



Pension Press

The Newsletter of the Houston Municipal Employees Pension System

Volume 17, Summer 2002

LETTER FROM THE CHAIRMAN

Dear Plan Participants,

As you may already know, the HMEPS DROP program has evolved into a very popular benefit option for our participants. We are pleased that it is being embraced with such enthusiasm. The popularity of the DROP program has, however, understandably caused an increase in paperwork and participant questions for our staff. As a result, we have taken several steps to streamline the process surrounding the DROP program.

First, the HMEPS staff has implemented a process to allow participants to submit paperwork by mail, thus making personal trips to our office unnecessary. Second, we have begun offering participants the option of attending "Group Sessions." These sessions bring groups of participants in the same stage of the DROP process together for a meeting with one (or more) HMEPS representatives. The idea is to provide focused attention to each, while maximizing the number of participants we can reach. The photograph on this page was taken during a recent Group Session meeting.

I would like to thank our HMEPS staff for their exceptional efforts in streamlining the DROP process. If and when you find it necessary to communicate with HMEPS about



HMEPS Group Session Attendees, Back: Deidra Myers, Senior Retirement Counselor, Roxanne Dolen, Jose Flores, Betty Frazier, Member Services Coordinator. Middle: Betty Jean Evans, Joseph Arceneaux, Senora Arceneaux. Front: Jose Santos, Jr., Jose Santos III.

your DROP participation, I am sure you will feel the same.

If you have any questions about attending one of the Group Sessions, please call the HMEPS office.

Sincerely,

Fred Holmes

Fred Holmes
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

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A New Way to Purchase Credited Service

by Sherry Mose, Elected Trustee



Sherry Mose, Elected Trustee

In response to numerous requests from members, the HMEPS Board of Trustees now allows members to purchase eligible credited service in HMEPS using money from their deferred compensation plan (457 plan), as well as with other eligible funds. Effective July 1, 2002, HMEPS can accept a direct rollover or direct trustee-to-trustee transfer of eligible funds to purchase eligible credited service.

HMEPS, which is a defined benefit pension plan, is the primary retirement resource for most City of Houston municipal employees. However, many employees build on this foundation by also participating in the 457 plan, which is a voluntary tax-deferred compensation plan. These plans operate under different statutes, rules and administration, and are subject to different tax treatment. However, the Economic Growth and Tax Reconciliation Relief Act

(EGTRRA) created many tax changes, one of which is to allow HMEPS members who are eligible to purchase credited service to use money from their 457 plan, as well as eligible 401(a) plans, 403(b) plans and IRAs, to purchase the credited service as authorized by the HMEPS Board.



Although the new rollover/transfer purchase methods offer you a new way to purchase eligible credited service using pre-tax dollars, you should give careful thought to the use of these payment methods. HMEPS recommends you consult your tax advisor or financial consultant before you make a decision. We have attempted to outline some of the features of the rollover/transfer methods in this edition of the *Pension Press*, as well as on our website at www.hmeps.org, and other HMEPS publications.

As a trustee, I am pleased to help give members greater opportunities to purchase eligible credited service to further enhance the HMEPS benefits available to them.

Steps in Applying for a Direct Rollover or Direct Trustee-to-Trustee Transfer:

1. Complete a *Request to Purchase Credited Service* form and return the form to HMEPS. You can download the form from the HMEPS website, www.hmeps.org, or contact HMEPS at (713) 759-9275 to have a form mailed to you.

2. If HMEPS determines you are eligible to purchase service, and if you have requested to roll over/transfer funds, HMEPS will send you form RT-1, *Rollover/Transfer Request to Purchase HMEPS Service Credit*, and form RT-2, *Overview of Rollover or Transfer of Funds to HMEPS*. Read both forms and complete and sign Part B of form RT-1. Submit form RT-1 directly to HMEPS for further processing. If you requested to transfer money from the City of Houston's deferred compensation plan (457 plan), HMEPS will send you the distribution form required by the 457 plan vendor, which you must also complete and submit directly to HMEPS.

3. HMEPS will forward form RT-1 directly to the plan administrator/custodian you specify in Part B. The plan administrator/custodian must complete the certification in Part C and roll/transfer the eligible funds to HMEPS.

