

# Pension Press

The Newsletter of the Houston Municipal Employees Pension System

Volume 18, Fall 2002

## LETTER FROM THE CHAIRMAN



Fred Holmes  
Chairman



Ray Kennedy  
Vice Chairman



Sherry Mose  
Elected Trustee



Barbara Chelette  
Secretary



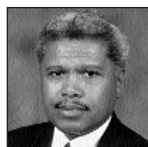
Lee Pipes  
Elected Trustee



Roderick J. Newman  
Elected Trustee



Lonnie G. Vara  
Mayor's Representative



Albertino Mays  
Treasurer



James E. Bashaw  
Appointed Trustee



Robert Hu  
Appointed Trustee



Ignacio Pujol, Jr.  
Appointed Trustee



David L. Long  
Executive Director

Dear Plan Participants,

The market downturn the United States economy is experiencing now and the media attention it brings to businesses and financial institutions such as HMEPS have resulted in several participants inquiring about HMEPS' financial condition. I am here to tell you confidently that HMEPS is financially stable and that we are optimistic about the future.

I would like to address some of the more commonly questions asked of me and the staff at HMEPS.

### 1. How "safe" is my retirement money?

Retirees will continue to receive benefits and active participants will receive their earned benefits upon retirement, as provided by law.

### 2. What is HMEPS doing in response to the current economy?

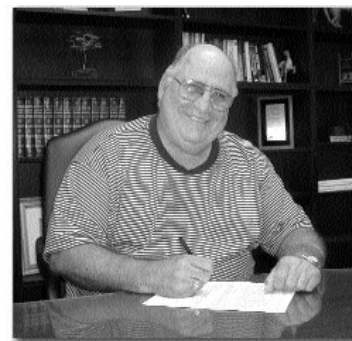
The HMEPS Board of Trustees uses several techniques to safeguard itself against "hard times." Diversification and periodic rebalancing from asset classes to capture gains and reduce risks associated with market movements are two techniques used to protect assets due to market decline.

### 3. What is HMEPS doing at this time to protect my benefits?

The staff and Board of Trustees at HMEPS have fought long and hard to get participants the best benefits possible. We are cur-

rently working hard to protect the increases in benefits we have gained in the past.

Also, we are not simply standing idle—we are working for benefit improvement even in these difficult times. One example is the recently implemented opportunity for HMEPS members to purchase eligible service on a pre-tax basis through rollovers and transfers from other plans, like the City's 457 Plan. The photograph below shows Garland Martin, the first person to participate in such a transfer.



Garland Martin, the first participant to take part in a transfer.

I want to personally thank all of you for your support during these times. HMEPS is truly working hard for you right now.

Sincerely,

Fred Holmes  
Chairman

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# Election Results! Incumbents Re-elected

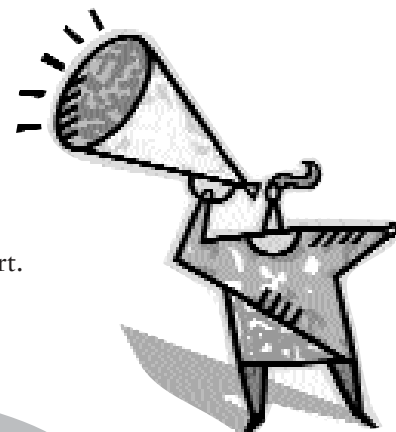
Congratulations to the following candidates for retaining their positions with HMEPS Board of Trustees:

**Sherry Mose, Employee Trustee, Position # 5**

**Lee Pipes, Employee Trustee, Position # 6**

**Ray Kennedy, Retiree Trustee, Position # 11 (unopposed)**

The Trustees are ready to fulfill another successful term on the Board and would each like to thank the retirees and employee members for their loyal support.



