



PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System



An Update From the Chairman

Sherry Mose
Chairman

Dear Participants,

I want to start by congratulating Asha Patnaik, Lenard Polk and Lonnie Vara on their election and re-election to the Board. I look forward to working with them, as well as the entire Board and HMEPS staff, to continue strengthening HMEPS for all of our participants. I also want to thank HMEPS participants for taking part in the election process.

The Board and staff of HMEPS have been busy since I last wrote to you, most recently with a meeting in Austin. Several groups, including HMEPS representatives, testified at the September 12, 2012 meeting of the Texas House of Representatives Pensions, Investments and Financial Services (PIFS) Committee to discuss several topics, including pensions. At the meeting, we reviewed for the Committee the history and current status of HMEPS, and answered questions from Committee members. Our primary message was that the existing Meet and Confer process works. A key reason it works is that one side cannot



Asha Patnaik, HMEPS Trustee, takes the oath of office.

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Make Plans Now to Attend the 2012 FREE Summit Oct. 23-24

Do you want to learn more about your pension, deferred compensation and social security benefits? If so, you should make plans to attend the 2012 FREE Summit. Turn to page 5 for more information about the Summit as well as how to pre-register.



An Update From the Chairman

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control the negotiations or unilaterally make changes. Good faith, arms-length negotiations, including appropriate checks and balances, are the essence of the process.

We were pleased to see that the City of Houston, in its written comments submitted to the PIFS Committee, agrees that the Meet and Confer process has been successful with HMEPS. Be assured that the responsible and professional trustees and staff at HMEPS are the sole fiduciaries of the system, and that we will remain vigilant in providing a secure retirement benefit for all our participants.

Finally, I want to remind everyone of our upcoming Financial Retirement Employees Educational (F.R.E.E.) Summit, scheduled for Oct. 23-24th. This annual event helps City employees prepare for their financial future. The theme for this year's FREE Summit is "Retirement Realities: Are You Plugged In?", and will feature presentations on planning, preparing and protecting your retirement plans. Please see more details on page 5.

Thank you again for your continued support.

Your Chairman,



Sherry Mose
Chairman

HMEPS Investment Update

Market Value by Asset Class

	June 30, 2012	March 30, 2012
US Equity	\$468,883,705	\$541,851,866
Non-US Equity	440,073,383	473,519,274
Fixed Income	432,433,943	431,194,547
Real Estate	185,152,629	180,923,914
Inflation Linked	95,315,278	86,129,892
Private Equity	311,676,494	298,984,893
Absolute Return	83,500,068	69,256,092
Cash	11,685,422	24,041,972
Total Fund	\$2,028,720,921	\$2,105,902,451

Toll-Free 1-800 Customer Support Line to Assist Users of MyPenPay Retiree Website

Retirees who need assistance with their MyPenPay account have a new 1-800 number they can call to ask questions.

By calling 1-866-471-0368, retirees can talk to an operator and receive assistance with logging in, password retrieval and more.

HMEPS Receives Awards for Excellence in Financial Reporting

HMEPS has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its 2011 Comprehensive Annual Financial Report (CAFR). HMEPS was also awarded a Certificate of Achievement for Excellence in Popular Financial Reporting by the GFOA for its 2011 Report to Participants.



"We are honored to be recognized by GFOA for our CAFR and Participant Report," said HMEPS Executive Director Rhonda Smith. "Accurate and transparent financial reporting is a top priority at HMEPS, and we are pleased to receive the award."

The GFOA is a non-profit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL and Washington, D.C. For more information visit www.gfoa.org.



2012 HMEPS Board of Trustees Election Results and Profiles

The 2012 Trustee Election and Runoff Election results are in! Lenard Polk was re-elected to employee trustee Position 3, and Lonnie Vara was re-elected to retiree trustee Position 7. Asha Patnaik won the runoff election and was elected to employee trustee Position 4.

