



# PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System



## Update From the Chairman

Sherry Mose  
Chairman

Dear Participants,

“There is no decision that we can make that doesn’t come with some sort of balance or sacrifice.” Those are the words of Simon Sinek, an author, speaker and consultant who writes on leadership and management.

I have been considering the importance of sacrifice, particularly shared sacrifice, in recent months as HMEPS has been working with Mayor Sylvester Turner and his administration to secure funding for the pension plan and to make changes that will ensure its sustainability for the long term.

As we worked together, our goal at HMEPS was to secure the pension plan so it will continue to provide meaningful, secure benefits for our participants who have worked so hard for the City of Houston and its citizens.

The HMEPS board tentatively approved changes to the plan as did the Houston City Council. These changes will not be final unless and until a Meet and Confer agreement is reached between HMEPS and the City, with the expectation that the agreed provisions will be enacted into law by the Texas Legislature in the 2017 session. We have outlined the proposed changes to the system on pages 4-6. We will also keep you updated on any developments during the legislative session on the HMEPS website.

I understand that these negotiations have caused concern for many of you, and I truly appreciate your patience, understanding and confidence in me and the HMEPS Board and staff. We are

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## DROP INTEREST RATE IS 2.5% FOR CALENDAR YEAR 2017

The Deferred Retirement Option Plan (DROP) interest rate for calendar year 2017 will be 2.5%, effective January 1, 2017. The rate was approved by the HMEPS Board of Trustees at the November 2016 Board meeting.

Under the Meet and Confer Agreement, the DROP interest rate for each calendar year is half (50%) of the HMEPS investment return for the prior fiscal year, with a maximum rate of 7.5% and a minimum rate of 2.5%. The HMEPS investment return for Fiscal Year 2016 was 1.65%, so DROP participants in 2016 will receive 2.5% on their DROP accounts.



# Update From the Chairman (Con't from Page 1)

committed to securing the System for the long term, for your future, and that commitment was our focus throughout the negotiations with the administration.

The changes, if officially approved, will provide competitive benefits and future funding for the pension plan, as well as an immediate cash infusion to address past underfunding. The changes are reasonable, actuarially sound and sustainable for the long term. A vital element of the negotiations was assurance that the City will meet its full commitment to HMEPS. The City has done so in this agreement.

It also was important for us to work with Mayor Turner at the local level to develop a practical and tailored solution that is mutually agreeable rather than risking a solution forced on us by the Texas Legislature.

We remain committed to a defined benefit plan that provides meaningful and competitive benefits with appropriate funding that will strengthen our participants' financial future for the long term.

In other news, I want to welcome David Donnelly to our Board of Trustees as Mayor Turner's appointee. David,

who joined the board in October, is a Certified Public Accountant with more than 30 years of experience providing tax planning services to a wide array of clients. Please read more about David on page 3.

Also in October, HMEPS and the City of Houston Deferred Compensation Plan held the 12th annual Fall Financial Retirement Employees Educational (F.R.E.E.) Summit at the Harris County Department of Education Conference Center. We had over 380 attendees, the most ever for a single-day event, and provided valuable information on financial and retirement planning for City of Houston employees. Mayor Turner attended and answered questions from attendees for nearly an hour. It was our most successful F.R.E.E. Summit yet!

Finally, I want to wish each of you a joyous and safe holiday season. It is an honor to serve as your Chairman, and I look forward to a productive and successful 2017 for us all.

Respectfully,

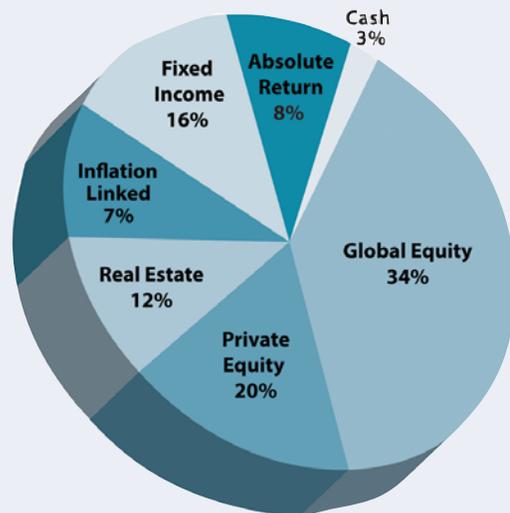
Sherry Mose

## HMEPS Investment Update

### Market Value by Asset Class

	Sept. 30, 2016	June 30, 2016
Global Equity	\$ 823,767,636	\$ 808,272,734
Fixed Income	397,562,875	387,308,646
Real Estate	277,580,830	290,174,400
Inflation Linked	244,328,306	182,818,904
Private Equity	498,640,238	476,576,765
Absolute Return	184,044,766	193,800,630
Cash	28,078,054	66,610,024
<b>Total</b>	<b>\$ 2,454,002,705</b>	<b>\$ 2,405,562,103</b>

