



Pension Press

The Newsletter of the Houston Municipal Employees Pension System



Update from the Chairman

Sherry Mose
Chairman

Dear Participants,

As summer approaches, daylight is extending well into the evening and our temperatures are on the rise. No matter the season, I am always impressed by the dedication of the hardworking employees who serve the City of Houston and keep our great city moving.

Our local economy is strong. Job growth has been robust, the unemployment rate is low, and the Greater Houston Partnership recently reported that the Houston area experienced the nation's second highest population growth, adding more than 125,000 new residents between July 2021 and July 2022. People are flocking to Houston for the great opportunity, community and quality of life the city has to offer.

The national economic picture is more mixed. While employment and consumer spending have maintained high levels, inflation has moderated, but remains stubbornly high, as do interest rates. Public markets have experienced continued volatility in response to uncertain economic and geopolitical circumstances.

At HMEPS, our Board of Trustees and staff have remained focused on our participants and securing their hard-earned retirement benefits. In January, elections were held for the HMEPS Board officers. I was honored to be re-elected for a new term as Chairman, as were Lenard Polk, Vice Chairman, and Rhonda Smith, Secretary. I congratulate my colleagues on their re-election, and we look forward to continuing our work on behalf of HMEPS participants.

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Save the Date!

Fall 2023 Financial Retirement Educational Event (F.R.E.E.)



FINANCIAL RETIREMENT EDUCATIONAL EVENT

Thursday, October 12, 2023

Plan to attend to learn more about your pension, deferred compensation and Social Security benefits.

Update From the Chairman cont.

(Cont. from Page 1)

At the end of May, the Texas Legislature will adjourn its 88th Session in Austin. In addition to passing a two-year state budget, the Legislature is considering a wide variety of bills, including some pension-related legislation. While there are no bills under consideration specifically related to HMEPS, we continue to closely monitor developments in Austin.

The Fall Financial Retirement Educational Event (F.R.E.E.) for City of Houston employees and retirees will take place on October 12, 2023. This annual event includes speakers from HMEPS, the City of Houston Deferred Compensation 457(b) Plan, and the Social Security Administration. Mark your calendar for October 12th and stay tuned for more information on this important event.

It is an honor and privilege to serve as your Chairman. I look forward to continuing to work with my Board colleagues and our staff to strengthen HMEPS today and for years to come. Have a great summer!

Your Chairman,



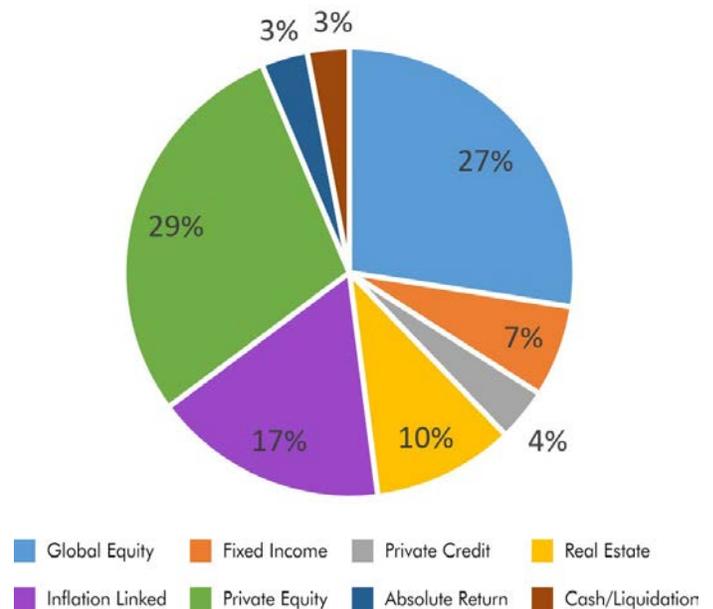
Sherry Mose

HMEPS Investment Update

Market Value by Asset Class

	September 30, 2022	December 31, 2022
Global Equity	\$971,581,960	\$1,074,281,231
Fixed Income	249,996,620	258,059,173
Private Credit	135,764,068	147,864,023
Real Estate	394,370,246	398,228,929
Inflation Linked	620,554,346	659,822,116
Private Equity	1,140,736,299	1,128,840,890
Absolute Return	131,256,348	129,970,374
Cash/Liquidation	144,179,076	139,205,695
Total	\$ 3,788,438,963	\$3,936,272,431