Lenard Polk, Employee Trustee Position 3



Lenard Polk
Elected Trustee

Lenard Polk has been a HMEPS Trustee for over 4 years. He currently serves as Chair of the Audit Committee, Vice Chair of the Budget and Oversight Committee, and serves on the Disability, 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 working for the City of Houston for over 20 years. She has spent the last 12 years in the Controller's office and currently serves as a Senior Treasury Analyst. Her responsibilities include Public Finance (Municipal Bonds), City financing requirements, implementation of the annual operating budget, capital improvement projects and more. Asha



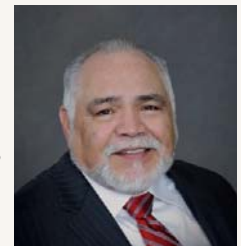
Asha Patnaik
Elected Trustee

will be spearheading the investor relations road show for the City in January 2013.

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, Toastmasters, City of Houston Finance Working Group, Government Finance Officers Association, and Government Treasurers' Organization of Texas.

Lonnie Vara, Retiree Trustee Position 7, Secretary of Board



Lonnie Vara
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 Committee. He also serves on the Disability, Investment 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).

Does Your Municipal Pension Affect Your Social Security Benefit?



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

Recently, an HMEPS retiree was having trouble with the Social Security office. She was told she could not collect her full Social Security benefit because she had worked for a government. Is this true?

There are two ways that working for a government can have a direct impact on your Social Security payment. I assured this retiree that neither of these things applied in her situation. “But,” the retiree asked, “how can I convince the person at Social Security?”

I explained that two Social Security provisions – the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) – are designed to reduce Social Security benefits for those who get government pensions and did not pay into Social Security while working. This applies to some government workers around the country, including many teachers, firefighters and police officers. But City of Houston municipal employees do pay into Social Security. This is why these two provisions are not triggered by City of Houston municipal employment.

I told the retiree that if the Social Security representative still didn’t understand this, she could point to specific places on the Social Security website itself. This particular retiree easily resolved the issue on her next visit to the Social Security office. Other issues sometimes come up when Social Security is involved. For example, in some situations your Social Security payment can be reduced if you earn “too much” of a

certain type of income. This is known as the “earnings test.” But keep in mind that Social Security is concerned with “earned income,” which is income from a job. Pension income does not apply for this purpose. Your pension benefit will not trigger a reduction of your Social Security benefit as a result of the earnings test.

Here is yet another way your Social Security benefit can be indirectly impacted. Most people don’t realize that Social Security benefits are taxed differently than other income. For some people, none of their Social Security benefits are taxed. For those at higher income levels, as much as 85 percent of the benefits they receive are included as taxable income. But here the IRS looks not just at earned income, but also other income such as pensions and distributions from DROP or other tax deferred accounts. So, strangely enough, for

Social Security Feature	Does Receiving a Municipal Pension or DROP Distribution Potentially Have an Impact?	Comments
Windfall Elimination Provision	No	Municipal employees pay into Social Security, so no impact
Government Pension Offset	No	Municipal employees pay into Social Security, so no impact
Earnings Test	No	However, if you earn \$ from working and you are younger than Social Security full retirement - that may have an impact
Federal Income Tax on Social Security Benefits	Yes	How much of your Social Security payment is taxable? That depends on other income you receive, including pensions and deferred compensation account distributions

some people a large DROP distribution could increase the amount of tax they pay on their Social Security benefits (not to mention increasing the tax they pay overall – see “Taking Money Out of Tax Deferred Accounts” in the June 2012 Pension Press).

All of this is a good reason to get a financial checkup before retiring.

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.

Register Now for the 2012 FREE Summit Retirement Realities: Are You Plugged In?

- Tuesday, Oct. 23rd, Harris County Dept. of Education, 6300 Irvington Blvd.
OR
- Wednesday, Oct. 24th, Heritage Plaza Bldg., 1111 Bagby, 1st Floor, Downtown

Agenda of Speakers:

- I. *Plug-in to Fresh Perspectives, a Wealth of Knowledge and Create the Confidence You Need to Make a Wonderful Retirement Happen!* 10:00 - 10:35
Sherry Mose, Chairman of the HMEPS Board of Trustees and
Plan Administrator of the City of Houston Deferred Compensation Plan
- II. *Stay Connected and Be Aware of How to Avoid Fraud and Protect Your Retirement* 10:40 - 11:30
Ferolito Parco, Enforcement Attorney, U.S. Securities & Exchange Commission

<< Break >> 11:30 - 11:55
- III. Keynote - Tuesday, Oct. 23rd - If It's Gonna Be, It's Up to Me! 12:00 - 12:45
Bob Love, Director of Community Affairs, Chicago Bulls

Bob Love was a three-time NBA All-Star and is ranked third on the Bulls' all-time scoring list with 12,623 points. He serves as the Bulls' "goodwill ambassador" and makes more than 300 appearances a year at schools, charity events, basketball clinics and non-profit agencies and is an honorary spokesperson for the National Stuttering Federation of America. He serves on the boards of the Chicago Abused Women Coalition, the American Cancer Federation and the National Brain Injury Association of Illinois.