## Asset Allocation as of Sept. 30, 2016



# HMEPS Board of Trustees Update

## Election Results and a New Trustee

This year, three trustees on the HMEPS Board were re-elected to their positions. All three were unopposed for election. Lenard Polk was re-elected to employee trustee Position 3, Asha Patnaik was re-elected to employee trustee Position 4 and Lonnie Vara was re-elected to retiree trustee Position 7. HMEPS also has a new appointed Mayoral Trustee, David Donnelly.

### David Donnelly, Mayoral Appointee, Trustee Position 1

David Donnelly has more than 30 years of experience providing tax planning services for clients with an emphasis in real estate and tax planning in the greater Houston, Texas, area.



Amy Rowley, Executive Assistant, administers the oath of office to HMEPS Trustee David Donnelly.

His industries of focus encompass professional service firms (including engineering firms and advertising agencies) and real estate investors, developers, and brokers. Other clients include oil and gas trading.

David has previously been named one of the “Nation’s

Top Most Influential Practitioners” in CPA Magazine and NPA Magazine.

David is a Certified Public Accountant (CPA), and a member of the American Institute of Certified Public Accountants (AICPA) and the Texas Society of Certified Public Accountants (TSCPA). He serves on the State and Federal Tax Policy Committee for the TSCPA, the AICPA Tax Practice Management Committee, and the HSCPA Board of Directors. David received his Bachelor’s degree from the University of Texas.

### Lenard Polk, Employee Trustee Position 3

Lenard Polk has been a HMEPS Trustee for over 8 years. He currently serves as Chair of the Disability Committee, Vice Chair of the Budget and Oversight Committee, and he serves on the External Affairs, Investment and Personnel and Procedures Committees.

Lenard is a Deputy Director in the Controller’s Department where his responsibilities include preparing, monitoring and analyzing the City’s budget.

Lenard earned a Bachelor of Science degree from the University of Houston and an Associate of Arts degree from Houston Community College. He is also a founding member of HOPE Local #123.

### Asha Patnaik, Employee Trustee Position 4

Asha Patnaik has been a HMEPS Trustee for over 4 years and has worked for the City of Houston for over 23 years. She has spent the last 15 years in the Controller’s office and currently serves as a Senior Treasury Analyst. Asha currently serves as Vice Chair of the Audit Committee, Vice Chair of the Disability Committee, and she serves on the Budget and Oversight, External Affairs, Investment and Personnel and Procedures Committees.

Asha has a Bachelor of Business Administration degree in Accounting from the University of Houston and continued education from the Government Finance Officers Association (GFOA) in public finance management, Bond Buyer Association public finance conferences and the Government Treasurers’ Organization of Texas.

Asha is a charter member of Women in Public Finance in Texas, and a member of HOPE, City of Houston Investment Committee, City of Houston Finance Working Group, Government Finance Officers Association, and Government Treasurers’ Organization of Texas.



Joan Johnson, Administrative Assistant, administers the oath of office to HMEPS Trustees Lonnie Vara, Asha Patnaik and Lenard Polk.

### Lonnie Vara, Retiree Trustee Position 7, Board Secretary

Lonnie Vara brings a wealth of experience to his role as Trustee and Board Secretary. Lonnie began working in the City’s Civil Services Department in 1974 and retired as the Human Resources Director in 2006 after 32 years. Lonnie was a long-time Board member prior to his retirement, and was elected to the Board in the 2008 Trustee election as a retiree Trustee.

Lonnie serves as the Chair of the Personnel and Procedures Committee, and Vice Chair of the External Affairs and Investment Committees. He also serves on the Disability and Audit Committees.

Lonnie was a founding member of the Association of Retired Houston Municipal Employees (ARHME) and currently serves on its Board of Directors. He also serves on the Board of the Houston Employee Relief Organization (HERO).

# Overview of Proposed HMEPS Benefits Changes

The Houston Municipal Employees Pension System (HMEPS) and the City of Houston (City) have been working over the past several months to negotiate pension reforms that are mutually beneficial to both HMEPS participants and the City and that strengthen the pension system for the long term. We are still involved in negotiations to ensure future funding for the pension plan that is reasonable and actuarially sound and that includes stepped up payments to address past underfunding. **The proposed changes will not be final unless and until a Meet and Confer agreement is reached between HMEPS and the City, with the expectation that the agreed provisions will be enacted into law by the Texas Legislature in the 2017 session.**

This overview provides information on the proposed changes in the event the mutually agreed pension reform provisions are enacted by the Texas Legislature.