4. If your service purchase is paid in full, HMEPS will notify you of the full payment and the amount of credited service you purchased. If you owe additional amounts, you must timely execute and complete a service purchase obligation to pay the additional amounts by salary deduction or lump-sum payment.

NOTE: The time to process a rollover or transfer can take longer than purchases using other payment methods because it requires certification and rollover/transfer of funds from another financial institution. Your current plan administrator/custodian may have additional requirements that could delay the release of the assets. Therefore, if you are planning to retire soon and want to use this form of payment to purchase service, it is very important that you initiate the process as soon as possible. The rollover/transfer (and any remaining service purchase payments) must be completed prior to your retirement date.

Notice Regarding Service Purchase with Rollover or Transfer from Another Plan



Effective July 1, 2002, the Houston Municipal Employees Pension System (“HMEPS”) allows HMEPS members to purchase eligible service in HMEPS on a pre-tax basis through rollovers and transfers from other plans that are qualified under Section 401 of the Internal Revenue Code (the “Code”), tax sheltered annuities described in Section 403(b) of the Code, eligible deferred compensation plans of governmental entities described in Section 457(e)(1)(A) of the Code and individual retirement accounts or annuities described in Section 408 of the Code.

like further information on the program, please contact the HMEPS office or visit the HMEPS website at www.hmeps.org.

IMPORTANT: If a member presently is in, or is entering into, a service purchase obligation to purchase service through periodic payments (using either pre-tax or after-tax dollars), or in a lump-sum payment (using after-tax dollars), then under current law, the member will not be able to later use money from his or her 457 plan or other qualified plan or IRA to purchase any part of the service.

Please refer to the “Steps in Applying for a Direct Rollover or Direct Trustee-to-Trustee Transfer” on page 2 for more information on the rollover/transfer process. If you would



Website Proving to be a Strong Resource by Lee Pipes, Elected Trustee

The HMEPS website has received rave reviews from members and outsiders alike. One person that stands out is Steve Shelton, Program Administrator for the Texas State Pension Review Board. He recently told a member of the HMEPS staff “Congratulations on your new site. It looks very nice...a great example of all the services a pension fund site should have.”

can download, but the staff has informed me they will be adding more down the line.

The Forms Page, pictured below, is already proving to be a useful resource. I strongly urge you to take a look at it, use it, and spread the word to other members.

It is certainly nice to hear those kinds of accolades, but more important is that the site proves to be a resource that members turn to as another means of understanding their benefits with HMEPS. The staff at HMEPS has informed me that the site is in a “constant state of evolution,” meaning they are always trying to make improvements. You may have heard the saying “content is king” in reference to websites – this is certainly an attitude our staff takes with the HMEPS site.

One recent addition to the site (if you haven’t noticed already) is the “Forms Page.” Through the Forms Page, members can download the more commonly used forms they need from HMEPS – without going through traditional avenues, such as the phone or mail. At this point in time, there are six forms you

The screenshot shows a web browser window titled "HMEPS Forms - Microsoft Internet Explorer". The address bar shows "http://www.hmeps.org/forms.html". The page content includes a navigation menu on the left with links like Home, About Us, Benefit Provisions, etc. The main content area features a table of forms:

Form Name	Form Number	Description of Form
Change of Address Form	GE01	To be submitted when you are in the process of, or already have moved to, a new address (or one different from the current address HMEPS has on record).
Declaration of Marital Status	GE12	To be submitted to indicate your marital status.
Electronic Funds Transfer Direct Deposit Enrollment Application (Direct Deposit)	GE10	To be submitted by those annuitants who wish to have their benefit payments deposited directly into a personal bank account.
Special Tax Notice Regarding Plan Payments	GE08	Summarizes the federal tax rules that might apply to payment(s) you are eligible to receive from HMEPS and contains information you will need before you receive your benefits.

Below the table, there is a note: "The files above require Adobe Acrobat Reader 5 for viewing. (You may also need to update your version of Adobe Acrobat if you are using an older version.) Please download and install the latest version of the Adobe Acrobat Reader to work with your browser. (Installation instructions are provided at the Adobe® web site.)"

