

TEXAS PENSION PLANS

Texas ranks low in financial transparency, watchdog group says

November 30, 2018, By Johnny Kampis

Chicago-based fiscal watchdog Truth in Accounting gave Texas a score of 74 in a recent examination of states' openness with their financial information. The score put Texas in the lower half of the rankings.

Bill Bergman, director of research for TIA, told The Texas Monitor that Texas scored poorly, as did almost all the states, for not accurately reporting its net position, using confusing accounts called deferred outflow and inflows. In a previous TIA report on financial health in which Texas earned a "D," the watchdog group noted that Texas has "failed to disclose significant amounts of retirement debt" on its balance sheet, giving taxpayers "an unreliable and inaccurate accounting of the state government's finances."

The states only began reporting true pension debt on their books in recent years, after receiving a mandate from the federal Governmental Accounting Standards Board.

States still don't have to report retiree health care debt on their books, but that will change next year — and it will make the numbers even worse. As The Texas Monitor previously reported, Texas has \$65.5 billion in unfunded retiree health care benefits (to go along with \$45 billion in pension benefits it hasn't funded).

The recent big drop on Wall Street could exacerbate pension debt since governments promise certain returns in their plans, whether the market provides that return or not.

Texas Monitor

A strong Texas Teacher Retirement System is in everyone's best interest

December 5, 2018, By Thomas Kreneck

Most Texans know that public education is essential to creating and maintaining individual opportunity, equality, democracy, and stability in our society. Yet, there always seem to be those, among them special interest groups, chipping away at the foundations of Texas public education. Unfortunately, special-interest forces have recently been trying to tamper with the Teacher Retirement System of Texas.

TRS now has more than 400,000 retirees and more than 1.37 million currently enrolled employees and maintains one of the largest and healthiest pension funds in the nation.

At present, the TRS pension fund contains approximately \$153 billion. It is a tempting target for outside "investors" eager to divert that public money into private profit for themselves. These investor types want to change the system from one that is a "defined benefit" compensation into what they call a "defined contribution" compensation. This latter management approach would change the public pension fund into separate, measly 401Ks that would not sustain someone in retirement.

By a 5-4 decision at its July 2018 meeting, the TRS Board of Trustees voted to lower the fund's assumed rate of interest return from its current 8 percent to 7.25 percent. The five trustees based their vote on a recommendation from a TRS "experience study" by an outside consulting firm. Many educators and employee groups found this study to be highly questionable.

We believe the board's vote — split between the five members associated with money management and/or the private sector versus the four members who worked in public education — has ominous ramifications for TRS. Such a lowering tends to show that TRS is not as robust as it actually is and in need of more state funding than recent tight-fisted

legislatures would likely appropriate. At such a lower interest rate, the revenue for the pensioners, current and future, would be less. The board's decision again indefinitely postponed long-needed cost-of-living increases for current retirees.

People should remind legislators that hurting TRS will undermine the teaching profession as a desirable career path and will lower the quality of education for Texas students of all backgrounds seeking to better their standing in society.

[Corpus Christi Caller Times](#)

TEXAS ECONOMIC INDICATORS

Texas has billions in its rainy day fund, and lawmakers made a move to keep it that way

November 30, 2018, By Robert Garret

Amid uncertainty over the price tag of fixes for school finance, school security and Hurricane Harvey, a group of key lawmakers decided Friday to preserve as many options as possible on the use and investment of a record amount of state savings next year. A bipartisan, House-Senate panel voted to maintain the same "sufficient balance" in the rainy day fund — \$7.5 billion — as lawmakers did two years ago.

The effect will be to allow more rainy-day dollars to be invested more aggressively, which would maintain more of the money's purchasing power, while lawmakers debate how to use the fund and the energy-production taxes that flow into it.

The rainy day fund is a fiscal cushion created by voters after the oil shocks of the 1980s to help counter the budget cuts and tax increases that were required when the state economy suffered. The fund's main income is a big chunk of oil and natural gas production taxes, above what was collected in 1987.

