



PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System



An Update From the Chairman

Sherry Mose
Chairman

Dear Participants,

Notice anything different? Yes, the *Pension Press* has changed its look and I'm excited to introduce you to the new and improved version. Our redesigned newsletter is part of HMEPS' ongoing commitment to keeping you informed and up-to-date about the pension system and related matters.

I hope you enjoy the improved layout and find the content clearer and more concise. We've also improved the look and makeup of our graphics and we have a new logo. As always, I welcome your feedback on the new look.

In addition to the new *Pension Press*, I am pleased to announce that HMEPS has a presence on Facebook (a social networking site) and Twitter (a microblogging site). We added these social media sites as part of our expanded outreach efforts to our participants. We wanted to provide you with more communication avenues and I assure you that they will not replace HMEPS' traditional communications methods. To find us on Facebook, search "Houston Municipal Employees Pension System," and be sure to "like" our page and suggest it to your coworkers and friends. And follow us on Twitter at @HouMEPS. We appreciate your support!

In other matters, I want to welcome new Trustee Ramon Manning, who took the oath of office at the March 22 meeting. Ramon, president of Partners Energy Group in Houston, is the City of Houston Controller's appointee to the Board.

We also will be holding elections later this summer for three positions on the HMEPS Board of Trustees – two active employee positions and

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Chairman Sherry Mose, Senator John Cornyn and Executive Director Rhonda Smith at the National Conference on Public Employee Retirement Systems (NCPERS) Legislative Conference in Washington, D.C. in February 2012.

Visit HMEPS' New Social Media Pages

As part of our efforts to stay connected with you, HMEPS is pleased to announce the launch of our new Facebook page and Twitter account.

Even though www.hmeps.org remains the primary source for information and news about HMEPS, our social media sites will contain up-to-date news from the website

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An Update From the Chairman

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one retiree position. It's important to make your voice heard by voting in the election.

The HMEPS Board wants to make sure the election process is accessible to all participants by allowing voting by mail, over the phone and on the Internet.



Ramon Manning, HMEPS Trustee, takes the oath of office.

Notice of the election and information about the voting process are in this edition of *Pension Press*.

As you may already know, public pension systems are under attack around the country and here in Houston. These attacks unfairly portray

pensions as the main cause of fiscal challenges facing government in the wake of the economic downturn. HMEPS will continue to work hard to bring facts and information to stakeholders and elected officials at the local, state and national level, and to counter misleading stories and attacks on the plan.

Your Chairman,

Sherry Mose
Chairman

HMEPS Invests Globally and Locally

HMEPS' \$2 billion portfolio is invested globally and locally with top money managers.

- Over \$200 million is managed by Texas investment managers
- Over 80% of this is managed by Houston firms

Of course, performance is HMEPS' main focus in selecting investments and money managers. The results speak for themselves:

- 8.92% return over 20 years ending 3/31/2012
- Ranked in 7th percentile in the TUCS Master Trusts - Public Universe over the same period



- ★ Energy
- ★ Real Estate
- ★ Private Equity
- ★ Investment Grade Fixed Income

HMEPS Investment Update

Market Value by Asset Class

	March 30, 2012	December 30, 2011
US Equity	\$541,851,866	\$499,904,503
Non-US Equity	473,519,274	427,006,807
Fixed Income	431,194,547	430,489,133
Real Estate	180,923,914	182,557,863
Inflation Linked	86,129,892	90,706,064
Private Equity	298,984,893	290,666,714
Absolute Return	69,256,092	64,266,811
Cash	24,041,972	9,700,359
Total Fund	\$2,105,902,451	\$1,995,298,254

HMEPS' Social Media Pages

(Continued from Page 1)

as well as information and tools to help you stay connected and informed about your pension.

To find us on Facebook search "Houston Municipal Employees Pension System" – be sure to "like" our page and suggest it to your coworkers and friends! And follow us on Twitter – @HouMEPS. Thanks!

NOTICE
**ELECTION OF TRUSTEES FOR THE
HOUSTON MUNICIPAL EMPLOYEES
PENSION SYSTEM (HMEPS)
BOARD OF TRUSTEES**

This election includes the positions currently held by HMEPS Board Trustees Lenard Polk, employee position #3, Terrence Ardis, employee position #4, and Lonnie Vara, retiree position #7. Accordingly, candidate applications are being accepted for two (2) employee trustee positions and one (1) retiree trustee position on the HMEPS Board.

QUALIFICATIONS

An employee candidate must be a full-time employee of the City of Houston and must be a member of the Houston Municipal Employees Pension System with at least five years of credited service at the time of application.

A retiree trustee candidate must be a retired member of the Houston Municipal Employees Pension System, and must be receiving retirement benefits at the time of application.

