



PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System



Update From the Chairman

Sherry Mose
Chairman

Dear Participants,

It is hard to believe we are already through the first quarter of 2016. As the new Mayor and City Council are settling in at City Hall, there have been numerous news stories about the financial challenges facing the City of Houston, including a budget shortfall that Mayor Turner now says could reach \$160 million.

The Mayor has repeatedly called for “shared sacrifice” to address the City’s near- and long-term financial challenges. In our meetings with Mayor Turner, we have made it clear that municipal employees and retirees have already contributed greatly to this goal through a series of reforms over the last several years. The Mayor is expected to release a comprehensive financial plan for the City in the coming months, and I look forward to reviewing it.

In addition to changes at City Hall, the new year brought a few internal changes at HMEPS. Our former longtime executive director David L. Long, who served on our Board of Trustees for the past several years, has resumed his role as executive director. David’s deep experience and knowledge of our system will help HMEPS navigate the choppy waters we and other public employee pension systems face today. While I will miss David’s voice on our Board of Trustees, I welcome him back as executive director. You can read more about David’s new role on page 3.

I also want to welcome a familiar face, Roderick J. Newman, back to our Board of Trustees. Rod served on the Board from 1992 to 2008,

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Mark Your Calendars for the 2016 Spring F.R.E.E. Summit

Sign up now for the 2016 Spring F.R.E.E. Summit! This new, smaller event was created because many of you asked for it. The event will be held Friday, May 13, 2016 from 10:00 am to 12:00 noon. Turn to page 4 for more details. Educate and empower yourself to live the life and retirement you deserve!



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



Update From the **Chairman** *(Continued from Page 1)*

including a period as Chairman. Rod’s background and understanding of HMEPS will be extremely valuable to HMEPS. Please read more about Rod’s appointment on page 3.

Finally, save the date for our Spring 2016 Financial Retirement Employees Educational (F.R.E.E.) Summit! On Friday, May 13th, City employees will have an opportunity to gain valuable information about planning for their retirement. This is the third consecutive year we have added a Spring Summit, due to growing

demand, to complement our Fall event. More information will be coming soon, and I hope to see you there!

As always, it is an honor and privilege to serve HMEPS and its participants.

Your Chairman,
Sherry Mose

Get the Facts Straight on Pensions – Sign Up for HMEPS Email Updates

Provide HMEPS with your email address so we can keep you informed on pension matters quickly and effectively. Visit the website, click on the Facebook icon on the top right of your screen and then click on the “Click here to sign up for emails” button



on the top right. (HMEPS will use your email address for general communication and not for providing any personal or individualized information. We do not share personal email addresses with third parties.)

Sign up here:

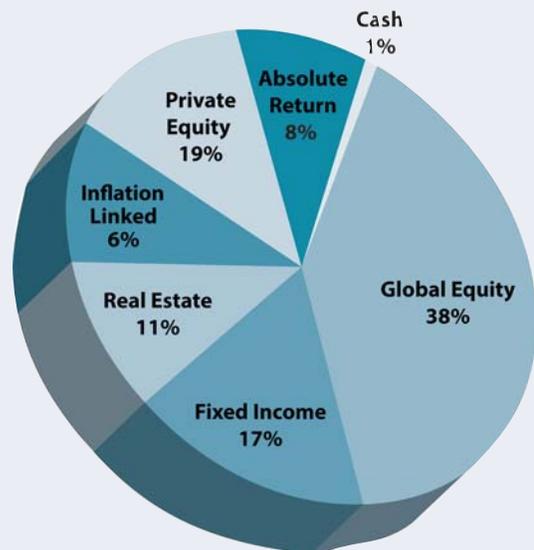
www.hmeps.org/email-sign-up.html

HMEPS Investment Update

Market Value by Asset Class

	Dec. 31, 2015	Sept. 30, 2015
Global Equity	\$ 889,653,812	\$ 845,373,545
Fixed Income	392,217,918	408,549,964
Real Estate	272,720,973	273,691,339
Inflation Linked	137,486,033	134,525,158
Private Equity	452,994,996	431,009,637
Absolute Return	204,405,300	214,090,458
Cash	17,713,417	29,608,271
Total	\$ 2,367,192,449	2,336,848,372

Asset Allocation as of Dec. 31, 2015





HMEPS Board Appoints David L. Long as Executive Director



David L. Long
Executive Director

David L. Long assumed the duties of HMEPS executive director on March 1. Long, who had been serving on the HMEPS Board of Trustees for the past several years, has previously served in the capacity of executive director.