## **Proposed changes to current HMEPS benefits**

The proposed changes to current HMEPS benefits include:

- Revised COLA for all participants
- Increases to member contributions starting July 1, 2017
  - Group A member contributions will increase to 8% in a 2-year phase
  - Group B members will contribute 4% as member contributions in a 2-year phase
  - Group D members will contribute 2% as member contributions
- Establish a cash balance account for each Group D member beginning January 1, 2018. Each Group D member will make required bi-weekly contributions of 1% of salary to the account, and interest will credit to the account after one year of participation.
- For Group A and B members, COLAs will no longer be credited to DROP accounts until age 62
- For Group A and B members, the DROP interest credit will be half of the five-year investment return, and guaranteed to not be less than 2.5%, or greater than 7.5%.
- For active participants and retirees who die on or after July 1, 2017, the spousal survivor benefit percentage will change from the current 100% to 80%, if the surviving spouse was married to the participant at

the time of death and for at least one continuous year as of the date of separation from service (for separations from service on or after July 1, 2017), and from 100% to 50% if the surviving spouse was married less than one continuous year as of the date of separation from service (for separations from service on or after July 1, 2017).

- For deferred participants (not yet receiving a pension benefit) who die on or after July 1, 2017, the spousal survivor benefit percentage will change from the current 100%, payable immediately, to 50%, payable at the participant's eligibility date; however, the surviving spouse can elect an earlier actuarially equivalent benefit.

See below for more information.

## **Frequently Asked Questions**

### **When will the proposed changes be effective?**

No changes will take effect until July 1, 2017 at the earliest, and the proposed reforms still need to be approved by the Texas Legislature.

### **Do the benefit reforms affect when I am eligible to retire?**

The proposed changes do not change retirement eligibility for any members. For more information on when you are eligible to retire, refer to the "*Eligibility For Retirement*" section of the HMEPS Benefits Handbook, available on the HMEPS website at [www.hmeps.org/publications.html](http://www.hmeps.org/publications.html).

### **Do the benefit reforms affect when I am eligible to enter DROP?**

Just as the proposed changes do not affect retirement eligibility, the proposed changes do not affect DROP eligibility either. If you are a Group A or Group B member, you are eligible to enter DROP when you become eligible to retire. This will not change. For more information on when you are eligible to participate in DROP, refer to the "*Deferred Retirement Option Plan (DROP) (Group A and Group B Only)*" section of the HMEPS Benefits Handbook, available on the HMEPS website at [www.hmeps.org/publications.html](http://www.hmeps.org/publications.html).

If you are a Group D member, you are not eligible to participate in DROP. However, as a Group D member, under the proposed changes beginning January 1, 2018, a notional Cash Balance Account will be established to

# Overview of Proposed Changes (Con't from Page 4)

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which you will contribute 1% of your pensionable pay while you are a Group D member, and you can receive a distribution of your Cash Balance Account balance when you leave employment. For more information, see below under “*What is the Cash Balance Account?*”

## **While I am in DROP, how much gets credited to my DROP account?**

Currently you receive the following credits to your DROP account:

- Monthly DROP credit
- An annual COLA that increases the amount of the monthly retirement benefit
- Interest equal to half of HMEPS’ investment return earned during the prior year, and guaranteed to not be less than 2.5%, or greater than 7.5%.

## **The balance in your DROP account will not be reduced by the proposed changes.**

After the effective date of the proposed changes, you will receive the following credits to your DROP account:

- Monthly DROP credit
- Beginning February 2018, an annual COLA that increases the amount of the monthly retirement benefit in February of the year in which you are at least age 62 as of January 1 of that year
- Beginning January 1, 2018, interest equal to half of HMEPS’ five-year average investment return, and guaranteed to not be less than 2.5%, or greater than 7.5%.

When you retire, you will receive both your monthly retirement benefit and the balance of your DROP account based on the DROP distribution election you select. This will not change.

## **How much do I currently contribute to HMEPS and how much will I contribute under the proposed changes?**

- If you are in Group A, then currently you contribute 5% of your pensionable pay (base salary, longevity and shift differential, if any) to HMEPS. On July 1, 2017, your contribution will increase to 7%. On July 1, 2018, your contribution will increase to 8%.
- If you are in Group B, then you do not currently contribute to HMEPS. On July 1, 2017 you will begin

contributing 2% of your pensionable pay (base salary, longevity and shift differential, if any) to HMEPS. On July 1, 2018 your contribution will increase to 4%.

