroller Optimistic Next Budget Cycle 'Healthier' Than In The Past
November 14, 2018, By Jack Fink

After Amazon announced it won't build its new headquarters in Dallas, there are renewed calls for Texas to spend more money on education with the goal of creating a larger, home-grown high-tech workforce.

Texas Comptroller Glenn Hegar, whose job it is to tell state lawmakers how much money they can spend during the upcoming legislative session, said Wednesday he's optimistic the good news will continue.

Because of the booming Texas economy, Hegar said the state is bringing in more money from sales taxes (up 10 percent from two years ago) and oil and natural gas severance taxes (up 61 percent & 46 percent respectively from two years ago) to name a few.

He said unless the economy cools, lawmakers would have more money to spend for the 2020-2021 budget.

State leaders have said their top two priorities during the next legislative session starting January 8th are changing the way the state funds its schools and property tax reform.

One major issue has been the state hasn't spent as much of its own money on schools and has relied more on property taxes as home values rise.

CBS DFW

NATIONAL PENSION, INVESTMENTS & LEGAL

Kentucky's main pension fund for state workers was already frail. It just got weaker.
November 8, 2018, By John Cheves

As of June 30, Kentucky state government's primary pension fund had only 12.9 percent of the money it's expected to need to make future payments to tens of thousands of retirees, compared to 13.6 percent a year earlier, according to data presented Thursday to the Kentucky Retirement Systems Board of Trustees.

The pension fund — managed by the KRS board within the Kentucky Employees Retirement System — had about $2 billion in assets and $15.6 billion in liabilities on June 30, actuarial advisers told the trustees for their annual update.

The KERS (Non Hazardous) fund is considered one of the nation's worst-off public pension funds, largely due to many years of inadequate contributions by state leaders and unreasonable expectations about investment returns and payroll growth.

Starting in Fiscal Year 2017, Gov. Matt Bevin and the legislature committed to fully paying the fund's annual recommended contributions in the state budget. This has meant diverting hundreds of millions of dollars from other spending items, such as education, social services and infrastructure.

While that full funding has slowed the growth of Kentucky's pension debt, the advisers said the additional money was offset by a 15 percent spike in retirements in Fiscal Year 2018 — due to controversial changes proposed to the public pension systems — and a steady drop in government employment in Kentucky. KRS contributions are tied to payroll, so fewer public workers is a problem.

Lexington Herald Leader

California Supreme Court sets oral arguments on public pension rights
November 9, 2018, By Randy Diamond

The California Supreme Court will hear oral arguments on Dec. 5 in a case with potential national implications as to whether pension benefits can be reduced for existing public employees.

California Chief Justice Tani Cantil-Sakauye issued a notice on Nov. 7 setting the oral arguments for the controversial case that challenges the so-called "California Rule." The rule holds that public workers enter a contract with their employer on the day they begin employment and that their pension benefits cannot be diminished, unless replaced with similar benefits.

Courts in California have upheld the rule in a series of legal rulings beginning in 1955.

A dozen other states use a similar approach to California, holding pension benefits as a contractual right. A court decision in California would only apply to the state but California court decisions can often be a bellwether for other states.

The case could ultimately have a bigger impact that just the selling of the "air time," because if the court upheld the Brown administration law, it in effect would allow California officials to reduce guaranteed pension benefits if they chose to do so.

Chief Investment Officer

Public Pension Return Assumptions Fall to All-Time Low
November 14, 2018, By Michael Katz

Despite already feeling the financial strain from their obligations to public pensions, state and local governments can expect to face increased commitments to their retirement systems as investment return assumptions have fallen to an all-time low this year.

According to the National Association of State Retirement Administrators (NASRA), nearly 75% of the 128 public plans it has tracked have reduced their investment return assumptions since fiscal year 2010, which has resulted in an all-time low median investment return assumption of 7.45% as of November, from 8% eight years earlier.

Of the 128 public pension plans tracked by NASRA, only six still have investment return assumptions at the 2010 median of 8.0%, which is the highest assumed rate of return among the plans, and only 22 have assumed rates of returns of 7.5% or higher. A majority of the plans (69) have assumed rates of return that range between 7.0% and 7.5%, and 37 plans have assumed rates that are 7.0% or lower.

Among the more high-profile pension funds lowering their investment return assumptions this year were the North Carolina Retirement Systems, which cut its assumed rate of return to 7% from 7.2%, the Teacher Retirement System (TRS) of Texas, which reduced its assumed rate of investment return to 7.25% from 8%, and Minnesota's state pension, which cut its assumed rate of return to 7.5% from 8%

Chief Investment Officer