



PENSION • PRESS

The Newsletter of the Houston Municipal Employees Pension System

www.hmeps.org

New CIO Dedicated to Keeping HMEPS Investments On Top

Doug Wynkoop is at HMEPS totally by accident. But he's thrilled the way things turned out.

A 1985 graduate of Ohio State, he moved to Clear Lake to take a job at McDonnell Douglas as an aerospace engineer. That was his first job out of college, and he stayed for 10 years – until he saw an advertisement for a financial analyst at HMEPS.

“I thought this was a good entry point in the industry and that I would be here two to four years,” says Wynkoop, who did not even know at the time what the acronym HMEPS stood for.

Now, almost 12 years later, he says he's here for the long haul. After positions at HMEPS as a financial analyst, a senior financial analyst and then investment

manager, Wynkoop in September was named Chief Investment Officer – replacing Neal Wallach when he retired.

Wynkoop's dreams of one day working for NASA have given way to his commitment to ensuring HMEPS continues its successful investment performance.

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HMEPS New Chief Investment Officer Doug Wynkoop is dedicated to continuing HMEPS' successful investment performance.

DROP Interest Rate Hits Peak



DROP Interest Rate Reaches Maximum 7.5 Percent!

Good news for participants of the Deferred Retirement Option Plan: The DROP interest rate for calendar year 2007 will be 7.5 percent, which is an increase of .57 percent over the 6.93 percent rate for 2006. The rate, the maximum allowed under the Meet and Confer Agreement, was approved at the October Board meeting and is effective January 1, 2007.

The interest rate used each calendar year is established by taking half the return on HMEPS' investment performance for the prior year – and since HMEPS' investment return for Fiscal Year 2006 was 18.11 percent, DROP participants in 2007 will see the maximum 7.5 percent. Under the Meet and Confer Agreement, the minimum DROP rate is 2.5 percent.

DROP is an optional retirement method for members who have reached their normal retirement eligibility (age and years of credited service) but do not want to retire. It is an alternative method of accumulating and receiving a pension benefit from HMEPS. To speak with a benefit counselor to learn more about DROP, call the HMEPS office at 713-595-0100.

HMEPS Staff Get Into the Holiday Spirit of Giving



This is the season when HMEPS employees get into the holiday spirit and take to heart the saying “It’s better to give than to receive.”

For the past 12 years, the staff at HMEPS has quietly gathered money and goods to donate to an area nonprofit organization. The personal rewards, they say, have been great and it’s something they look forward to doing each year to help less fortunate individuals and families around the holidays.

This year, the staff is collecting items and funds to deliver to Target Hunger. Past recipients of these generous efforts have included the Houston Star of Hope Mission, Houston Area Women’s Center, Houston Food Bank and Bay Area Turning Point.

Participating in the donations is strictly voluntary, but staff involvement has always been high. For several weeks preceding the delivery date, employees bring in items that are put in boxes in a storage room. Lists are distributed in advance so they know what items a particular organization needs. It’s not

uncommon for staff to fill two SUVs with donated items, along with cash donations.

“People just want an opportunity to give to other people,” says system developer John Eberle, who is one of the organizers. “By doing something together, we all have a vehicle to help other people.”



If you would like to join in HMEPS’ holiday collection this year, please go to www.targethunger.org and look under the “Volunteering and Donations” page. You can also contact Tiphany Burrell at 713-226-4953.

Attention All Participants Who Received a Pension Payment in 2006

HMEPS will mail Form 1099-R’s at the end of January. If you have not received your Form 1099-R by the second week of February 2007 you should contact the HMEPS office. If you have moved or are in the process of changing your mailing address from the address on file at HMEPS, you must submit a completed change of address form to HMEPS in order to receive your Form 1099-R. You can obtain a change of address form by calling the HMEPS office or from the Forms page on the HMEPS website (www.hmeps.org).

