



The Impact of Shared Reform Under Meet and Confer

HMEPS is in a strong position today because of early, proactive steps taken by its leadership to work with the City to secure the System's long-term viability. While many other pension systems today face serious challenges, HMEPS was singled out as an "inspiration" by the Ft. Worth Star Telegram for resolving such challenges, and the Center for State & Local Government Excellence recently identified HMEPS as one of five pension systems in the U.S. that has made reforms that make them "more fiscally sustainable while continuing to provide retirement security to their members."

The City and HMEPS have worked together over the last 10 years to achieve the following successful reforms for long-term sustainability and a stronger pension system:

Significant Benefit and Plan Changes – Over \$850 Million in Benefit Reductions

- In 2004, the City and HMEPS entered into the Meet and Confer Agreement to change the plan:
 - Increased the retirement age & eligibility requirements, reduced COLAs, increased employee contributions
- In 2007, the City and HMEPS amended the Meet and Confer Agreement:
 - Created a new group for all new employees, increased retirement age & eligibility requirements, no COLA, no DROP, no survivor benefits

The Meet & Confer process ensures changes to the pension plan are negotiated between equal parties, without burdening the State Legislature.

Streamlined City Funding Obligations

- Under the 2004 Agreement, the City received a three-year period of fixed contribution amounts. This provided the City with budget predictability. Fixed contribution schedules were renewed in 2007 and 2011. The 2011 agreement also provides a mechanism whereby the City contributions will rise to the actuarially determined rate.
- Adhering to the current funding plan means that within approximately 30 years, the City's required contribution will be less than the "normal cost," which is currently below 6% of payroll. These shared efforts of the City and HMEPS provide long-term sustainability to the plan while providing the City predictability in its contribution obligations.



HMEPS
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

Long Term Results

Savings: The 2004 reforms gave immediate relief to the City totaling roughly \$850 million in future benefits.

City Budget Predictability and More Savings: The fixed structure of contributions has provided the City with increased budget predictability since 2005, which continues into 2012 and beyond. Also, for fiscal years 2008 - 2012, this has saved the City roughly \$138 million in funding requirements relative to the actuarially determined contribution rate (worth about \$173 million after factoring in 8.5% interest).

Sustainability: Most importantly, long term sustainability is within reach. Adhering to the current funding means that within about 30 years, the City's required contribution to HMEPS will decline to the "normal cost" level (currently HMEPS' normal cost is below 6% of payroll).