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HMEPS
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System

Update From the **Chairman**

Sherry Mose
Chairman

Dear Participants,

As we approach the beginning of summer and the end of the school year and thoughts turn to vacations and time off, I would like to remind you of the continued vigilance of the HMEPS Board of Trustees. I hear first hand the questions and concerns from our members about their pension benefits and their future retirements. Let me assure you that the Board continues to exercise responsible and proactive leadership to keep HMEPS strongly positioned structurally and financially for both the short and long term.

As a reminder, HMEPS is governed by state statute, which includes a Meet and Confer process established by the Texas Legislature. Changes to the plan can only occur in the Meet and Confer process, which requires an agreement between HMEPS and the City, or through action taken by the Texas Legislature when it is in session. Note that while the legislature is not currently in session, legislative committees can have meetings to discuss issues. In fact, Houston pensions will be one of the topics at an upcoming meeting of the House Pension Committee. This Committee meeting will be held in the Houston City Council Chamber at City Hall at 9 AM on Monday, June 13.

On another note, I am happy to announce that the recent Spring F.R.E.E. Summit experienced its largest crowd ever. This is the third year for the Spring Summit and the 11th year we have put on financial and retirement education conferences and we continue

(Continued on Page 2)

Inside This Issue

2016 Spring F.R.E.E. Summit Draws Record Attendance

A record number of City of Houston employees and retirees attended the 2016 Spring F.R.E.E. Summit on May 13th. Staff members from HMEPS and the City of Houston Deferred Compensation Program are already planning the Fall Summit to be held October 19th.

City of Houston employees Courtney Randle and Brittany Tates discuss pension matters with Chairman Sherry Mose.

Stay connected with us by visiting www.hmeps.org or finding us on social media!

Update From the **Chairman**

(Continued from Page 1)

to experience growth. The staff has already begun planning for our flagship event, the Fall F.R.E.E. Summit, scheduled for this October. We will begin registrations for the event in September, so keep an eye out for this in the next newsletter and on the website (www.hmeps.org).

As always, I would like to thank you for your continued support.

Your Chairman,

Sherry Mose

Pensions Are a Shared Responsibility

What you should know about HMEPS:

- In most years, the majority of funding used to pay pension benefits comes from income HMEPS earns on its investments (10.8% return for the 5-year period ending 6/30/15).
- The City's contribution to HMEPS is less than 3% of the General Fund.
- HMEPS benefit payments boost the local economy by providing stable income for retirees throughout economic cycles.

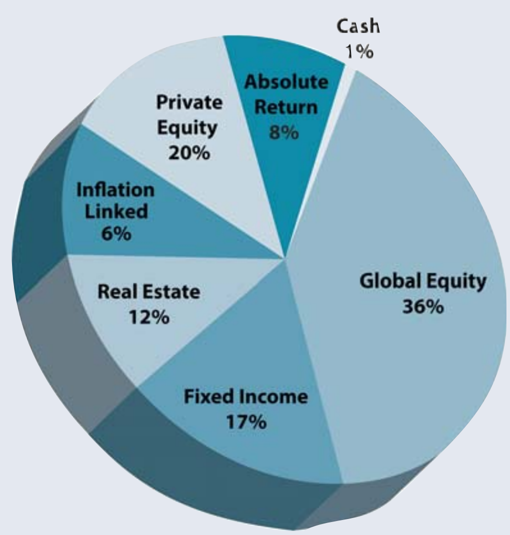
* Source: HMEPS, Income over the last 5 years as of June 30, 2015.