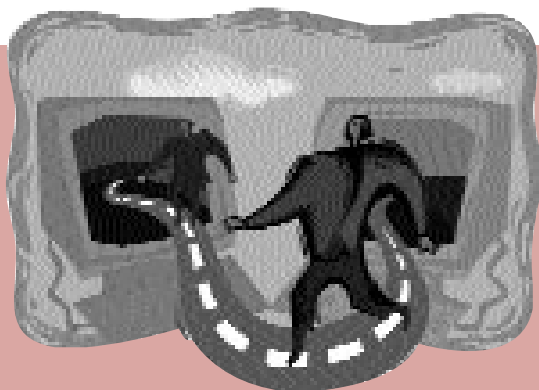
Sherry Mose,  
Position # 5



Lee Pipes,  
Position # 6



Ray Kennedy,  
Position # 11



## Website Update: Three New Forms Added

Since the last issue of the newsletter there have been several updates and additions to the HMEPS website ([www.hmeps.org](http://www.hmeps.org)). The most significant addition to the site can be found on the “Forms” page, where links to three forms have been implemented. The three forms include:

### 1. Request to Purchase Credited Service Form -

To be submitted by HMEPS members who wish to purchase service, indicating the type of service that is to be purchased, and the payment method that might be used. (This form initiates the service purchase process, and is not binding on the participant or HMEPS.)

### 2. Election to Change Group Participation Form -

To be submitted by HMEPS members who wish to change participation from Group B to Group A for future service only.

### 3. Overview of Rollover or Transfer of Funds to HMEPS Form -

Provides information for HMEPS members regarding HMEPS’s acceptance of rollovers or trustee-to-trustee transfers of funds as payment for HMEPS credited service.

As with any of the forms you download from the HMEPS website, they are free of charge and can be used like any form HMEPS would normally mail to you. Complete instructions for downloading the forms can be found on the “Forms” page.

# What's In a Name? To HMEPS, A Lot.

by Peter Koops

*Recently, HMEPS has had several participants pose some serious questions about their names. In response, we decided it was time to visit this issue and address some of the questions that arise from this seemingly simple topic.*

## The Name Game

You may not realize it but some people have many names for you. No, not the derogatory kind—I am talking about legal names that are given to you at birth or names you (legally) had changed for example, after marriage.

While a person's name may seem like a relatively unimportant topic to cover, but when it comes to legal documents, the importance of using a person's correct name cannot be underestimated. It is imperative that HMEPS records reflect your name correctly. It can mean the difference between receiving timely benefits or spending long hours getting paperwork legally correct.

So what is considered a legally "correct" name and what is considered unacceptable? The following list identifies some of the reasons HMEPS may require you to submit additional name documentation:

## Top Five Reasons Why HMEPS May Require Additional Name Documentation

The name on your birth certificate:

1. ...is different by one letter or more from other documents you submit to HMEPS.
2. ...is a "full" name while your documents show shortened names. For example: Benjamin/Ben, Jose/Joe, or Robert/Bob.
3. ...shows initials only while your documents show full names.
4. ...shows one spelling while your documents show another. For example: Vickie/Vicky, Louis/Lewis, Sean/Shawn.
5. ...is completely different than what you say your name has always been.

## What Can I Do To Ensure HMEPS Has My Records Correct?

There are several steps you can take to ensure the paperwork you present to HMEPS is in order:

1. Get an official copy of your birth certificate.
2. Look at your City documents, Texas Driver's License, and Social Security card to ensure consistent use of your name.
3. If you need to correct your name in records with the City, you will need to use Form 201, which is available from your department.



After you have accomplished the above, follow the guidelines set forth in the **HMEPS Benefits Handbook**. When you apply for retirement, you must furnish proof of your age. HMEPS must receive the required proof of age before you can begin receiving benefits. You must submit an original of one of the following documents (in some circumstances HMEPS may accept a readable copy):

- Birth certificate
- Delayed birth certificate
- Census report more than 30 years old
- Certificate of Naturalization

Anyone can apply for a delayed birth certificate through local or state agencies in the state in which you were born. In Texas, for example, you can contact the Texas Bureau of Vital Statistics. If you cannot furnish any one of the documents listed above, an original document from two of the following categories will be required (in some circumstances HMEPS may accept a readable copy):

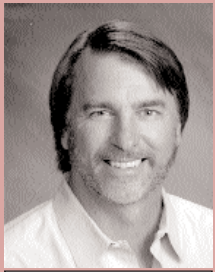
- Birth certificate of your child, giving your age
- Baptismal certificate more than 30 years old
- Hospital record of birth
- School record at time you entered grammar school
- Life insurance policy more than 30 years old

In summary, ensuring your name is presented correctly is not a difficult process, but it can take time. It requires organization on your part, as well as initiative if you need to obtain documents from another state. But in the end it will make your life much easier when it comes time to submit documents to HMEPS.



