TEXAS PENSION REVIEW BOARD

News Clips, January 3, 2019
Texas Pension Review Board
www.prb.state.tx.us

TEXAS PENSION PLANS

Commentary: In 2019, Texas should resolve to save its teachers

January 2, 2019, By Sara Stevenson

Teachers are walking away from the profession at the highest rate on record. The headline in a recent Wall Street Journal article explains why: “Small raises, budget frustration and opportunities elsewhere persuade teachers and other public-education workers to move on.”

The article goes on to cite statistics: “In the first 10 months of 2018, public educators quit at an average rate of 83 per 10,000 a month, according to the Labor Department. While that is still well below the rate for American workers overall — 231 voluntary departures per 10,000 workers in 2018 — it is the highest rate for public educators since such records began in 2001.”

Texas is currently spending 6.3 percent less per student, in constant dollars, than it was spending eight years ago. Texas’ spending per pupil is 36th in the nation. What this budget shortfall means is that teachers are expected to teach more students with fewer resources and less support. Secondary teachers teach up to 180 students per day in six classes.

In Austin, reasons for leaving the profession are compelling. With the unemployment rate falling to 2.7 percent this fall, better job opportunities abound. And teachers have less take-home pay than they did several years ago due to higher required healthcare contributions. Perhaps the greatest economic disincentive for teaching in Austin is expensive housing. Austin has the highest median home price in the state at $302,000 — not affordable on a teacher’s salary, which then leads to punishing commutes.

Austin American-Statesman

YOU SHOULD KNOW: Pension changes for veterans

January 2, 2019, By AnnaLise Coble

There are important changes veterans who take advantage of a pension or want to should be aware of.

The new stipulations will include more veterans.

"The maximum allowable net worth was $80,000, well they have now, as of October 18 of last year, raised that $123,600, which should qualify a lot more veterans," said Michael Roark with Smith County Veteran Services Office.

And up until the recent changes, veterans or their surviving spouses had to come down to the Veteran Services Office every year to turn in paperwork that would confirm that they were making the same amount of money and had the same medical costs as years prior. That paperwork included a financial status statement and a medical expense report

"Instead of everybody getting a pension having to send in those two reports, they're only making it to where you don't have to send it unless you get specifically notified by the VA," said Roark.

Veterans will need to report any variances in their income.

East Texas Matters

TEXAS ECONOMIC INDICATORS

Texas economy seen slowing as business perceptions sour, Dallas Fed data shows

December 31, 2018, By Erin Douglas

Overall, the Dallas Fed said, the Texas economy is healthy. The state added some 365,000 jobs in the 12 months that ended in November, and the unemployment rate, 3.7 percent, is the lowest on record, according to the Labor Department. But with oil prices ending the year lower for the first time since 2015, economists believe Texas' job growth may decelerate if prices don't recover from around $50 per barrel.

In manufacturing, which is heavily driven by the oil and gas sector in Texas, a slowdown was somewhat expected after the massive gains in the first half of the year, said Emily Kerr, senior business economist at the Federal Reserve Bank of Dallas.

Texas manufacturing set post-recession records for production in the summer, driven both by a strong national economy that helped out the real estate and construction sectors, as well as a boom in oil and gas production in West Texas that needed pipelines and oil field equipment built as fast as possible. As oil remains below $50 per barrel after rallying above $76 per barrel in October, some production gains have ceased.

Exports are likely to weaken as well into the New Year, following strong expansion in 2018. The state's exports jumped 16.9 percent from the beginning of the year through the end of October compared to the same period in 2017. Given a generally weaker global economy and a stronger dollar, the Dallas Fed expect exports to retreat. Coinciding with slowing growth, perceptions of business conditions in Texas turned negative for the first time since September 2016. More than 20 percent of manufacturers reported that their outlook worsened in December.

Most comments in the survey attributed pessimism to declining oil prices, higher interest rates, reduced activity in housing and energy sectors, labor constraints and political uncertainty.

Houston Chronicle

How An Oil Boom in West Texas Is Reshaping the World

January 3, 2019, By Justin Worland

We are descending into the Permian Basin, the heart of American oil country, where the massive oil and gas boom is changing not just Texas but also the nation and the world.