All qualifying candidates must be willing to: 1) serve a four-year trustee term without compensation; 2) take an oath of office; 3) attend Board meetings at least once a month; 4) serve on committees as appointed; 5) attend required committee meetings; and 6) obtain ongoing training and education in pension and pension-related matters.

APPLICATIONS

An active employee interested in running for an employee trustee position may obtain an application and a copy of election guidelines, in person, from the HMEPS Office at 1201 Louisiana, Suite 900 (Total Plaza Building).

A retiree interested in running for the retiree trustee position may obtain an application and a copy of election guidelines, in person, from the HMEPS Office at 1201 Louisiana, Suite 900 (Total Plaza Building).

Candidates must file applications in person at the HMEPS Office, 1201 Louisiana, Suite 900 (Total Plaza Building). The deadline for filing applications is 4:00 p.m. Houston time, Friday, June 22, 2012.



2012 HMEPS Board of Trustees Election Overview

For the 2012 Trustees election, HMEPS participants once again will be able to cast their ballots easily, securely and accurately by mail, telephone or the Internet. All active, full-time employees of the City of Houston are eligible to vote for Trustee employee positions No. 3 and No. 4. All HMEPS retirees are eligible to vote for retiree position No. 7.

The Board of Trustees has engaged VR Election Services (VRES), the firm that provided state-of-the-art services

for the 2010 HMEPS Trustee election, to be the independent administrator for the 2012 Trustee election. "HMEPS staff will be overseeing the entire election process with VRES providing the technical expertise that will allow participants to vote using one of three methods," said Rhonda Smith, HMEPS' Executive Director. "Like the 2010 Trustee election process, the 2012 election process will be extremely easy to use, secure and confidential, and give participants the additional choices of voting by telephone and Internet."

The following is a brief overview of the voting process:

Each HMEPS participant will receive a mailed ballot with a unique personal identification number (PIN), a unique bar-coded ballot control ID number and detailed instructions for voting.

When a participant is ready to vote, he or she will choose one of the three methods available – telephone, mail or

Internet. If a ballot is lost, the participant can contact VRES, which will issue a new, security-coded ballot and remove the lost ballot from the database. It will be impossible for a participant to vote twice. VRES also will provide toll-free live customer service during business hours to participants throughout the voting period, which will begin in August 2012. The phone number for VRES will be printed on all ballots, along with its email address for participants who wish to submit questions about the voting process.

Vote By Mail:

A participant who wants to vote by mail will make a mark in the box on the ballot next to the one candidate of his or her choice for each applicable Trustee position. The participant will then use the Courtesy Reply envelope included in each package to return the ballot to the VRES office for verification, sorting, scanning, processing and secure storage.

Vote By Phone:

A participant who wants to vote by tele-

phone can call the toll-free number listed on the paper ballot and follow the voice-prompt instructions. The voice instructions will ask for the participant's Social Security number and the PIN number printed on the ballot. Once the participant is verified in the system, the system will prompt the participant to select the one candidate of his or her choice for each applicable Trustee

2012 Trustee Election Plan Calendar

Distribute notice of election	Week of June 4
Candidate application deadline	June 22 by 4:00 pm CT.
Eligibility letter to candidates	Week of June 25 or July 2
Ballot certification	Week of July 16 or July 23
Ballots mailed	Week of July 30
Voting deadlines	August 17 by 5:00 pm, CT. Mailed ballots must be received by August 17
Tabulate votes	August 20
Administrator's report to Executive Director	August 21
Election certification (and declaration of runoff, if any)	August 23 (HMEPS Board Meeting)

NOTE: Election results will be posted to the HMEPS website (www.hmeps.org) as soon as possible. If a runoff is necessary, candidates will be notified the week of Aug. 27 of the runoff election. Dates for mailing ballots, deadlines and voting certification will be posted on the HMEPS website.

2012 HMEPS Board of Trustees Election Overview (Con't)

position. It will confirm the selection and ask the participant to “Press 1 to confirm or Press 2 to recast.” Once the participant has confirmed the vote, that vote will be registered. If a participant hangs up before voting for the final candidate, the vote does not register. However, that participant may call again to cast a vote.

Vote By Internet:

Participants who want to vote using the Internet will access the VRES voting website for HMEPS that is listed on the paper ballot, enter the last four digits of their

Social Security number and the PIN number printed on the ballot, and click on the “submit” icon to continue with the voting process. Once on the voting page, the participant will click the box for the one candidate of his or her choice for each applicable Trustee position and click on the “confirm” button to register the vote. At the conclusion of voting, each participant will receive a confirmation page of the choices that the participant may print for his or her own records. A partial sample of the VRES voting site is below.

