

## **HMEPS and City of Houston Finalize Funding Agreement June 29, 2011**

Today, the Houston City Council approved the Amended and Restated Meet and Confer Agreement (Agreement) that was negotiated between the Houston Municipal Employees Pension System and the Mayor's office. The Agreement provides for structured contributions from the City to provide the City budgetary flexibility while strengthening the System, enhancements to Board operations to promote best practices, and increased options for eligible participants that are cost neutral to the System. The HMEPS External Affairs Committee had previously approved the Agreement, and the Agreement will be final when signed, with an effective date of July 1, 2011.

HMEPS worked diligently with the Mayor's office to provide future funding for the pension plan that is reasonable and actuarially sound. Protecting the retirement security of the hard-working Houston municipal employees has been and will continue to be our foremost concern.

Under the Agreement, the City will contribute \$98.5 million to HMEPS in Fiscal Year 2012. For each of the succeeding fiscal years, the City will contribute either the previous fiscal year's rate plus 2 percent of payroll or the previous fiscal year's contribution amount plus \$10 million, whichever is greater. This provision will stay in place until the actuarially determined contribution rate is met, at which time that rate becomes the effective contribution rate.

HMEPS also took this opportunity to strengthen the Board's conflict of interest rules by enacting best-practice requirements.

The Agreement also contains provisions to simplify last payment rules with respect to deceased benefit recipients, authorizes reinstatement of Group D service under the work-a-year, gain-a-year rules that are applicable to Group B members, and implements an option for eligible unmarried Group A and Group B members who terminate service on or after June 30, 2011 to select a joint and survivor (J&S) annuity option in lieu of a normal benefit.

The optional annuity election, which was already available to vested Group D members and vested Group B members who separated from service prior to September 1997, allows eligible participants to elect to take a reduced pension and provide an annuity (50% J&S, 100% J&S, or 10-year Guarantee) to a designated annuitant. The optional annuity provision does not affect Group A and Group B members who are married at the time of their termination from employment or do not otherwise fall into the categories of eligible participants described above.

HMEPS will post the Agreement on the HMEPS website ([www.hmeps.org](http://www.hmeps.org)) when it is final, and will provide further information on the benefit options. Please refer to the HMEPS website for further updates and information.