Highlights of HMEPS Group A and Group B

(Effective May 11, 2001)

The highlights of the Houston Municipal Employees Pension System (HMEPS) Groups A and B apply to members who are newly hired or terminate employment on or after May 11, 2001. Rehired members and former members who terminated employment prior to May 11, 2001, should contact the HMEPS office at (713) 759-9275 for information regarding the benefits available to them.

	Group A	Group B (closed to new members as of 9/1/99)
Employee Contributions	4% of salary (deducted from biweekly pay)	None
Retirement Eligibility Age and Service Requirement	5 years of credited service (YCS) and age 62 OR 5 YCS and YCS and age equal 70 or more	Same
Types of Retirement	Normal – age and service Deferred – service but not age Disability – ordinary or service	Same
Normal or Deferred Benefit Calculation	YCS x total accrued benefit percentage x AMS = monthly pension benefit	Same
Benefit Accrual Rate for Each Year of Credited Service	0-10 YCS – 3.25% over 10 and up to 20 YCS – 3.50% over 20 YCS – 4.25%	0-10 YCS – 1.75% over 10 and up to 20 YCS – 2.00% over 20 YCS – 2.75%
Average Monthly Salary	Highest 78 biweekly salaries divided by 36 (“Salary” is base pay + longevity + shift differential, if any)	Same
Annual Cost of Living Adjustment (COLA)	4.0% of original amount of pension benefit, not compounded	Same
Maximum Benefit	90% of AMS (approx. 25 yrs, 4 mos)	90% of AMS (approx. 39 yrs, 1 mo)
Ordinary (off-duty) Disability Retirement	Normal accrued benefit (5 YCS required)	Same
Service (on-duty) Disability Retirement	No age or service requirement – 20% of salary plus 1% for each year of service to a maximum of 40%, OR normal accrued benefit, whichever is greater	No age or service requirement – 20% of salary, OR normal accrued benefit, whichever is greater
Survivor Benefit: Service-Related Death	No age or service requirement – 100% of final average salary to Spouse; 10% to each child to a maximum of 20% for all children (spousal benefit reduced by excess over 100%) <u>No Spouse</u> – 50% of spousal benefit to each child to a maximum of 100% for all children <u>No Eligible Survivors</u> – Refund of employee contributions to estate	Same (except no refund of contributions)

	Group A	Group B (closed to new members as of 9/1/99)
Survivor Benefit: Active Employee Death (Non-Service Related) and Deferred Participants	5 YCS required. Benefit begins at death <u>Eligible Survivors</u> – 100% of normal accrued benefit to Spouse; 10% to each child to a maximum of 20% for all children (spousal benefit reduced by excess over 100%) <u>No Spouse</u> – 50% of spousal benefit to each child to a maximum of 100% for all children <u>No Eligible Survivors</u> – Refund of employee contributions to estate	Same (except no refund of contributions)
Survivor Benefit: Retirees	<u>Eligible Survivors</u> – 100% of current benefit to Spouse – 10% to each child to a maximum of 20% for all children (spousal benefit reduced by excess over 100%) <u>No Spouse</u> – 50% of spousal benefit to each child to a maximum of 100% for all children	Same
Eligible Survivors	Spouse (at time of termination and death) and/or dependent unmarried child(ren) (natural or adopted) under age 21 or totally and permanently disabled	Same

Termination prior to completion of 5 years of credited service – A member who terminates employment prior to the completion of 5 years of credited service is not eligible for a retirement pension. However, a Group A member who terminates employment prior to the completion of 5 years of credited service is eligible to receive a refund of employee contributions, without interest.

Changing group participation – A Group B member may make a one-time, irrevocable election, at a time and in a manner determined by the Board of Trustees, to: (i) change participation from Group B to Group A for future service only; or (ii) to change participation from Group B to Group A for future service and to convert all past Group B service to Group A service by paying required amounts. If you are a Group B member interested in changing group participation, please contact HMEPS for more information.

Service purchase – In addition to credited service earned for current work, eligible members may purchase credited service for certain other types of service or work in order to increase their pension benefit and/or to accelerate their eligibility for retirement. Members will be required to pay additional amounts, plus interest, for the additional credited service. Please contact HMEPS for information on claiming credit for any of the following types of service: service that was forfeited to receive a refund of contributions; service that was forfeited to receive an early lump sum distribution; service for which contributions were not made; conversion of Group B service to Group A service; permissive military service; military service under the Uniformed Services Employment and Reemployment Rights Act; and certain employment by members who are HPOPS or HFRRF retirees.