# Investment Firm Focus: Neumeier Investment Counsel

by Peter Neumeier



Peter Neumeier

*Neumeier Investment Counsel manages a portion of HMEPS's pension assets, specializing in small-cap value stocks. We have been a top-ranked veteran money manager for 17 years, due in part to the fact that I have kept our firm intentionally small (\$250 million in assets) in order to produce the best performance for our clients. Since 1986, our firm has produced compound annualized returns of 19.0%, with only one "down" year, handily beating all of the market averages. Our performance for HMEPS since inception in June of 1995 has been just as remarkable, gaining 272%, or 20.6% per year. I hope the following discussion tells you more about our business philosophy.*

## **What have been the keys to our performance over the years?**

Finding good companies isn't all that difficult-but buying them at bargain prices, with reasonably low risk, is one of our keys to success. We've had the stomach to buy good companies' stocks while other investors are ignoring or dumping them. Ditto for mustering the patience to hold on, at the price of short term underperformance and possibly looking foolish for awhile. We've resisted investment "bubbles" that spring up from time to time, and have stayed grounded in a common-sense value-oriented discipline.

## **How do we go about finding winners in small-cap?**

We like companies with positive free cash flow, high returns on capital, a defensible niche, an honest smart management that favors stockholders, and a comprehensible business model that has worked well for years. Financial strength is important for us also. We miss some big winners by being picky about balance sheets, but ultimately we limit our losses. Avoiding big losers is critical-since over time, even the best stockpickers can only expect to be "right" about 7 out of 10 times. Finally, a low valuation profile is

essential to our buying process-our average P/E ratio or cash flow ratio is lower than most value investors.

## **We have beaten the S&P 500 by over 75% in the last 2 1/2 years. How did we do it?**

As value investors, we didn't get wrapped up in the technology mania, so we under performed badly in late 1998 and 1999. It was a humbling experience. But when the tech bubble burst in early 2000, undervalued small-cap stocks roared back to life in a big way. Also, we bought heavily in the panic that ensued in the weeks after the 9/11 tragedy. The market's fear level felt a lot like the 1987 market crash, and our buying produced similar results to that event-our average gain from our purchases in late September is now about 60%. More recently, the corporate accounting scandals now dominating the news haven't really hurt us, given our focus on financial strength and strong management.

## **How do we see the stock markets developing over the short-term? The next 5 to 7 years?**

Right now, our sector's 2-year run has eliminated much of the gaping valuation gap that existed for years between value and growth stocks. My sense is that the real bargains are few and far between-in all market sectors. I think investors should keep their expectations low.

In the next 5 to 7 years I think we'll see the market rise, but less than most people are hoping for. My guess is that none of the major averages will average over 10% compounded gains over this stretch of time. Valuations are high now and interest rates really can't fall much from here. In addition, international political crises, the war on terrorism, global environmental degradation-all will make for treacherous seas to navigate. The market's high valuation is the main obstacle-a lingering legacy of the "roaring 90's" that we will have to overcome with time.

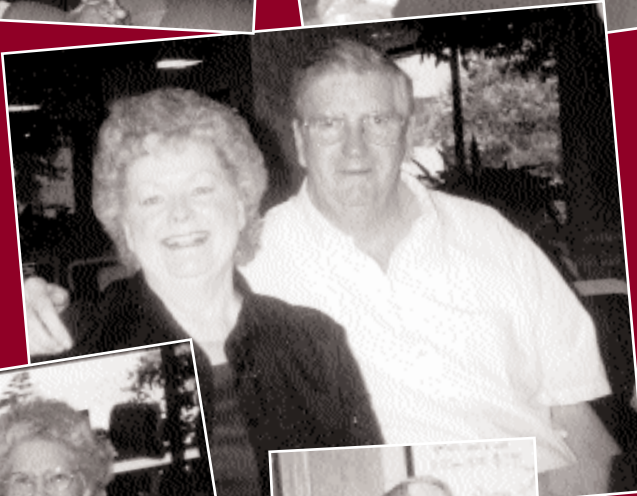
However, this unexciting market scenario presents a great challenge to a money manager, one which I am looking forward to. Distinguishing oneself in difficult markets is very rewarding.



# The Lunch Bunch: Friends, Family, and Good Times New Retirees Always Welcome!

The Lunch Bunch continues to grow and get together to swap stories, renew friendships, and eat! If you haven't heard of the Lunch Bunch they are HMEPS retirees who meet the first Saturday of each month at a designated restaurant. "The Bunch" recently met at Luby's and a good time was had by all—as evident in the photographs on this page.