- If you were hired prior to January 1, 2008 and are not sure which group you are in, then please contact HMEPS for group participation information.
- If you were newly hired on or after January 1, 2008, then you are a Group D member and you do not currently contribute to HMEPS. On July 1, 2017 you will begin contributing 2% of your pensionable pay (base salary, longevity and shift differential, if any) to HMEPS. Beginning January 1, 2018, you will begin contributing an additional 1% of your pensionable pay (base salary, longevity and shift differential, if any), which will be credited to a notional cash balance account in your name.

## **What is the Cash Balance Account?**

The cash balance account for Group D participants is a notional, or bookkeeping, account. If you are a Group D participant, your cash balance account will be credited with your required contribution of 1% of your pensionable pay plus, if you contribute to the cash balance account for at least one full year, your account will be credited with interest equal to half of the five-year average investment return earned by the pension fund, and guaranteed to not be less than 2.5%, or greater than 7.5%. The balance in this account can be distributed to you when you leave employment with the City.

## **When I retire will I receive a COLA on my monthly benefit?**

Currently:

- If you were hired before 2005, the monthly benefit received at the time of retirement would increase annually by 3%, not compounded. Also, if you were retired prior to 2005 and receiving a 3% COLA and then subsequently were rehired after 2004, your monthly benefit for your subsequent period of service would increase annually by 3%, not compounded.
- If you were hired or rehired between 2005 and 2008, and had not previously received a retirement benefit, the monthly benefit received at the time of retirement would increase annually by 2%, not compounded.

*(Con't on Page 6)*

# Overview of Proposed Changes (Con't from Page 5)

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- If you were newly hired after January 1, 2008, your monthly benefit would not receive a COLA adjustment.

Under the proposed changes:

Effective February 2018, for all members regardless of hire date, the non-compounded annual COLA will be linked to HMEPS' investment rate of return; specifically, the five-year average investment return minus 5%, and then multiplied by 50%, but not less than 0% or greater than 2%. For example:

- If the five-year average investment return of the pension fund is 7%, then for the year starting the following February, your monthly benefit would increase by 1% of your original benefit amount;
- If the five-year average investment return of the pension fund is 10%, then for the year starting the following February, your monthly benefit would increase by 2% of your original benefit amount;
- If the five-year average investment return of the pension fund is 4%, then for the year starting the following February, your monthly benefit would not increase.

## **What are the proposed changes to the survivor benefit?**

The determination of whether a survivor benefit or optional annuity will be paid to an eligible survivor or optional annuitant depends on your group participation, date of termination or death, status at time of death, and your marital status at separation from service. The proposed changes will not affect the survivor benefit currently being paid or payable to eligible survivors of participants who die prior to July 1, 2017. The proposed changes also will not affect the ability of a former Group D member or a member of Group A or Group B who is unmarried at separation from service to select a joint and survivor annuity and name an optional annuitant.

Under the proposed changes:

- Effective July 1, 2017, if an active Group A, Group B or Group D participant with at least 5 years of credited service dies while still in service with the

City (off-duty death), the spousal survivor benefit will be 80% of the normal accrued pension, payable immediately, provided that the spouse was married to the participant for at least one continuous year as of the date of death. If such spouse was married less than one continuous year as of the date of death, the survivor benefit is 50% of the normal accrued pension.

- Effective July 1, 2017, if a Group A or Group B retiree dies, the spousal survivor benefit will be 80% of the retirement benefit being received by the retiree at the time of death, payable immediately, provided that the spouse was married to the retiree at the time of death and for at least one continuous year as of the date of separation from service (for separations from service on or after July 1, 2017). If such spouse was married less than one continuous year as of the date of separation from service (for separations from service on or after July 1, 2017), the spousal survivor benefit is 50% of the retirement benefit being received by the retiree at the time of death.
- Effective July 1, 2017, if a Group A or Group B deferred participant (not yet receiving a pension benefit) dies and the participant was married as of the date of separation from service, the spousal survivor benefit is 50% of the normal accrued pension, payable at the participant's eligibility date. However, the surviving spouse can elect an earlier actuarially equivalent benefit.
- Effective July 1, 2017, if an active Group A, Group B or Group D participant dies from a service-related (on-duty) death, the spousal survivor benefit is 80% of the participant's final average salary, payable immediately.