HMEPS Investments

Market Values as of September 30, 2006

Domestic Equity	\$ 514,101,754
International Equity	356,795,225
Fixed Income	328,167,329
Real Assets	266,344,769
Alternative Investments	271,439,622
Cash Equivalents	7,101,063
City of Houston Pension Obligation Note	342,912,357
Total Fund	\$ 2,086,862,119

- For the first nine months of Calendar Year 2006, HMEPS’ investment return was 11.16 percent. For the first three months of Fiscal Year 2007, the fund has returned 3.07 percent

Member Questions to Benefit Counselors

Dear HMEPS,

"I am a retiree and I have direct deposit of my pension payment. I am going to be closing my checking account. What are the procedures for closing or changing a direct deposit account?"

Answer: The proper procedures for closing or changing a direct deposit account are:

- 1. First notify the bank that you would like to close the account. They can work with you and keep the account open until you have opened another account.*
- 2. Notify HMEPS in writing that you are closing your checking account, and cancel the direct deposit that is on file with HMEPS. After receiving the notice that you are closing your checking account, HMEPS will send your check to your home each month until a new direct deposit form is filed with HMEPS. A new direct deposit form must be received by the 10th of the month to be effective for the following month.*

The Importance of Being EARNEST

HMEPS Investment Manager Aims to Increase Wealth of Participants

Paul Viera's EARNEST Partners manages more than \$20 billion in assets for corporations, endowments, universities and municipalities across the country, so he's done his share of presentations for potential clients.

But, he said, the one he did for HMEPS in August certainly stands out from the others because of all the due diligence done

by staff and Trustees. "They were kicking the tires and asking all the right questions," he said. "They didn't just want to hear a stump speech from us, but were peppering us with questions that were germane to getting good numbers.

"It was a unique process, and a good process. HMEPS members should be proud they have the kind of people they have overseeing their assets."



**Paul Viera, CEO
and Partner**

The Trustees and staff were equally impressed by EARNEST Partners, which is now managing \$30 million of HMEPS assets. Other EARNEST clients include the Teacher Retirement System of Illinois, Dallas Area Rapid Transit system, New York Common Retirement Fund, Honda of America, General Motors and El Paso Corp.

"Our goal is to increase the wealth of the participants of HMEPS with as little volatility as possible," Viera explained. "We buy large quality companies that appreciate in value more than the market."

Viera was a global partner and senior member of the investment team at INVESCO before forming EARNEST Partners in the late 1990s. He merged a small equity management firm into the company and added several clients to build assets up to between \$400 million and \$500 million in its first year. The firm is primarily minority-owned, the entire firm is employee-owned, and there now are close to 50 employees at Atlanta-based

"They (the HMEPS Board) didn't just want to hear a stump speech from us, but were peppering us with questions that were germane to getting good numbers."

- Paul Viera

EARNEST. In 2004, Black Enterprise named EARNEST Partners its Financial Company of the Year.

"We were kind of off and running from the very beginning," said Viera, a Harvard Business School graduate who holds an

Economics degree from the University of Michigan and who also was a vice president of investment banking in the London and New York offices of Bankers Trust. "We have been in the business a long time – decades – and are well known to consultants and to plan sponsors."

When interacting with clients, Viera stresses quality, urgency, responsiveness and good cheer. His team has a broad, diverse background and offers unique solutions, he said. Viera developed the successful Return Pattern Recognition, an investment methodology used to select equities at EARNEST Partners.

Viera describes his approach as hands-on, and always up for a challenge. He was raised in Michigan in an environment where hard work was stressed and expected. His mother was a school-



EARNEST Partners' executive team includes, from left, Doug Folk, Ken Grimes, Monica Lee, Wayne Taitt and John Friedman.

teacher and his father a businessman. He serves on several boards, including North Carolina Outward Bound. Through the latter, he has climbed the tallest mountains in Europe and gone kayaking in Costa Rica. "The wilderness experiences are metaphors for life – through them you learn teamwork and your own sense of ability. You grow and develop."

He hopes the new relationship with HMEPS is a longstanding one. He says his objective is to create wealth for HMEPS over time – not day by day because then there are periods you look heroic and others when you don't. Looking ahead, he expects long-term equity markets to go up – historical markets show 8 percent to 12 percent a year.