Rehired members – A former member who is rehired should contact HMEPS for information on how re-employment affects the member's pension and related benefits.

IMPORTANT: These highlights are not intended as a legal interpretation of the pension laws applicable to HMEPS, and do not replace the provisions of Article 6243h, Tex. Rev. Civ. Stats. Ann., the state statute that governs the operation of HMEPS. If questions of interpretation arise, Art. 6243h and the rules promulgated by the HMEPS Board of Trustees are the final authority. Nothing contained herein may be construed to provide any benefit or right not otherwise provided by Art. 6243h.

NORMAL/DEFERRED* RETIREMENTS MARCH 2002 TO JUNE 2002

Aviation

Gonzalez, Margarita*
Alexander, David
Flores, Richard
Hernandez, Ramona
Hon, Benjamin
Johnson, Arthur
Mittlesteadt, Anton
Palmore, Lillian
Taing, Youla

Building Services

Hail, Jimmie
Watkins, Clarence

Controllers

Campbell, Roger
Leach, Ann
Walker, Norma

Finance & Administration

French, Barbara
Griffin, Judith
Ledee, Stella
Lewis, Richard
Phillips, Bill
Salazar, Arthur
Sanderson, Richard

Fire

Lee, Clinton
Lloyd, Lois*
Knight, Ricky*

Health & Human Services

Blackwell, Margrette
Brooks, Deblaw Stella
Brown, Bernadette
Garcia, Maria*
Harden, Jessica
Hines, Cora
Kizer, Robert
Kizzee, Karleen*
Moore, Kathleen*
Ngo, Van
Nguyen, Minh
Phillips, Evelyn

Housing

Calloway, Alfred*

Legal

Demeris, Nick

Library

Davia, Donald
Demeritt, Annette
Morris, Joan
Shults, Mary
Thomas, Walter
Walker, Martha

Parks & Recreation

Boza, Jose
Chambers, Stuart
Landry, James
Singletery, Melvin

Planning & Development

Bradberry, Billy
Embry, Melvin
Woodyard, Lucille

Police

Byers, Lillie
Glover, Earline*
Gutierrez, Jesus*
Hill, Tom
Hunter, Hazel
Jones, Lake
Leal, Ben*
Manley, Roy C.*
Martinez, Dianne
Merrifield, Hollis
Morney, Darrell*
Rasmus, Bobbie
Ruiz, Ricardo
Saathoff, Dennis
Sparks, Fred
Strickland, Marlin
Tam, Elaine
Wilson, Catherine*

Public Works & Engineering

Arceneaux, Joseph
Baird, Robert
Bhakta, Mohan
Bielstein, James*
Bowens-Adams, Bobbie
Caballero, Alice
Carlisle, Robert
Coleman, Christa
Cowan, Johnny
Crawford, Johnny
Daniels, Bill
Doan, Dat
Evans, Betty
Fain, Herbert
Flores, Jose
Francis, Walter
Gentry, John
Gresset, Rex
Guerra, Raul
Hector, William
Hicks, Bruce
Holmes, Robert
Howard, Patricia
Hurley, Joanne
Jackson, Claiborne
Johnson, Charles
Johnson, Willis
Kelly, Charlie
Kraft, Lois
Le, Binh
Linkenhoker, Diane
Lowery, Carlton
Mathison, Marilyn
Mayes, Noah
McLatchie, James
Monroy, Francisco
Outlaw, Tom
Parrish, Carol
Petrash, Daniel
Referente, Jose

Richardson, Cecelia
Robinson, Enrique
Rolen, Thomas
Romero, Paul
Santos, Jose
Settle, Charles
Sifuentes, Richard
Stafford, Wade
Stewart, Katherine
Tanoos, Toni
Taylor, Sylvester
Tristan, Narciso
Vaughan, Royce
Villarreal, Benjamin
Walker, Dana
Ward, Howard
Welch, Michael
Whitehead, Johnnie
Young, Vanward

Solid Waste

Clark, James
Durden, Mason
Garcia, Jessie
King, Eugene
Love, David
Miller, Sy
Price, Vanessa
Robert, Curley

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.