How Voting By Computer Will Work - Partial Sample Screens

Municipal Employees Pension System (HMEPS) Trustee Election - Windows Internet Explorer
http://www.vres.us/webapp/VR2012.pgs
Houston Municipal Employees Pension System (HMEPS...)

HMEPS Board Elections
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

**** Demonstration Site ****

2012 Trustee Election

Internet votes must be submitted by August 17, 2012 at 5:00 p.m. CT.
If you are voting by internet, do NOT vote by any other means.
The first vote received will be counted by VR Election Services.

To vote by Internet, use the last 4 digits of your Social Security Number and the Personal Identification Number (PIN) mailed with your voting information package.

Last 4 digits of SSN: Personal Identification Number (PIN):

Submit

If you experience difficulty voting by Internet, please use your mail-in ballot

For customer service, 1.800.218.4026, Monday-Friday, 8:30 a.m. - 5:00 p.m. CT, or E-Mail Customer Service

Voting in the 2012 Trustee Election will take place in August 2012 by mail-in ballot, telephone voting or internet voting. This page contains three sample screens that provide a general representation of how the voting screens will appear for the internet voting option. If you choose the internet voting option, the voting website will be accessible by any computer, 24 hours a day. The ballot package that will be mailed in August 2012 will have the internet address for the voting website.

The first screen of the voting website will have two fields where you will enter the last 4 digits of your social security number and your PIN number, which will be contained in the ballot package that is mailed to you. Entering this information will allow you to access the other voting screens.

The voting screens provide each applicable Trustee Position and the candidates for that position. You may select a candidate by checking the box next to the candidate's name, and then click the “Confirm” button to confirm the vote. You may also choose not to vote for anyone in that position by clicking the “To Abstain” button. Finally, you can change your choice by clicking the “Reset” button to revote for that position or to abstain.

The final screen will confirm your choice of candidate and indicate that you have completed voting.

Look for more information on the HMEPS website at www.hmeps.org.

Municipal Employees Pension System (HMEPS) Trustee Election - Windows Internet Explorer
http://www.vres.us/webapp/VR2012.pgs
Houston Municipal Employees Pension System (HMEPS...)

HMEPS Board Elections
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

**** Demonstration Site ****

Participant Voting

Trustee Position 5

(Select one candidate.)

To view the Candidate statements, please click on their names.

John Doe
 Jane Doe

Confirm To Abstain Reset

To abstain from voting, click the "Abstain" button.

VeriSign Secure McAfee SECURE TESTED DAILY 24x7x365 VR

Taking Money Out of Tax Deferred Accounts



Steve Waas, CFP®, EA
Manager of Policy and
Financial Planning

Have you ever heard of the term “progressive” taxes? It sounds boring and technical, but it could cost you more money than you expected.

It should be no surprise that generally the more income you receive, the more income tax you will pay, because you pay tax on each additional dollar. But this effect is even stronger in a “progressive” tax system, such as the US Federal income tax system, because at higher income levels the tax percentage is higher (the amount of tax you pay on each additional dollar is greater as you reach certain income levels). Why should you care if wealthy people pay a higher percentage of their income in taxes than people with average incomes? Because sometimes the IRS might consider you a “wealthy” person, depending on the decisions you make about your tax-deferred accounts such as DROP, 457 plans, 401(k) plans, or similar plans.

Consider two City employees, Starsky and Hutch. Starsky and Hutch are identical in many respects. They both are retiring. They are both single (the same principles would apply to married couples, however). Once they retire, each of them will have a total of \$25,000/year in income from their pension and other sources. Each of them also has \$175,000 in one or more tax deferred accounts such as DROP.

Upon retirement, Starsky takes a lump sum payout of his tax deferred accounts to himself. Starsky tells Hutch, “I know I’ll have a big tax bill that first year, but I’m going to have to pay the taxes eventually anyway. So I’ll take all the money now, since it won’t make any difference in the long run.”

Hutch, on the other hand, thinks he’ll keep more of his money if he spreads his accounts out over 10 years with occasional partial distributions.

Starsky has to report all of the \$175,000 as income in that first year of retirement (along with his \$25,000 in pen-

sion payments). So his income stream looks like this: \$200,000 in the first year, and \$25,000/year thereafter.

Hutch’s income stream looks like this: \$42,500 for the first 10 years of retirement --the \$25,000 pension plus the \$17,500 distribution from the tax deferred accounts. (In this example we keep things simple by ignoring the interest earnings on the accounts, COLAs, as well as

any tax deductions beyond the standard deduction and personal exemption).