But Viera always is optimistic: "We hope to do better than that."

Important Information If You Are Injured On the Job

The City of Houston has introduced changes to the City's Work Ability Guidelines, Executive Order 1-33, which may have an effect on your pension participation in the event you are absent from employment due to a work-related injury.

HMEPS has provided the following general answers to basic questions regarding the impact of a work-related injury absence on pension participation. However, your specific situation may not be addressed or may involve circumstances requiring a different response. All benefit decisions are subject to applicable laws and regulations. If you have further questions regarding your pension participation, contact HMEPS directly at 713-595-0100. If you have a question about a work-related injury, consult the City Work Ability Guidelines or contact your department payroll representative for information. HMEPS cannot answer questions about work-related injuries for City employees.

If I am absent from employment due to a work-related injury...

1. Is the absence considered credited service for pension purposes?

If you are absent from work due to a work-related injury, you may receive credited service for the time covered by the absence only if the time constitutes an authorized absence under the HMEPS pension law. For this purpose, an authorized absence means each day an employee is absent due to an approved accident or sickness, if the employee is continued on the employment rolls of the city, receives the employee's regular salary from the city for each day of absence, and remains eligible to work on recovery or return.

In addition, if you are in HMEPS Group A (contributory group), you must also make all required employee contributions to HMEPS for the time covered by the absence in accordance with the HMEPS pension law, or the time will not be considered credited service. On the other hand, if you are in HMEPS Group B (non-contributory group), you may receive credited service for the time covered by the absence only if the time constitutes an authorized absence under the HMEPS pension law, but you are not subject to the employee contribution requirement.

2. What if I am in Group A and employee contributions are not being made to HMEPS during my absence?

It is your responsibility to ensure that contributions are timely made in order for you to receive credited service. If you are absent due to a work-related injury and you receive only state-

mandated worker's compensation benefits as provided through the City's third party administrator, and you do not receive salary continuation or use sick/vacation leave, then no deductions will be made to pay your required employee contributions. In that event, you must make arrangements with HMEPS to pay your required employee contributions, plus interest, in order to receive credited service for the time period covered by your authorized absence.

Also, if you are receiving salary continuation or sick/vacation leave in addition to your state-mandated worker's compensation benefits, the salary continuation or sick/vacation leave amount may or may not be sufficient to pay your required employee contributions, depending on what other types of deductions are taken from your paycheck.

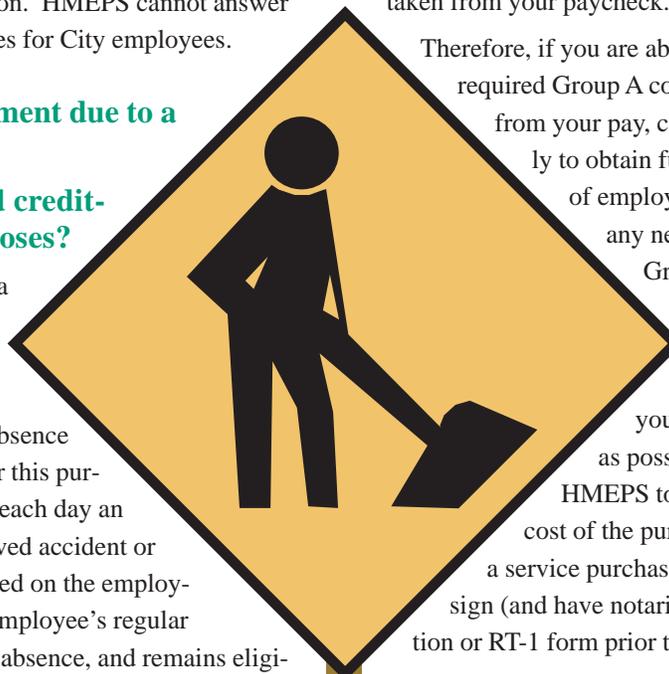
Therefore, if you are absent for a work-related injury, and all required Group A contributions have not been deducted from your pay, contact HMEPS in writing immediately to obtain further information regarding payment of employee contributions. You must make any necessary arrangements to pay for the Group A service before your last day of employment with the City.