Asset Allocation as of December 31, 2022



RETIREMENT TWO-STEP: HMEPS RETIREMENT PROCESS AND CITY OF HOUSTON EMPLOYMENT TERMINATION PROCESS

The Houston Municipal Employees Pension System (HMEPS) is a governmental defined benefit pension plan under state statute, and is separate and independent from the City of Houston (City). However, the City has the service, salary and other employment records required by HMEPS to determine an employee's eligibility for a pension and to determine the effective date and amount of the pension benefit.

If you are eligible for a normal retirement (immediate or deferred), you must complete all required steps to begin receiving your pension. These steps include following both the retirement process with HMEPS, and the City process for documenting your departure from employment.

Failure to follow both the HMEPS retirement process and the separate City termination of employment process may result in, among other things, delay in receipt of your pension, ineligibility for a cost-of-living adjustment in the first year of retirement and subsequent years, and/or delay in receiving a DROP or Cash Balance distribution.

The following is a brief overview of the steps for retirement:

HMEPS

You should familiarize yourself with the eligibility requirements for retirement by reviewing the HMEPS Benefits Handbook, available on the website at www.hmeps.org/publications. Begin the HMEPS retirement process by contacting the HMEPS office and following the prompts to connect with your benefits counselor. Your benefits counselor will help guide you in the HMEPS process.

Houston Municipal Employees Pension System

Call: 713-595-0100

Fax: 713-650-1961

Visit by appointment (schedule in advance): 1201 Louisiana, Suite 900, Houston, Texas 77002



Retirement Two-Step cont.

(Cont. from Page 3)

City of Houston

It is your responsibility to also timely notify the City of Houston of your separation from employment. The City is a separate entity from HMEPS and has processes for you to follow in order for the City to provide HMEPS your employment records for purposes of retirement. Because the City processes may change from time to time, you need to ensure that you are following the correct City process.

- Notify the appropriate person (for example, your immediate supervisor/manager) in writing of the date that you are leaving or have left employment in order to begin the City process. Make sure you complete all City-required documents as part of the process.
- Confirm that your terminating documents are being processed by the City. Other than requesting your employment information from the City as provided above, HMEPS is not responsible for ensuring that the City processes and sends HMEPS your employment information.
- Contact the City of Houston Benefits Division if you need to continue insurance coverage (**DO NOT** contact HMEPS about insurance coverage as HMEPS does not administer the City's insurance plans):

City of Houston Benefits Division

Call: (832) 393-6000

Email: benefits@houstontx.gov

Visit: 611 Walker St., 4th Floor, Houston TX 77002

A lifetime pension is an important benefit. By following the required steps in a timely manner, you can help avoid delays, missed deadlines and other adverse consequences.

This overview is not a complete statement of what you need to do to prepare for retirement. If you have questions that are not addressed in the HMEPS Benefits Handbook or on our website, please contact HMEPS directly. Nothing contained herein may be construed to convey any right or privilege not otherwise provided by the pension law. In the event of any conflict, the pension law takes precedence.

REMEMBER THE RETIREMENT TWO-STEP

Follow and complete both:

- The retirement process with HMEPS
- The City process for documenting your departure from employment

REQUIRED MINIMUM DISTRIBUTION (RMD)

SECURE 2.0 UPDATE

When you reach a certain age, the IRS requires that you take some money out of many types of “tax deferred” accounts including notional DROP accounts, notional Cash Balance accounts, IRAs, 401(k)s, and 457(b)s. These withdrawals are called Required Minimum Distributions (RMD).