HMEPS Investment Update

Market Value by Asset Class

	March 31, 2016	Dec. 31, 2015
Global Equity	$ 852,084,026	$ 889,653,812
Fixed Income	403,095,118	392,217,918
Real Estate	292,871,249	272,720,973
Inflation Linked	147,647,185	137,486,033
Private Equity	473,707,911	452,994,996
Absolute Return	191,908,492	204,405,300
Cash	1,620,111	17,713,417
Total	**$ 2,362,934,092**	$ 2,367,192,449

Asset Allocation as of March 31, 2016



HMEPS NEEDS YOUR E-MAIL ADDRESS TO KEEP YOU UPDATED ON PENSION MATTERS

VISIT WWW.HMEPS.ORG TO SIGN UP

NOTICE

ELECTION OF TRUSTEES FOR THE HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM (HMEPS) BOARD OF TRUSTEES

Candidate applications are being accepted for two (2) employee trustee positions and one (1) retiree trustee position on the HMEPS Board. The election is for the following positions:

- Employee Position #3 (Incumbent is Lenard Polk)
- Employee Position #4 (Incumbent is Asha Patnaik)
- Retiree Position #7 (Incumbent is Lonnie Vara)

QUALIFICATIONS

An employee trustee candidate must be a full-time employee and a member of the Houston Municipal Employees Pension System with at least five years of credited service at the time of application.

A retiree trustee candidate must be a retired member of the Houston Municipal Employees Pension System, and must be receiving retirement benefits at the time of application.

All qualifying candidates must be willing to: 1) serve a four-year trustee term without compensation; 2) take an oath of office; 3) attend Board meetings, which occur at least once a month; 4) serve on committees as appointed; 5) attend required committee meetings; and 6) obtain ongoing training and education in pension and pension-related matters.

APPLICATIONS

An active employee interested in running for an employee trustee position, or a **retiree** interested in running for the retiree trustee position, may obtain an application and a copy of election guidelines in person from the HMEPS Office at 1201 Louisiana, Suite 900 (Total Plaza Building).

Candidates must file applications in person at the HMEPS Office. The deadline for filing applications is 4:00 p.m. (Houston time), Wednesday, June 22, 2016. No application will be accepted after that time.

Retirement Advice You Can Relate To

4 Case Examples Presented at the Spring F.R.E.E. Summit

Recently, HMEPS and the City of Houston Deferred Compensation Program hosted the 4th annual Spring F.R.E.E. Summit event. Over 200 people attended to learn more about preparing for their financial health in retirement. Steve Waas (HMEPS) and Gary Wilkins (Empower Retirement) shared important tips and facts to know when preparing for retirement. The following case examples were used to discuss the types of situations encountered by HMEPS members.

Meet Joe:

"I'm 60 years old and have 28 years of service with the City. I'd like to retire very soon. I've seen my pension estimate and I believe it is enough for me to live on if I cut expenses a bit. What might I be overlooking?"

Joe, try to remember that Medicare won't start until age 65. I would encourage you to look into the costs of under-65 retiree health coverage offered by the City, as you will need to pay those costs for the next 5 years until you become eligible for Medicare. Your premium payments will be deducted from your pension payment each month. Make sure you have factored that expense into your monthly budget.

Second, do not plan on receiving Social Security until you turn at least 62. You will be able to collect more if you wait even longer to begin receiving Social Security. You could call it a "double-edged sword" - you get to start receiving payments early, but you likely will face HIGHER EXPENSES and LOWER INCOME in the long run. So make sure you are thinking about Social Security income over the rest of your life, not just for the short term.

Meet Jane:

"I'm an active employee and am thinking about taking a loan from my retirement savings. What do I need to know?"

First of all, determine which sources you are able to borrow from. No loans are available from HMEPS pension or DROP accounts. Those funds can only be accessed once you have retired.

In some cases, you may be able to borrow from the 457(b) plan administered by Empower Retirement. You should contact them directly to determine if and how much you are eligible to borrow. In a 457(b) loan, the interest you pay on the loan is also paid back into your account, as well as the borrowed funds. However, the loan repayments are made using after-tax dollars, and you will again be taxed on the distribution of those funds, so you should consider that before seeking a 457(b) loan.

Sometimes it makes sense to borrow from your 457(b) account, but it is far better to have a sufficient emergency reserve in the first place. The best thing to do is focus on building up a personal emergency savings account BEFORE the emergency happens. This way, you will be less inclined to accumulate debt close to retirement.