***This overview is intended only as a brief description of certain proposed changes that will occur in the event the mutually agreed provisions are enacted into law by the Texas legislature. Nothing contained herein may be construed to convey any right or privilege not otherwise provided by the pension law. In the event of conflict, the pension law takes precedence.***

# RETIREMENTS 2ND AND 3RD QUARTER 2016



## Administration & Regulatory Affairs

Ray, Wanda

## Aviation

Bates, Thomas  
Brooks, Kenneth  
Delao, Tavita  
Diaz, Peggy  
Germany, Mary  
Goetz, Pamela  
Hill, James  
Lozano, Felicitas  
Mora, Consuelo  
Omar, Yassin  
Rankin, Harriet  
Robinson, Robert  
Rodriguez, Diamantina  
Ryan, Ernest  
Sharpe, Michael  
Smith, Richard  
Spencer, Michelle  
Stanciu, Alexandrina  
Turtzo, Ronald  
White, William

## Controller

Campbell, Johnnie

## Convention & Entertainment

Ursprung, Stephen  
Veal, Debra

## Fleet

Trinh, Binh  
Valle, Juan  
Velez, Juan

## General Services

Armendariz, Fernando  
Gonzales, Danny  
Pettit, James  
Tovar, Baldomera

## Health & Human Services

August, Jo Marie  
Bacigalupo, Margarita  
Blaise, Martin  
Branch, Vanessa  
Campa, Alicia  
Gray, Carolyn  
Holman, Linda  
Morales, Julia  
Polk, Della  
Uvalle, Maria  
Walwyn, Joylyn  
Ward Wilson, Brenda

## Housing & Community Development

Rodriguez, Roland

## Houston Emergency Center

Belvin Andres, Darlene

Bulman, Rosalind  
Estes, Kimmie

## Human Resources

Baptiste, Margaret  
Cano, Ramiro  
Gallegos, Christine  
Snow, James

## Information Technology

Webster, Archie

## Legal

Edmundson, Donna  
Kirchner, Sonny

## Library

Kelly, Elizabeth  
Matute, Rosa  
Reeves, Leslie

## Municipal Courts

Barefield, Ardean  
Garcia, Irma  
Peters, Kathy  
Thomas, Rosemary

## Parks & Recreation

Marks, Terry  
Martinez, San Juan  
Valentin, Darrell  
Ventura, Alfredo  
Zavala, Simon

## Police

Black, Joann  
Galloway, Vicky  
Herrera, Laura  
Mero, Tamra  
Temple, Sherry  
Walter, Claudia

## Public Works & Engineering

Bandy, Susan  
Brandon, Chester  
Browning, Dirk  
Garcia, Elsa  
Ghoreishi, Hossein  
Hlavacek, William  
Kovacich, Richard  
Laws, Allen  
Le, Tai  
Moffett, O'Neal  
Moody, Lawrence  
Raglin, Carolyn  
Rea, James  
Rodriguez, Robert  
Simmons, Signora  
Smith, Deborah  
Stephens, Sheryl  
Vrana, Maria  
Williams, Joseph  
Wright, Alvin

## Solid Waste

Davis, Redell  
Jones, Garry

*The Retirements section lists names and departments of those retiring participants who have indicated on their retirement applications that they wished to have an announcement of their retirement included.*

## HMEPS STAFF SERVICE AWARDS



HMEPS Chairman Sherry Mose and Executive Director David L. Long recently recognized three HMEPS staff members for a combined 35 years of service to the system: Lovie Coutee, Myo Htut, and Joan Johnson.

(From left) Chairman Sherry Mose, Administrative Assistant Lovie Coutee, Network Administrator Myo Htut, Administrative Assistant Joan Johnson and Executive Director David L. Long.

# PENSION PRESS

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## BOARD OF TRUSTEES

### ELECTED AND APPOINTED TRUSTEES

Sherry Mose, *Chairman*  
Roy W. Sanchez, *Vice Chairman*  
Lonnie Vara, *Secretary*  
Roderick J. Newman  
Asha Patnaik  
Lenard Polk  
Barbara Chelette, *Appointed*

### CITY APPOINTED TRUSTEES

David Donnelly  
Edward J. Hamb II  
Adrian Patterson

## PENSION PRESS

David L. Long,  
*Executive Director*  
Peter Koops,  
*Communications Specialist*

Thanks to the HMEPS staff for their contributions to the ongoing success of the *Pension Press*.



# HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

## NEWSLETTER CONTENT

The material contained in this newsletter is intended to provide you with important information about your pension participation. The content cannot be taken as the basis of any contractual rights between HMEPS and its participants. If there is a question of interpretation, retirement laws are the final authority.

## HMEPS CONTACT INFORMATION

HMEPS Address:  
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Houston, Texas 77002-5608

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Phone: 713-595-0100  
Toll Free: 800-858-1450  
Fax: 713-650-1961

HMEPS Website:  
[www.hmeps.org](http://www.hmeps.org)