Ray Kennedy, HMEPS Trustee, said "everyone is welcome" to join the Lunch Bunch. The next meeting is Saturday, October, 5, 2002. Call Nancy Bertrand at (281) 353-7915 or Betty Daniel at (713) 697-3818 for more information on joining in on the fun.



# NORMAL and DEFERRED\* RETIREMENTS JULY 2002 TO SEPTEMBER 2002

## Affirmative Action

Brown, Lee E.\*

## Aviation

Benton, Gertie\*  
Hernandez, Dolores  
Mabray, Mel\*  
Redden, Estella

## Building Services

Battenfield, Donnie  
Klodzinski, Debra

## Finance & Administration

Price, Irene

## Health & Human Services

Aguirre, Manuel Jr.\*  
Allen, Willie L.  
Asiatico, Victor\*  
Boone, Angela\*  
McElray, Renee\*

Nielsen, Dennis  
Parker, Cathy L.  
Senegal, Dorothy\*  
Walker, Larry

## Housing

Page, Douglas

## Legal

Calabrese, Tracy\*  
Cameron-Stuart, James

## Library

Bentke, Dolores  
Boykin, Glenda  
Dolen, Roxanne

## Municipal Courts

Dickerson, Marilyn\*  
Hampton, Betty  
Sanders, Jerrie

## Parks & Recreation

Barclay, Barbara  
Davis, Kenneth  
Gaskin, Michael\*  
Harpster, Darlene\*

## Planning & Development

Billingsley, David  
Knutson, John

## Police

Burnam, Linda\*  
Colquitt, Marcia\*  
Duong, Henry  
Foster, Janis  
Frank, Donna  
Garrett, Algene  
Hollingsworth, Donald  
Huynh, Xuan  
Jackson, Virginia  
Jean, Jessie\*  
Moore, Lillie Mae

Stephens, Debra L.\*  
Taylor, Wendell  
Thomson, Patricia

## Public Works & Engineering

Abraham, Patsy\*  
Carter, Latonya\*  
Dirden, Kenneth\*  
Galindo, Andrew\*  
Goff, Bennie  
Gonzales, Manuel  
Goodenough, Dorothy\*  
Goodwin, Gwendolyn\*  
Haaksma, Ronald  
Harper, Johnny\*  
Harrison, Gloria  
Hawkins, Gregory\*  
Houston, Alfred\*  
Jones, Darren\*  
Jones, James T.  
Lum, Herbert  
Moore, Clementine

Moore, Joyce  
Moore, Tony\*  
Perkins, David\*  
Richardson, Florence  
Ross, Larry  
Stafford, Harold  
Torres, Reynaldo  
Washington, Marian\*  
Wylie, Jennifer\*

## Solid Waste

Carter, Gwendolyn  
Curry, Costa  
Edmonds, Joseph\*

## IN REMEMBRANCE

### ACTIVE EMPLOYEE AND RETIREE DEATHS

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

Aguillard, Callie  
Aleman, Virginia  
Allen, Bernice\*\*  
Atkinson, Joseph  
Baker, Wordy  
Berry, Alex  
Bertrand, James  
Bizzell, James  
Bratcher, Artie  
Brock, Jean  
Brown, Freddie  
Bucsanyi, Willie  
Caldwell, George  
Campbell, John

Cannon, Lester  
Darrington, Annie\*\*  
DeLeon, Atanasio  
Delgado, Winnie\*\*  
Donatto, Alcide  
Ethridge, Lauphlin  
Fleming, Jan\*\*  
Foster, Melanie\*\*  
Garza, Louis S.  
Hargrove, Willie  
Harris, Hattie\*\*  
Hurrell, Carin\*\*  
Jackson, Frank  
Jimenez, Pablo

Johnson, Savannah\*\*  
Jones, Walter  
Kelley, Tommie\*  
Lane, Willie  
Lang, Joseph  
Leon, Lewis  
Luchak, William  
Matranga, Angelina\*\*  
McDaniel, Alvin  
McDaniel, Samuel  
Mitchmore, Robert  
Morris, Foster  
Nielsen, Dennis  
Parada, Jose

Pereira, Kenneth  
Phelps, Pearl\*\*  
Quintanilla, Encarnacion\*\*  
Ray, Buel  
Rizo, Manuel  
Roberts, Ernest  
Robertson, Robert  
Rogers, Vaudine\*\*  
Rose, Edward  
Sherrell, Vernie\*\*  
Sifuentes, Juan\*  
Soliz, Olga\*\*  
Taylor, Roy  
Truss, Velma\*\*