Therefore, if you need to pay for Group A service, you should submit your request to purchase service as soon as possible to allow sufficient time for HMEPS to process the request, calculate the cost of the purchase amount with interest, send you a service purchase obligation or RT-1 form for you to sign (and have notarized), and for you to return the obligation or RT-1 form prior to your last day of employment.

3. What happens if I apply for worker's compensation and I am denied?

HMEPS does not administer worker's compensation benefits for City of Houston employees. You should contact the appropriate person or entity as provided in the Work Ability Guidelines if you have any questions related to your injury. With regard to any absence, the absence must meet the requirements of an authorized absence (see item #1), and you must make required contributions if you are a Group A member, in order to receive credited service.

This section is intended only as an informational aid to HMEPS participants. Nothing contained herein can be construed to convey any right or privilege not otherwise provided by the pension law. In the event of any conflict between this section and the pension law, the pension law shall take precedence.



Let Us Visit Your Work Site: HMEPS Staff Members Make "House" Calls

Dear Plan Participants:

As we end the 2006 year, I look back with pride on the successful efforts HMEPS staff has undertaken to go out in the field to meet with members across the city. Early this year, we made it our objective to conduct frequent site visits to help our members be better informed.

In the past months, the HMEPS field team has visited departments located throughout Houston, talking to HMEPS members at all hours of the day and night. They've visited 24-hour work sites during evening hours, and taken coffee and doughnuts to 6 a.m. meetings – all in a concerted effort to explain what HMEPS offers and help you as members make decisions that are best for your financial future.

The feedback has been great – one woman has even called our benefits office several times to thank the staff for advice she received that kept her from making what she says would have been the wrong financial decision. After the meetings, it's not unusual for those in the crowd to stay to ask one-on-one questions – and to thank our staff for making the visit.

We appreciate the thanks, but most of all we want to be of service. We hope to send more people out into the field and across the city in the next year – but we need your help. If your department would like to set up a field team visit, please let HMEPS staff know. They're only a phone call away!

The field team conducts formal and informal meetings. During the formal meetings, they show a PowerPoint presentation, give handouts and answer questions at the end. During the informal meetings, there is more of an interactive exchange in smaller group settings. They tailor the event for whatever works best for the site visited – whether it be for a group of 10 or a crowd of 200.

We've also found that people want more once we visit their site. One department has HMEPS staff scheduled for semi-annual visits – and attract a standing room only crowd each time. Perhaps most gratifying is that HMEPS staff come back enthused about the participation and about the intelligent questions they are asked. They proudly talk about newer employees who inquire about their future with questions about DROP and who emphasize the importance of a pension benefit in their employment decision-making. After most site meetings, members have called in to ask further questions or to make appropriate changes to their plan participation.

Members, of course, can still arrange to visit with their benefit counselor at the HMEPS office. But for those who cannot make it to us, we will continue to find ways to make it to you.

So, please, in the year ahead, help us help you. To arrange a site visit, please call your department payroll representative, who will contact us to schedule a convenient meeting time and location.

Sincerely,

Fred Holmes
Chairman

The HMEPS Board of Trustees



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Chairman



Ray Kennedy
Vice Chairman



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Secretary



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Council Appointee



Richard Badger
Council Appointee



Craig T. Mason
Mayoral Appointee

Executive Director



David L. Long

Retirements – September 2006 to November 2006

Aviation

Allison, Kenneth*
 Alvarez, Esther
 Eldridge, Dolly*
 Herbert, Peter
 Lattin, Vickie
 Lyles, Deborah*
 Niko, Maria
 Pollard, Charles
 Spencer, George*