Retirement Advice You Can Relate To *(Continued from Page 4)*

Meet Betty:

"I'm 50 and eligible to retire with a $2,000/month pension. I'd like to leave and take a job near my home, and I don't really need my pension yet. Can I hold off on that and get it later?"

Congratulations Betty, and thank you for all your years of dedicated service to the city! I want you to consider a couple of things before you go: First, if you are in Group A or B, you should consider entering DROP and staying with the city a while longer. $2,000 a month can really add up, especially when you incorporate potential earned interest. This could be a valuable tool to help you towards your retirement goals.

Second, if you have already accepted that position closer to home, you will NOT want to delay receiving your pension. Doing so would not increase your earned amount. It would only delay the date on which you can begin receiving your pension, causing you to forego thousands in pension income.

If you are going to a job that offers a 401(k) or similar plan, you may want to think about making contributions to that account from your new paycheck. You can use your pension income to offset any effect the contributions have on your normal living expenses. Not only will you get the tax deferred benefits of a retirement plan, but you will not be throwing away pension funds by delaying them.

Make sure you speak with a professional before signing anything so that you understand the tax implications and requirements, and how they may affect you.

Meet Bob:

"I am retired and planning to take my DROP account balance and pay off my mortgage. Is that smart?"

Well, Bob, that isn't a simple yes or no answer. There are some follow up questions that need to be asked. Such as, how old were you when you retired, and how old are you now? The answers to those questions could alert you to potential tax penalties of up to 10% of the amount distributed to you.

Anyone under age 59½ should contact a financial counselor to understand how the penalties work with respect to DROP distributions (you will be happy to know that the 457(b) plan does not have early withdrawal penalties).

Another thing to consider is how much you owe on your mortgage. If you owe a large amount on your home, you need to look at tax brackets (fun, I know). Each distribution, whether it be from your DROP account or other retirement savings account, is considered by the IRS to be "income." Therefore, if you withdraw a large amount, you may be bumped into a higher tax bracket. This means the 20% tax that was withheld upon payment may not cover all the taxes as required by the IRS. No one is ever happy to find out they owe more taxes when they are filing their yearly returns. So do your homework before you make any decision. Look at other options that may be available to you.

You will want to look at what can be earned as interest (in your DROP account) versus what you are paying as interest (on your mortgage). How much would you really save by paying off your mortgage? How much would you be giving up in earned interest? The answers to those questions will help guide you in your decision-making.

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.

Baby Boomers Begin Turning 70

Time to Look at Required Minimum Distributions

Steve Waas, CFP®, EA
Manager of Policy and
Financial Planning

The "baby boom" in the United States began at the end of World War II. This means that the first baby boomers – those born in 1946 – are turning 70 this year.

And this means that baby boomers should become acquainted with the concept of the Required Minimum Distribution ("RMD").

For many kinds of "tax-deferred" retirement programs, the age 70 ½ is especially important. This includes the HMEPS notional DROP account for a DROP participant. Why is that important? Because the IRS requires that a certain amount must be distributed from these accounts each year, beginning in the year you turn 70 ½.

Since money in these accounts generally has never been subject to income tax (that's why they're called "tax-deferred" accounts), the IRS wants to make sure that it eventually collects the taxes on this money. The RMD was invented to accomplish this – since when the money is distributed to the participant it becomes taxable income.

You don't have to take all the money out – just a portion. The details can be found in IRS Publication 590. The table to the right gives the portion of the account that must be distributed at various ages.

But note that this requirement does not begin for DROP accounts until you separate from the City as a full-time employee. In other words, active employees are not required to take distributions from their DROP account until they retire from the City and are over the age of 70 ½. By the way – the potential IRS penalty for failing to make the required distribution is very heavy: 50 percent of the required amount.

Steve Waas is a Certified Financial Planner and is available for individual meetings with participants. Steve also discusses financial topics in our newsletters to help participants better understand these important issues.