Vera, Juan  
Walker, William  
Wheeler, Christine\*\*  
Woodson, Marion  
Woodward, Alice\*\*  
Yarbrough, Goldie

### Active Employee Death\* Widow(er)\*\*





## HMEPS Investments

**As of 6/30/02:**

Domestic Equity	\$	362,478,151
International Equity	\$	243,606,714
Fixed Income	\$	259,873,667
Real Assets	\$	230,419,205
Alternative Investments	\$	167,579,383
Cash Equivalents	\$	5,424,556
Market Value – June 30, 2002	\$	1,269,381,677

For the Fiscal Year ending June 30, 2002 the return on the Fund's investments was - 7.08%

For the first six months of Calendar Year 2002, the return on the Fund's investments was - 4.67%.



## HMEPS Awarded GFOA Certificate

HMEPS was recently awarded a **Certificate of Achievement for Excellence in Financial Reporting**. The award was presented by the Government Financial Officer's Association of the United States and Canada for HMEPS Comprehensive Annual Financial Report for the year ended June 30, 2001 (CAFR).



If you are interested in getting your own copy of the report you can easily download a copy from the HMEPS website. Simply go to [www.hmeps.org](http://www.hmeps.org), click on the "Publications" link, and then scroll down to the report.

### Announcement:

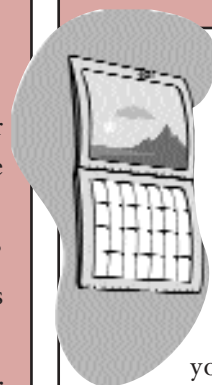
## New HMEPS Payroll Provider

HMEPS Board of Trustees recently signed a two-year agreement with Ceridian Corporation to replace ADP as the System's payroll system provider.

Ceridian will be implementing its "ESource HR/Payroll" web-enabled HR/Payroll solution. Initial implementation is scheduled on October 2002. Please note:

- There will be **NO CHANGES** in the time and manner the retirees normally receive their pension benefits except for the appearance of their check or direct deposit advice that will now have the "Ceridian" name on it.
- The checks will continue to be drawn from Bank of America and the retirees' current arrangement with their own banks for direct deposit will remain **unchanged**. (As new features and services are made available with this new program, they will be announced the future issues of the newsletter.)

Ceridian is an information services company serving businesses and employees in the USA, Canada and Europe. It is considered to be one of the top human resources outsourcing companies in each of its markets.



## Pension Check Schedules 2002

The following are the dates pension benefit checks will be **mailed** in 2002. The schedule will be strictly adhered to. Keep this schedule handy so you will know when your benefit check will be mailed.

**September 26, 2002**

**October 29, 2002**

**November 26, 2002**

**December 27, 2002**

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

**September 30, 2002**

**October 31, 2002**

**November 29, 2002**

**December 31, 2002**

If you are interested in direct deposit of your pension benefit checks, please call our office at (713) 759-9275.

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## **Pension Press**

Houston Municipal Employees Pension System  
1111 Bagby, Suite 2450  
Houston, Texas 77002-2555  
(713) 759-9275  
1-800-858-1450  
www.hmeeps.org

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## **BOARD OF TRUSTEES**

### **ELECTED TRUSTEES**

Fred Holmes, *Chairman*  
Ray Kennedy, *Vice Chairman*  
Barbara Chelette, *Secretary*  
Sherry Mose, *Trustee*  
Roderick J. Newman, *Trustee*  
Lee Pipes, *Trustee*

### **TRUSTEES BY DESIGNATION OR APPOINTMENT**

Albertino Mays, *Treasurer*  
Lonnie G. Vara, *Mayor's Representative*  
James E. Bashaw, *Trustee*  
Robert Hu, *Trustee*  
Ignacio Pujol, Jr., *Trustee*

### **PENSION PRESS**

David L. Long, Executive Director  
Peter Koops, Director of Communications  
Naomi "Amy" Rowley, Executive Assistant

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

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## **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 Address:**

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

### **HMEPS Phone Numbers:**

Phone: (713) 759-9275  
Toll Free: (800) 858-1450  
Fax: (713) 650-1961

### **HMEPS Website:**

[www.hmeeps.org](http://www.hmeeps.org)