Prior to 2020, the RMD was triggered in the year a retiree turned 70 ½. Following the enactment of the “Setting Every Community Up for Retirement Enhancement” Act (SECURE Act) in 2019, the age was raised to 72 (other than for those who had already turned 70 ½ under the old rule). Congress recently enacted SECURE 2.0, which further increased the age at which retirees must take RMDs to 73 starting January 1, 2023 (if you turned 72 in 2022 or earlier, you will need to continue taking RMDs as scheduled). SECURE 2.0 also increased the age at which RMDs must start to 75 starting in 2033.

Here is an overview of some key issues:

What are RMDs, and why do they exist?

Fortunately, you don’t have to pay any taxes on your DROP or Cash Balance account as it accrues interest. But as soon as you take a distribution from the account, that distribution amount becomes taxable income. This is what is meant by the term “tax-deferred”: ultimately you will pay tax on it, but you can put off paying those taxes until such time that you actually need to use the money.

This is generally a pretty good deal for the account holder, but the IRS won’t let you continue to defer paying taxes for an unlimited time period. So RMDs were created to ensure the IRS collects some taxes on these accounts.

Once you reach a certain age, you must take a portion out of the account, and pay taxes on it. The amount you must take depends on your age (see below on “How much is the RMD”). This process is repeated each year for the rest of your life for as long as you have funds in the account. Failure to take the appropriate RMD can result in substantial tax penalties to you.

What about active employees?

Active members with a DROP account or Cash Balance account are not required to take RMDs regardless of their age. Once they separate from the City, RMDs begin upon reaching the minimum RMD age (now age 73).

How much is the RMD?

The minimum amount you are required to withdraw from your DROP or Cash Balance account is based upon your age on your birthday in the year of the distribution. The factors shown on the table on the next page apply to almost all retirees with DROP or Cash Balance accounts. It can also be found in IRS Publication 590-B and is known as the “Uniform Lifetime Table” (updated effective January 1, 2022).

Here is an example of how it works. Suppose that you turned 74 in 2024, and on December 31, 2023 the balance in your DROP account was \$35,000. Looking at the table, we see that the “distribution period” at age 74 is 25.5. This means that to calculate the RMD for the year we take \$35,000 and divide it by 25.5, which is \$1,372.55. So for 2024, your RMD from this account is \$1,372.55.

(Cont. on Page 6)

Can I roll my RMD over to another retirement account to avoid the taxes?

This is a common question, but the RMD rules require a taxable distribution. So, an RMD cannot be “rolled over.”

RMDs and DROP or Cash Balance accounts

Each September/October, HMEPS reviews the status of each retiree’s DROP or Cash Balance account to determine if enough has been taken by the retiree to cover his or her RMD for the year. If not, HMEPS distributes the required amount to the retiree. However, keep in mind that as the taxpayer, you are responsible for making sure that you receive your RMD during the year.

Can I take more than the RMD from my DROP account or Cash Balance account?

If you deferred the election to fully distribute your DROP account, currently you can take a partial distribution from your DROP account once every 90 days. HMEPS will determine in September or October of each year whether the RMD has been satisfied for that year. If the required minimum for the year has not been met, HMEPS will pay the RMD amount only. If you want to have a greater amount distributed, you need to submit a request for a partial distribution to the extent the 90-day period has elapsed. Additionally, you may request greater tax withholding on the RMD provided the increased tax withholding request is in writing and received by HMEPS prior to August.

Note that if you take a partial distribution in September or October and HMEPS already has determined your RMD amount for September or October, the RMD amount will not change. Due to the timing for RMD processing, you will receive both the RMD and the amount you have requested for a partial distribution (provided you have sufficient funds in your DROP account).

If you deferred the election to fully distribute your Cash Balance account, HMEPS will pay your RMD amount in September or October. Cash Balance accounts under \$10,000 are not otherwise eligible for partial distributions.

Can I take my RMD in a month other than September or October?