Eager to assuage the tea party and keep Texas' AAA-bond ratings, state GOP leaders have kept a very large fund balance, even as they diverted some of the fund's income to help them ease traffic congestion in the state's fast-growing cities.

But there are pent-up demands for spending — especially on public schools — even as tax increases remain off the table. That makes the fund and its sources of income attractive.

[Dallas Morning News](#)

14-day hold granted on Prop B implementation in Houston

November 30, 2018, By Keaton Fox

Two days after the city of Houston approved half a million dollars for legal services for litigation surrounding the recently-approved Proposition B, a district court judge granted a 14-day hold on its implementation following a suit filed by the Houston Police Officer's Union.

The suit, anticipated by city officials, claims the charter amendment is unconstitutional and takes bargaining power away from the police union.

HPOU sued at the "first legally available opportunity" according to the suit, saying the challenge couldn't come until after the measure was approved. Voters resoundingly approved Prop B by a 59-to-41 percent margin at the beginning of November. Wednesday, Houston's city council formally approved the vote, officially making the charter amendment part of city law.

In a statement, HPOU president Joe Gamaldi said the voters were put in an unfair position by voting on an issue that was legally void from the start.

According to the lawsuit, the police union is asking a Harris County judge for an emergency order to "prevent the unlawful expenditure of taxpayer dollars in connection with an unconstitutional amendment to the Houston City Charter mandating pay parity.

[ABC 13](#)

NATIONAL PENSION, INVESTMENTS & LEGAL

Retired state employees should be able to keep their pension and serve in Miss. Legislature, AG says

December 3, 2018, By Jerry Mitchell

Retired state employees have long forfeited their pensions if they served in the Mississippi Legislature.

Now a new attorney general's opinion could clear the way for state retirees, including troopers, teachers, school superintendents and health officers, to serve in the Legislature without losing those pensions.

Jim Hood's opinion concluded that a Public Employees' Retirement System of Mississippi regulation barring these state employees from running contradicted both state law and other PERS regulations. (Although the opinion isn't binding, it does stand until a court — or the Legislature — decides otherwise.)

PERS Executive Director Ray Higgins, responding by email Tuesday, said that while PERS is aware of the attorney general's opinion, "we had no prior input in this matter. Due to the importance of PERS, our regulations, and their potential impact on the System and its members, this item requires thorough consideration prior to taking action or commenting further.

Ken Winter, retired director of the state Crime Lab, believes the opinion has the power to change the political landscape in Mississippi. In the past, lawmakers didn't worry about competition from retired state employees, he said. "Now their feet are going to be held to the fire."

In 1989, the Mississippi Legislature amended state law to allow a Supplemental Legislative Retirement Plan for lawmakers. They can receive PERS as well as money from this special fund and receive one and half times higher retirement pay than other state workers.

[Mississippi Clarion Ledger](#)

Lawsuit that alleges Wall Street duped Kentucky pension plan will proceed

December 4, 2018, By Tom Loftus

The high-profile lawsuit alleging that Wall Street money managers and others caused Kentucky Retirement Systems to gamble as much as \$1.5 billion on risky hedge fund investments will proceed.

Franklin Circuit Judge Phillip Shepherd on Friday rejected motions of three big hedge fund firms and most other defendants to dismiss the lawsuit filed 11 months ago.

The lawsuit was filed by eight current or former Kentucky public employees, and it charges that international hedge fund sellers — KKR/Prisma Capital Partners, Blackstone Group, and Pacific Alternative Asset Management — breached their fiduciary duty by luring the Kentucky systems in 2011 into making investments without fully disclosing the risk, high fees and lack of transparency.

Also named as defendants were major consultants to KRS and several former or current KRS board members and administrators. The suit alleges these defendants also breached their fiduciary duties as part of a civil conspiracy that masked the severity of the worsening financial condition of the systems.

Generally, the Wall Street defendants argued they were selected by KRS through a competitive and transparent process, provided sound advice, and the investments that they sold eventually made money for the systems.

[Kentucky New Era](#)

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