This year the region is expected to generate an average of 3.9 million barrels per day, roughly a third of total U.S. oil production, according to the U.S. Department of Energy. That's enough to make the U.S., as of late 2018, the world's largest producer of crude. The windfall has turned a nation long reliant on foreign oil into a net exporter in a few short years.

Not even the plunge in oil prices in recent months, which led some companies to scale back their plans for the Permian, has stopped the enthusiasm. Analysts predict the region's output will expand in coming years, thanks to cost-reducing advances in hydraulic fracturing, better known as fracking, to release oil from shale, plus changes in U.S. export policy. By 2025, U.S. oil production is expected to equal that of Saudi Arabia and Russia combined, according to the International Energy Agency (IEA).

During the past three years, the boom in these parts has transformed the U.S. economy, upended the international energy industry, undermined global environmental efforts and tilted the balance of power among Beijing, Moscow and Washington. In places like Saudi Arabia, uncertainty over future oil profits driven by rising U.S. production contributed to a rethinking of the economy. In theory, less reliance on Saudi oil also gives the U.S. more leverage in other areas, like the war in Yemen, although the Trump Administration hasn't prioritized such efforts. The vast new U.S. oil reserves have provided cover for the imposition of tough sanctions against nations like Iran and Venezuela, moves that at other times might have crippled global supply.

Time

NATIONAL PENSION, INVESTMENTS & LEGAL

As Kentucky pension battle rages on, here's why Tennessee government workers are secure
January 1, 2019, By Mike Reicher

The Tennessee Consolidated Retirement System is one of the healthiest pension plans in the nation. It has enough assets to cover more than 93 percent of its promised pensions for teachers, state and higher education workers, and many local government workers — ranking it among the five best-funded state plans in the U.S. The national average is 66 percent, according to research by the Pew Charitable Trusts.

Kentucky, on the other hand, has just a third of its liabilities covered, leaving $33 billion unfunded.

So how did it get on such solid footing? We take a look at some key moves taken by state officials. Tennessee politicians paid their bills. Every year, since at least 1972, the state has made its full pension payments recommended by actuaries.

In other states, such as Kentucky and Illinois, politicians short-changed the annual pension payments. Facing recessions, they chose to fund schools and other services instead.

The state legislature passed pension reforms in 2013
Tennessee's investments had suffered losses during the Great Recession and the annual required pension payments were climbing — a scenario that played out across the country. When investment returns fall short, governments have to set aside more funds to meet future retirement benefits.

By the time Tennessee Treasurer David Lillard took office in 2009, the yearly pension cost had climbed hundreds of millions of dollars over the previous decade.

Lillard proposed a "hybrid" retirement plan for new state employees that combined a 401(K)-style savings account with a traditional "defined benefit" pension. While existing employees would still get their promised pension benefits, workers hired on or after July 1, 2014 would be subject to the new rules.

Tennessean

5 Ways Policymakers Can Impact Retirement Security In 2019
January 3, 2019, By Christian Weller

First, policymakers in Congress and the administration need to keep a close eye on the labor market. Continued labor market growth will be necessary to reduce retirement income inequality. Having a job allows people to save more. Older workers in particular may be able to offset limited retirement savings by working longer if more opportunities for good jobs exist.

Second, a number of state policies could give workers more access to retirement savings. An expanding economy and labor market have not yet delivered on real retirement security for many American families. Many workers do not have retirement accounts such as 401(k)s and Individual Retirement Accounts (IRAs). This is especially true for communities of color, those working for small employers and those with less education.

Third, the new Congress may see the need for more attention for Social Security expansion proposals that could quickly counter insufficient retirement savings. Over the last few years, such proposals received less attention as Congress focused its energy on passing ineffective tax cuts for corporations and high-income individuals.

Fourth, higher interest rates could directly raise costs for many retirees. Calculations based on the Federal Reserve's Survey of Consumer Finances show that most retirees – 60.3% in 2016 – owed some form of debt, including 33.7% who had a median outstanding credit card balance of $2,000 at the time. Higher interest rates will then worsen income inequality, mainly by raising costs on variable interest debt such as credit cards.

Fifth, health care costs could top overall inflation again. For the past few years, the efforts of the Affordable Care Act have helped to keep health care inflation near overall price increases. Last year, the Centers for Medicare and Medicaid Services expected health care inflation to grow faster than other price increases. This could again happen in 2019.

Forbes