Keynote - Wednesday, Oct. 24th - Retiring Rumors with Retirement Realities 12:00 - 12:45
Diane Oakley, Executive Director, National Institute on Retirement Security (NIRS)

Diane Oakley is Executive Director of the National Institute on Retirement Security. Before joining NIRS, Ms. Oakley served as senior policy advisor to Congressman Earl Pomeroy, who represented the state of North Dakota. Prior to her service on Capitol Hill, Ms. Oakley held leadership positions with TIAA-CREF, a leading financial services provider. During her 28-year tenure with the organization, she held a number of management, public policy, and technical positions. She holds a B.S. in Mathematics from Fairfield University, where she graduated Cum Laude. She earned an M.B.A. in Finance from Fordham University.
- IV. *Are You Ready to Take The Mystery Out of Retirement Planning?* 1:00 - 2:00
Bob Schulz, "The Retirement Guy"

Both Days 10:00 - 12:00, Two Alternate Special Sessions On the Basics of Pensions and Deferred Compensation Plans:

- Steve Waas, HMEPS, Certified Financial Planner® 10:00 - 10:50
Gary Wilkins, Regional Director, Great-West Retirement Services 11:00 - 11:50
Pension and Deferred Compensation 101
An Introduction to Your Pension and Deferred Compensation Benefits

**FREE Admission,
Come and Go at Your Leisure,
Lite Lunch Will Be Provided or
Feel Free to
Bring Your Own!**



**To Register, Go To:
www.2012freesummit.eventbrite.com
Questions? Call
Peter Koops, HMEPS, at
713-595-0123**

DROP Accounts and Unscrupulous Financial Advisors

One of our retirees reported to our staff that her financial advisor at a major, well-known financial firm filled out a DROP Distribution Request Form requesting that the retiree's DROP funds be transferred to his firm. The retiree knew nothing about this until the advisor told her that the pension office was "working with" the advisor and that she needed to sign the form.

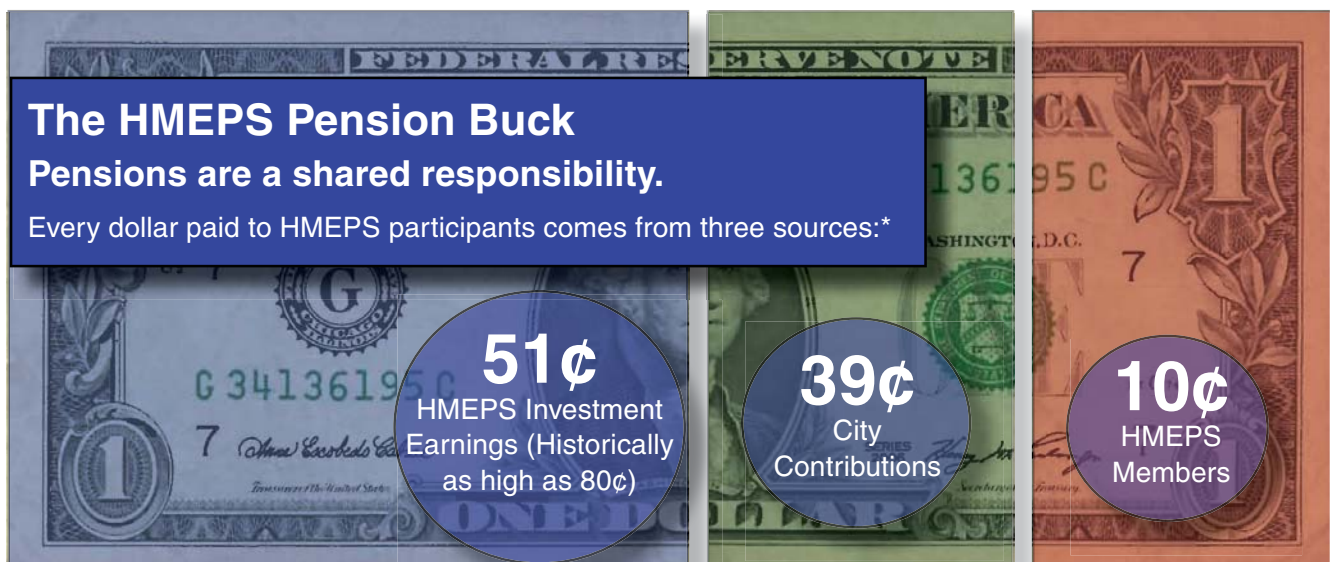
Fortunately, the retiree knew that this "didn't sound right" and she contacted the pension office. We confirmed for the retiree that we were not working with the advisor, and that the retiree was smart to call us. This is a reminder that we do not discuss a participant's pension with anyone else unless we have the participant's written authorization or if a limited legal exception applies, such as a subpoena. However, HMEPS is authorized to process a duly completed and submitted form, so as an appropriate