Building Services

Ansari, Abdul

City Council

Quan, Gordon*

Controller

Wood, Douglas*

Convention & Entertainment

Chhim, Joseph*
 King, Edward
 Platter, William

Finance & Administration

Terrell, Betty

Health & Human Services

Bocretzion, Reddy
 Castorena, Hope*
 Collins, Barbara
 Fernandez, Santiago*
 Goede, Keri*
 Harris, Clara
 Harris, Raymond
 Jones, Marcus
 McGinty, Wayne
 Mohring, George*
 Nguyen, Christine*
 Nichols, Hal*
 Perez, Ramon
 Ray, Patricia
 Russell, Jacquelyn
 Saintphard, Lisma*
 Spiller, Ruthie*
 Williams, Monterrey*

Housing

Parker, Raymond*
 Van Dyke, Thomas

Houston Emergency Center (HEC)

Barrera, Debra
 Leffall, Carl

Houston Municipal Employees Pension System (HMEPS)

Wallach, Neal

Human Resources

Gonzalez, Maria*

Information Technology

Johnson, Janice

Legal

Moffitt, Mary

Library

Bourgeois, June*
 Crocker, Mary
 Kanady, Noelle
 Maldonado, Maria
 Payne, Cheryl*
 Tirrell, Brenda

Municipal Courts

Peters, Mary*

Parks & Recreation

Carter, Ben*

Fuentes, Jesus
 Guillory, Marjorie
 Neitman, Keith*
 Pearson, Linda
 Pietrucha-Mays, Phyllis*
 Schischakin, Natasha*

Planning

Bolognesi, Maria*
 Chiang, Sophia

Police

Antia, Leticia*
 Bacon, Alva*
 Bazile, Deetta*
 Bennett, Charlie
 Bissett, David*
 Guerrero, Ruben*
 Hensley, Donald*
 Major, Scheron*
 Milan, Ruth
 Patel, Vipul*
 Ramirez, Dianna
 Sanchez, Thelma*
 Tims, Audrey*
 Veselka, Susan*
 Walker, Robert
 Wigtil, Brad*

Public Works & Engineering

Bahl, Vishwa*
 Gillum, Larry
 Harrison, LeVonne*
 Hawkins, Jeanne
 Hemming, William
 Jackson, Harold*
 Jones, Eddie*
 Korivi, Mahendra
 Leblanc, John
 Morris, Robert
 Nguyen, Xuyen
 O'Connor, Joyce
 Peters, David*
 Phillips, Darrell
 Ponder, Steven*
 Price, Fred
 Ray, Gloria
 Rodriguez, Paul
 Smith, Cecilia
 Trammell, Myrle
 Velgakis, Christina*

*Deferred Retirement

In Remembrance

Active Employee and Retiree Deaths – September 1, 2006 through November 14, 2006

HMEPS received notification of the following participants' deaths. We wish to remember these individuals and their dedication and service to the City of Houston.

Ashley, Etha
 Atchison, Lonnie
 Bass, Nettie**
 Bernal, Joe
 Bonham, Alberta
 Brumfield, Harvey
 Clancy, Robert
 Crow, Vivian**
 Daniel, Johnnie
 Egbuna, Christopher
 Ferguson, Gladys**

Gary, James
 George, Mernie
 Godine, Randy
 Pellerin, Harold
 Hayles, John
 Hoang, Lan
 Hogan, William
 Jackson, Tania*
 Jackson, Virginia
 Kennard, Sanford
 Kherkher, Razouk

Lara, Anita**
 Laurenzana, Herman
 Lichenstein, John
 Maes, Robert
 Makhija, Parkash
 Massie, Nellie**
 Maxwell, Andrew
 Milling, Noelia**
 Monroe, Earline**
 Patronella, Leona**
 Pleasant, John

Ramirez, Anita**
 Reddy, Reddivari
 Rhodes, Frankie
 Robinson, Bessie**
 Rowan, Quingy**
 Sanderson, Richard
 Simien, Morris
 Stewart, Samuel
 Treseler, Edna**
 Turner, Judge
 Ung, Songly

Washeski, Katherine**
 Williams, Arthur
 Williams, Effella**
 Zvonek, Robbie**

*Active Employee Death

**Surviving Spouse

HMEPS' New CIO Understands Importance of Position

(Continued from Page 1)

"I am really excited about the challenge and optimistic about the future," Wynkoop says. "I don't take my responsibilities lightly."