Abbott, Marion
Alfaro, Edward**
Amancio, Daniel M.*
Anderson, Dorris
Avalos, Frances**
Barnes, Rufus
Blanton, Carey Jr.
Brock, Lillian**
Burnett, Bettie
Castillo, Secundino Jr.
Clifton, Bettie Jeanne
Coates, Jerry
Copeland, William
Coward, Gladys**
Cristerna, Candelario

Deleon, Jose
Dillingham, Barbara
Dotson, Walter
Dubose, Yvonne**
Duty, Artis
Finex, William
Flanagan, Billie
Fowler, Rose**
Franklin, Velma**
Gentry, Charles
Gordon, Cornelius
Gordon, James
Guajardo, Gonzalo*
Guernsey, Bernice
Gutierrez, Julian

Harvison, Phyllis
Hernandez, Ruperto
Hord, Edward
Howsley, Lydia**
Johnson, Mary L.**
Kiser, Esther**
Levrier, Richard
Marino, Sam
Martin, Ernest
Mathison, Burton
Mendieta, Oscar
Mills, Alma
Milstead, Marcia
Moore, John
Moten-Bush, Reba

Okigbo, Joe*
Patterson, Earnestine
Pecoraro, Mary**
Perez, Manuel
Quintania, Rhonda**
Ramirez, Sandra*
Reed, Don*
Reynolds, John Sr.
Reynolds, Juanita**
Richard, Carlton
Richart, Stanley
Roberts, Arol
Rodriguez, Francisco
Romano, Pauline**
Ruiz, Roberto

Sanders, Mamie**
Sauer, Gayl
Sessions, Hope**
Shelvin, Bernard
Sims, William
Singleton, Gordy
Slaughter, James
Tobias, Dario
Torres, Lupe
Vinklarek, Willie
Webster, William
Williams, James R.

Active Death*
Widow(er)**



HMEPS Investments

As of 12/31/01:

Domestic Equity	\$ 412,001,334
International Equity	\$ 241,487,403
Fixed Income	\$ 264,243,963
Real Assets	\$ 223,183,090
Alternative Investments	\$ 206,181,711
Cash Equivalents	\$ 11,328,643

Market Value – December 31, 2001 \$ 1,358,426,143

The return on the Fund's investments was -3.79%, falling \$78 million in assets in Calendar Year 2001 which ended December 31, 2001.

The return on the Fund's investments was -2.53%, falling \$49 million in the first six months (July 1 - December 31, 2001) of fiscal year 2002.



HMEPS Contact Information

If you need to contact HMEPS, please use the following information. Don't forget that if you are calling to get a form, the one you need may be available by accessing the website.

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.hmeps.org

HMEPS Honors Distinguished Staff

HMEPS has several staff members who deserve special recognition for their outstanding service and countless contributions.

In March of this year, **Lloyd Chason**, former HMEPS Director of Administration, retired. Lloyd started with the City of Houston in November, 1989. We wish the best of luck to him and his family.



Terri Murray recently received her 5-year service award. Terri is an HMEPS Senior Benefits Counselor and in this role has helped countless numbers of municipal employees convert service from Group B to Group A.

Bernard McAfee recently received his 10-year service award. Bernard is our Senior Systems Analyst and functions as Network Administrator for HMEPS.



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.

July 29, 2002

August 28, 2002

September 26, 2002

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

July 31, 2002

August 30, 2002

September 30, 2002

If you are interested in direct deposit of your pension benefit checks, please call our office at the phone number listed above.

Pension Press

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Houston, Texas 77002-2555
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1-800-858-1450
www.hmeps.org

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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, Administrative Assistant

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.



JOIN THE LUNCH BUNCH!

MONTHLY RETIREE LUNCHEON

Come be a part of the fun! If you are a HMEPS retiree and would like to spend some time with other HMEPS retirees, you are cordially invited to join the Lunch Bunch! Meetings are on the first Saturday of each month. Here are the exact dates for your calendar:

July 6 **September 7** **November 2**
August 3 **October 5** **December 7**

For more information call: Nancy Bertrand at (281) 353-7915
or Betty Daniel at (713) 697-3818.