precaution we require your signature to be notarized on a DROP Distribution Request, as well as on other HMEPS documents.

Nevertheless, you must remain vigilant about your benefit. There are many ethical and competent financial advisors, but keep in mind that there are many unethical and incompetent ones as well. Don't become a victim of the latter type. Don't take actions based on what someone says you "must" do with your DROP account without checking with the pension office. Also, keep in mind that a Certified Financial Planner™ is on staff at HMEPS and is available for financial counseling. Information is available at our website at www.hmeps.org (link on Financial Counselor Section).

Do You Know Where Each Dollar Paid to Participants Comes From?

HMEPS pays out approximately \$190 million in pension benefits each year to retirees and beneficiaries using investment income and cash contributions from the City and members. The "HMEPS Pension Buck" below illustrates this.*



*Source: HMEPS, Income over the last 10 years as of June 30, 2011.



Retirements

2nd Quarter 2012

Administration & Regulatory Affairs <hr/> Godinez, Armandina	General Services <hr/> Henderson, Prayong Huff, Nadine	Neighborhoods <hr/> Hinojosa, Cruz	Duplantier, Kenneth Hernandez, Isaias Jara, Lorenzo Kidder, Arthur Lacey, Kenneth Mars, Willie Mcclay, Melvin Perkins, Jerome Perkins, Kenneth Reed, Benjamin Trevino, Reyes Wilson, George Ybanez, Kathleen
Affirmative Action <hr/> Canton, Lewis	Health & Human Services <hr/> Bryant, Iris Williams, Marcia	Parks & Recreation <hr/> Dever, Karl Jass, Mary Mcben, Roy Pena, Tolentino	
Aviation <hr/> Blackburn, Ronald Cabrera, Oralia Case, Mary Crouch, Frank Cruz, Aura Cruz, Concepcion Henderson, Arthur Hernandez, Hernando Keller, Jack	Houston Emergency Center <hr/> Tennyson, Deanna	Police <hr/> Abayomi, Daisy Goodwin, Barbara Wilson, Patricia	Solid Waste Management <hr/> Minor, Barbara
Fleet <hr/> Ly, Tha	Human Resources <hr/> Sagers, Jacqueline	Public Works & Engineering <hr/> Brown, Jack Burford, Willie Dodson, Raymond	
	Library <hr/> Jones, Glory		

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

October to December 2012

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

- Friday, October 26
- Tuesday, November 27
- Wednesday, December 26

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

- Wednesday, October 31
- Friday, November 30
- Monday, December 31



Participant Kathryn James recently visited the HMEPS office for financial counseling on her upcoming retirement.

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Houston Municipal Employees Pension System



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Roy W. Sanchez, *Vice Chairman*
Lonnie Vara, *Secretary*
David L. Long
Asha Patnaik
Lenard Polk
Barbara Chelette, *Appointed*

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

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Rhonda Smith,
Executive Director
Peter Koops,
Communications Specialist
Anna Whitson,
Administrative Assistant

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



HMEEPS

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.

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