While working at McDonnell, Wynkoop simultaneously went back to school to get his Master's of Business Administration degree. In 1998, while at HMEPS, he completed work to earn the highly regarded Chartered Financial Analyst designation.

HMEPS Executive Director David Long says promoting Wynkoop to CIO was a natural progression that promises a seamless transition. "Doug deserves this – the Board of Trustees and I have full confidence in his abilities," Long says. "I am sure that our investments will continue to move forward in a positive way under Doug's steady hand."

For Wynkoop, being CIO means maintaining HMEPS' 50 relationships with investment firms and 90 different strategies. He hopes to fine tune the successful operation already in place, and optimize how HMEPS performs in the markets.

"I like being on the plan-sponsor side," Wynkoop says. "Every day is different, and the rewarding part is knowing you are playing such a critical role in people's lives."

When not at work, Wynkoop spends time with his wife Bonita, a dentist, and their three children who range in age from 6 to 15. They enjoy playing golf as a family – he's a 14 handicap – and they like to go camping. He used to ride motorcycles, has a pilot's license (though he hasn't flown in 20 years) and enjoys reading (nonfiction, autobiographies and biographies). And although he's abandoned his desire to work at NASA, he still collects astronaut memorabilia.

"I guess I'm still kind of a nerd," Wynkoop says. "I'm really just a numbers person. But I've been told that in my position, nerd is a good thing." At 44, Wynkoop feels settled at HMEPS and is looking forward to the years ahead as CIO.

"Any organization is as good as its people," he says.

"Paychecks mean a lot. But at the end of the day, you have to feel good about what you do and excited to get up in the morning. That's how I feel about working here."

Pension Payment Schedules: December 2006 – February 2007

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

• **December 27, 2006** • **January 29, 2007** • **February 26, 2007**

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

• **December 29, 2006** • **January 31, 2007** • **February 28, 2007**

If you are interested in direct deposit of your pension benefit checks, please call our office at 713-595-0100.

City Providing New Medicare Advantage Plan Choice for Retirees

Effective January 1, 2007, City of Houston retirees eligible for Medicare and their Medicare-covered dependents will have a new Medicare Advantage plan choice: Aetna Fee-for-Service (FFS). The plan has many unique features and includes some changes from existing coverage. Be sure to check your mailbox for information the City has sent about the Medicare Advantage plans, including meeting dates to discuss the plans.

If you have not received information about the changes and did not attend one of the meetings about the changes, please contact the City's Health Benefits Division at 713-837-9400 or at 1-888-205-9266.

Representatives can give you more information and address any concern you may have with respect to insurance coverage and premiums.

HMEPS does not administer the insurance programs for retired City of Houston employees. Please contact the City of Houston for any questions you may have about the health, dental and life insurance programs for City of Houston retirees.

AFSCME To Increase Retiree Dues

The AFSCME Retiree Council has announced that effective January 1, 2007, dues for retiree members of AFSCME will increase from \$1.00 per member per month to \$1.25 per member per month.

HMEPS has received official notice from AFSCME Retiree Chapter 1550 to increase the monthly deduction for those retirees who have authorized the dues to be automatically deducted from their monthly pension checks.

AFSCME is a separate organization from HMEPS. If you have questions about the increase, please contact the AFSCME Houston Retiree office at 713-923-9473.

Pension Press

Houston Municipal Employees Pension System
1111 Bagby, Suite 2450
Houston, Texas 77002-2555
713-595-0100
1-800-858-1450
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Thanks to the HMEPS staff for their contributions
to the ongoing success of the *Pension Press*.

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:

Houston Municipal Employees Pension System
1111 Bagby Street, Suite 2450
Houston, Texas 77002-2555

HMEPS Phone Numbers:

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

HMEPS Website:

www.hmeeps.org