TEXAS PENSION REVIEW BOARD

TEXAS PENSIONS

Evolving the City of Austin Pension Fund
July 16, 2019, By Amanda White

Last month at the Conexus Financial Fiduciary Investors Symposium, Amanda White, editor of Top1000Funds.com sat down for an hour-long fireside chat with David Veal, CIO of the $3 billion City of Austin Employees Retirement System. They discussed private equity, managing strategic relationships, internalization and adopting Norwegian investment beliefs.

Amanda White: You moved to the City of Austin three years ago because you saw an opportunity to modernize the fund. What have you done since you've been there?

David Veal: We've moved from a consultant-driven model to a staff-driven model, we've dialed back active management from 86 per cent to 44 per cent and actually, generated more alpha. We focused on where we can add value, where we think there's actually value to be had in active management.

Top1000Funds

TEXAS ECONOMIC INDICATORS

These Are the Best Places to Launch a Small Business in America
July 15, 2019, By Elaine Pofeldt

Alec Manfre co-founded the tech start-up Bractlet as a student in Atlanta where he went to college, then ran it from an incubator in Santiago, Chile. But it was Texas where he and his two co-founders ultimately put down roots.

They got hooked on doing business in the state after moving the start-up to Houston to participate in an accelerator there. Bractlet makes a technology that helps commercial real estate owners evaluate their buildings' energy infrastructure. The entrepreneurs were excited about the deep expertise in energy that existed in the city.

Twenty-person Bractlet has since moved to Austin, where its lead investor, a venture capital firm, is located. Thanks to the presence of schools such as University of Texas, the company has been able to find plentiful skilled talent, both within Austin and from cities such as Dallas, Houston and San Antonio, says Manfre.

CNBC

Texas Economy Chugs Along as Economists Fret Over Trade, Global Slowdown
July 17, 2019, By Erin Douglas

Texas remains among the strongest regional economies in the nation, but the horizon might not be as bright as tariffs continue to hit business' bottom lines and uncertainty caused by signs of slowing economies in developing countries worry economists.

Speaking at the Houston branch of the Federal Reserve Bank of Dallas, economists pointed to a robust labor market that is posting strong job gains each month and driving unemployment to record lows as a sign that Texans are prospering.

But uncertainty as to how long tariffs will stay in effect — and how high they will go — has continued to put the brakes on economic growth in the region, which is highly connected to the global economy, economists said.

Houston Chronicle

The Texas Energy Sector and Beyond
July 17, 2019, By Dr. M. Ray Perryman

We estimate that the Texas oil and gas business and related industries generate nearly two million jobs around Texas when multiplier effects are considered (as described in a recent column). The energy sector includes oil and natural gas exploration and drilling, as well as the industries required to produce, transport, transform, and deliver it to markets throughout the world.

Major industry groups in the energy sector include oil and gas extraction, oil and gas well drilling, oilfield services, pipeline construction and development, oil-related durable manufacturing, pipeline operations, refinery operations, and petrochemical operations. Establishments in each of these industries purchase a variety of necessary input goods and services from companies which, in turn, procure needed goods and services from still other firms. Employees are paid wages and salaries throughout this supply chain which they then recirculate.

Kilgore News Herald

NATIONAL PENSION, INVESTMENTS & LEGAL

NCPERS Calls for Revamp of Public Pension Plan Accounting Rules
July 9, 2019, By Rob Kozlowski

The Government Accounting Standard Board's accounting rules for public pension funds need to be revamped, says a new study from the National Conference on Public Employee Retirement Systems.

The study claims that GASB rules can mislead public pension fund decision makers, hiding some risks and exaggerating others, and prompt them to make poor decisions. By improving the rules, GASB can provide better guidance for those decision makers, the study said.

Pensions & Investments

CalPERS Just Misses Investment Target
July 15, 2019, By Randy Diamond

The California Public Employees' Retirement System (CalPERS), the largest US pension plan, missed its expected 7% investment return goal by a small 300-basis point margin in the just completed state fiscal year ending June 30, show system statistics.

The 6.7% results are expected to be discussed today at the system's semiannual retreat meeting in Santa Rosa, California, as investment staff and board members gather for three days of discussions on charting a future course for the $350 billion-plus retirement system.

At the end of 2018, midway through the 12-month fiscal year, CalPERS investment returns were just at a break-even point, but an upward trending stock market and interest rates drops over the last six months helped the retirement system nearly catch up.

[Chief Investment Officer](#)

Sharf: PERA's Volatility Matters
July 16, 2019, By Joshua Sharf

When it comes to pension funds, returns are one thing, but volatility matters, too. And chasing higher returns increases their volatility, effectively reducing those returns over time. Pension funds typically pay out more in benefits than they take in via contributions. Therefore, these reduced returns are especially costly when trying to recover from underfunding; investment returns must not only make up that difference, they must also help replenish Net Assets. Bad years hurt more than good years help.

Let's look at how much that volatility costs, and how much it has cost Colorado's Public Employees Retirement Association (PERA) in particular since 2000.

Pension plans base their calculations on a constant expected return. Because returns multiply over time to create a multi-year cumulative return, even if the plan averages its target return over a number of years, it will realize a lower cumulative return.

The following chart compares the arithmetic average returns and volatilities since Fiscal Year 2001 of 150 distinct public pension funds tracked by the Center for Retirement Research at Boston College. The data includes the latest fiscal year, whether 2017 or 2018.

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