So who is right, Starsky or Hutch? Even though Starsky and Hutch ultimately take the same amounts out of their tax deferred accounts over the 10 years, Starsky pays about \$15,000 more in taxes, assuming future tax rates stay relatively unchanged. Why? Because of the “progressive” structure of tax brackets. In other words, Starsky pays a lot more because he is viewed by the IRS as very wealthy in that first year, and therefore pays a higher percent-

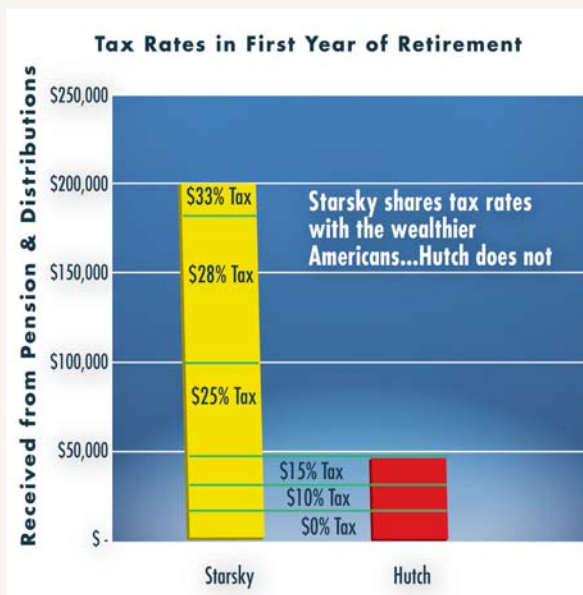
age in taxes on the money he receives that year.

This chart might help demonstrate what’s going on. It compares Starsky and Hutch in their first year of retirement. Starsky pays a 28% tax rate on much of the money he receives, and even 33% on part of it.

Of course, everybody’s circumstances differ. It might make sense for some people to take larger cash distributions from their DROP or other tax deferred accounts in spite of the tax consequences. The point here is simply to be aware of these consequences, so that you can evaluate the situation logically.

Steve Waas is a Certified Financial Planner and is available for individual meetings with participants. Steve also discusses financial topics in our newsletters to help participants better understand these important issues.

The information contained herein is general in nature and is not intended as legal, tax, or investment advice, and should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all the relevant facts. HMEPS assumes no obligation to inform any person of any changes in the tax law or other factors that could affect the information contained herein.





Retirements

1st Quarter 2012

Administration & Regulatory Affairs <hr/> Latson, Janice <hr/> Aviation <hr/> Bradshaw, Harry Brown, Bobby Dishongh, Josette Im, Samphan Lechleiter, Lewis Perez, Vito Sims, John Van Wert, Jessica <hr/> Convention & Entertainment <hr/> Martinez, Aurora <hr/> General Services <hr/> Johnson, John	Health & Human Services <hr/> Hunt, Vernon Mcarthur, Ewellene Vindekilde, Soren Wright, Gertrude <hr/> Legal <hr/> Pratka, Delores <hr/> Library <hr/> Willeford, Wendy <hr/> Neighborhoods <hr/> Hopson, Derrell Scott, Larry <hr/> Parks & Recreation <hr/> Davis, Richard Garza, Leopoldo	Police <hr/> Bolton, Hermila David, Richard Menard, Yvonne Patel, Sharmishta Vu, Dung White, Myra <hr/> Public Works & Engineering <hr/> Alston, Michael Caskey, Gary Dawson, Gloria Guido, Luis Graham, Charles Hightower, George Johnson, Michael Jones, Jesse Kennedy, Michael Luna, Juan	Manno, Salvatore Mathis, Robert Pickett, Darrell Rice, Donna Smith, Eugenia Walker, Michael Wingate, Tracy Wolfred, Forrest <hr/> Solid Waste Management <hr/> Moshay, Kenneth Reed, Anthony
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The Retirement section now lists names and departments of those retiring participants who have indicated on their retirement application that they wished to have an announcement of their retirement included.

Pension Payment Schedules

June to September 2012

The following are the dates pension benefit checks will be mailed in the months ahead. The schedule will be strictly adhered to.

- Tuesday, June 26
- Thursday, July 26
- Tuesday, August 28
- Tuesday, September 25

Direct deposits (ACH) will be deposited on the last business day of each month, as follows:

- Friday, June 29
- Tuesday, July 31
- Friday, August 31
- Friday, September 28



HMEPS Trustee and Secretary Lonnie Vara visits with retirees at the Association of Retired Houston Municipal Employees (ARHME) Luncheon on May 12, 2012.

PENSION PRESS

Houston Municipal Employees Pension System



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ELECTED AND APPOINTED TRUSTEES

Sherry Mose, *Chairman*
Roy W. Sanchez, *Vice Chairman*
Lonnie Vara, *Secretary*
Terrence Ardis
David L. Long
Lenard Polk
Barbara Chelette, *Appointed*

CITY APPOINTED TRUSTEES

Richard Badger
Justo P. Gonzalez
Ramon Manning
Craig T. Mason

PENSION PRESS

Rhonda Smith,
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

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