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REQUIRED MINIMUM DISTRIBUTION TABLE

Age on Birthday of the Year of Distribution	RMD = Account Balance Divided by...	RMD Expressed as Approximate %
70	27.4	3.6%
71	26.5	3.8%
72	25.6	3.9%
73	24.7	4.0%
74	23.8	4.2%
75	22.9	4.4%
76	22.0	4.5%
77	21.2	4.7%
78	20.3	4.9%
79	19.5	5.1%
80	18.7	5.3%
81	17.9	5.6%
82	17.1	5.8%
83	16.3	6.1%
84	15.5	6.5%
85	14.8	6.8%
86	14.1	7.1%
87	13.4	7.5%
88	12.7	7.9%
89	12.0	8.3%
90	11.4	8.8%
91	10.8	9.3%
92	10.2	9.8%
93	9.6	10.4%
94	9.1	11.0%
95	8.6	11.6%
96	8.1	12.3%
97	7.6	13.2%
98	7.1	14.1%
99	6.7	14.9%
100	6.3	15.9%
101	5.9	16.9%
102	5.5	18.2%
103	5.2	19.2%
104	4.9	20.4%
105	4.5	22.2%
106	4.2	23.8%
107	3.9	25.6%
108	3.7	27.0%
109	3.4	29.4%
110	3.1	32.3%
111	2.9	34.5%
112	2.6	38.5%
113	2.4	41.7%
114	2.1	47.6%
115 and over	1.9	52.6%

Are You Moving and Changing Addresses Soon?

It is important to notify HMEPS when you change your address. HMEPS routinely sends information to participants that you will not receive if you do not complete a Change of Address form when you change your residence. More importantly, HMEPS may need to notify you of issues relating to your direct deposit account or pension benefit. You may print the form at www.hmeps.org/retirees.html.

Pension Payment Schedule, June – September 2016

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 (dates are circled below). If you receive a pension check by mail, it is typically mailed 3-4 days before the last business day of the month. However, postal delays may lengthen the period of time before check delivery. Call HMEPS for information on signing up for direct deposit of your benefit.

June 2016

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

July 2016

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

August 2016

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

September 2016

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Retirements 1st Quarter 2016

Administration & Regulatory Affairs

Hudson, Glenn

Aviation

Brakeville, Kathy
Brumen, Gabriella
Emmons, Kathleen
Griffin, Kenneth
Harrington, Corall
Mom, Sarem
Zenon, Judy

Convention & Entertainment

Richardson, Reda

Finance

Cardona, Evelyn

Fleet

Herrera, Florentino

General Services

Schramm, Maria
Soliz, Gilberto

Health & Human Services

Boone, Peggy
Escobedo, Graciela
Nichols, Beverly
Perea, Ruth
Prescott, Larry
Wilkins, Yolanda

Housing & Community Development

Collins, Agatha

Houston Emergency Center

Rosignon, Patricia

Human Resources

Creeks, Agnes
Eisenberg, Malcolm
Walker, Geraldine

Information Technology

Bolden, Verna
Komer, Kimberly

Legal

Chaney, Carolyn

Library

Agumanu, Joan
Bailey, Dorothy
Stanton, Mary

Parks & Recreation

Adame, Guadalupe
Pous, Sheila
Ross, Mark

Planning & Development

Thomas, Barbara
Wilson, Marcia

Police

Perez, Abraham

Public Works & Engineering

Burrell, Janice
Coleman, James
Foster, Otis
Fung, Sik
Horn, Warren
James, Veronica
Kraatz, Edna
Lahaie, Lawrence
Larkin, Larry
Leblanc, Velicia
O'Byrne, Robert
Pouncy, Jessie
Powell, Darlenne
Rideout, Carl
Sampson, Julius
Smith, Clyde
Smith, Manuella
Sosa, Mary
Taylor, Richard
Vann, Jo
Wade, Teresa
Williams, Stephanie

Solid Waste Management

Daniels, Daryl
Hale, George

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.

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David L. Long,
Executive Director

Peter Koops,
Communications Specialist

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

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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.

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