HMEPS pays the RMD in September or October of each year. HMEPS does not permit participants to select the month in which the RMD is paid. Note that HMEPS may choose to change the month for processing RMD payments from September/October to another month if needed to maintain efficient processing.

REQUIRED MINIMUM DISTRIBUTION TABLE	
Age on Birthday of the Year of Distribution	RMD = Account Balance Divided By
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0
79	21.1
80	20.2
81	19.4
82	18.5
83	17.7
84	16.8
85	16.0
86	15.2
87	14.4
88	13.7
89	12.9
90	12.2
91	11.5
92	10.8
93	10.1
94	9.5
95	8.9
96	8.4
97	7.8
98	7.3
99	6.8
100	6.4
101	6.0
102	5.6
103	5.2
104	4.9
105	4.6
106	4.3
107	4.1
108	3.9
109	3.7
110	3.5
111	3.4
112	3.3
113	3.1
114	3.0
115	2.9
116	2.8
117	2.7
118	2.5
119	2.3
120 and over	2.0

The information contained herein is general in nature and is not intended as legal, tax, or investment advice, and should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all the relevant facts. HMEPS assumes no obligation to inform any person of any changes in the tax law or other factors that could affect the information contained herein.

Retirements: 2022 Fourth Quarter Retirements

Admin & Regulatory Affairs Pamela Simmons	Houston Emergency Center Valerie Prevost Virginia Wisniske	Parks & Recreation Roslyn Boyce John Torres	Alberto Garcia James Glover Gloria Guerra Brenda Jasper Jackie Lathan Cynthia Love Juana Marks John Martin Veronica Osegueda Andy Phan William Reavis Juan Reyna Debbie Rogers-Gamble Laura Rosas-Montemayor Mark Slamen Kenneth Starling Clarence Whiting
Aviation Mazin Al-Asadi Michael Houghton Joseph Jones Guadalupe Leopard Felix Medrano Erich Richter Willie Roston Janice Ruley Gloria Rutherford	Information Technology Deepak Gidvani James Roberson	Police Department Carletta Bryant Felix Buitron Rosalind Cherry Juan Cortina Gary Gano Beryl Jones Ellen Lopez Shirley Merritt Albert Orosco Donna Solomon	
Fleet Rose Brown-Lovings Henry Herber Peter Hunter Gerald Vaughn	Legal Department Patricia Casey Lan Nguyen Alice Wilson	Public Works & Engineering Lamberto Arias Dorian Castro Maria Cerda Minerva Cortes Dalton Dailey Ponnachan Daniel Eric Dargan Leticia Davis Cregg Davis Robert Delao Fredericka Demerson	Solid Waste Management Anthony Bowie Frankie Carpenter David Thorne
Health & Human Services Maribel Campuzano Larry Goodman Noemi Hilario Cora Rhone Rosa Rico	Library Department Manuel Delacruz Catherine Duplessis Pedro Vargas		
	Mayor Terence Fontaine William-Paul Thomas		
	Municipal Courts John Larsen Francelia Totty Diane Williams Karen Williams		

The Retirements section lists names and departments of those retiring participants who have indicated on their retirement applications that they wished to have an announcement of their retirement included.

2023 Pension Payment Schedule: May - December

The schedule below indicates the dates set for payment of benefits. Direct Deposits (ACH) will be deposited on the last business day of each month. If you receive your pension benefit by mail it is typically mailed 3-4 days before the last business day of the month. To enroll in direct deposit, please call the HMEPS office at 713-595-0100.

MAY							JUNE							JULY							AUGUST						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3							1			1	2	3	4	5
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30	31		
														30	31												
SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2	1	2	3	4	5	6	7				1	2	3	4						1	2
3	4	5	6	7	8	9	8	9	10	11	12	13	12	5	6	7	8	9	10	11	3	4	5	6	7	8	9
10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
24	25	26	27	28	29	30	29	30	31					26	27	28	29	30			24	25	26	27	28	29	30
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Thanks to the HMEPS staff for their contributions to the ongoing success of the *Pension Press*.



HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

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.