Long has an extensive and distinguished history with HMEPS, both as a member and as the plan administrator of the System. As a member with over 31 years of service, and as the

executive director of HMEPS for over 16 years, Long has gained valuable experience in plan administration, financial matters, investment management and board governance.

Prior to his work in the public pension arena, Long worked for 13 years in the City of Houston Finance and Administration Department, focusing primarily on issuing tax exempt municipal bonds.

Long is a graduate of Texas A&M University, where he received a Bachelor of Science Degree in 1974 and a Masters Degree in 1976.

Roderick J. Newman Assumes Retiree Trustee Position 8

At the March 24 Board meeting, Roderick J. Newman took the oath of office to assume the duties of retiree trustee in the position vacated by David L. Long. Newman comes to the position with vast experience with the City of Houston and HMEPS.

Newman served the City of Houston for 35 years and was first elected to the HMEPS Board of Trustees in 1992. He was the first African American to be elected to the Board and served in the post for more than 16 years.

Newman graduated from the University of Houston in 1977 with degrees in social science teacher education

and sociology. Prior to attending college, he served honorably in the United States Air Force and is a Vietnam veteran.



Roderick J. Newman, HMEPS Trustee, takes the oath of office.

In his personal life, he is married and the father of three children and is actively involved in school, church and community activities. He also serves on the Boards of the Association of Retired Houston Municipal Employees (ARHME), the Houston Employee Relief Organization

(HERO), and the Houston Metropolitan Federal Credit Union (HMFCU).

SS SU SP PR RM MG IT

FINANCIAL
RETIREMENT
EMPLOYEES
EDUCATIONAL
SUMMIT

10 AM TO 12 PM
13TH OF MAY 2016
611 WALKER
GARDEN LEVEL AUD.

CREATING HEALTHY HABITS
PRACTICAL BUDGETING TIPS
REFRESHMENTS

Use Caution When Considering Equity Indexed Annuities

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



Maggie approaches her friend Michonne with an offer. “Let’s split the cost of a lottery ticket. If we win \$10 or less, we split the winnings.” “Sounds great,” says Michonne. “But what if we win more than \$10?” “Oh,” says Maggie, “in that case we split \$10 and then I get to keep all the rest.”

Michonne, needless to say, will reject the offer.

But some people end up investing their retirement savings into situations that actually have a lot in common with Maggie’s offer.

Not all “Equity Indexed Annuities” (EIA) are rip-offs like this, but many are. In fact, the Financial Industry Regulatory Authority has gone out of its way to warn consumers about the dangers of such products. See https://www.finra.org/investors/alerts/equity-indexed-annuities_a-complex-choice.

EIAs are issued by insurance companies. Like most insurance products, they vary significantly from company to company and can be quite complex. Also, insurance companies do a much better job of marketing their products than Maggie.

Why are EIAs popular? They are touted as a “solution” to the problem many retirees have, which is that they want to invest some money safely, but don’t like the low interest rates available in the market place.

Fidelity Investments took a look at two solutions to this problem – a simple one (strategy A), and a complex one – the EIA (strategy B). Here’s what they found (<https://www.fidelity.com/viewpoints/retirement/considering-indexed-annuities>).

Suppose you have \$100,000 that you want to keep safe but you also want a high return. Let’s say you like the idea of getting the high returns that are possible in the

stock market, but you don’t like the possibility of big losses. Here’s a simple, if boring, solution: Invest \$10,000 in the stock market, and invest the rest in very safe but low-yielding US Treasury instruments. Call this strategy A.

Or, you can consider this EIA pitch from an insurance salesman (strategy B):

- We (the insurance company) will immediately give you an \$8,000 “bonus” (in your account)
- Your account will be tied to a popular stock index such as the S&P 500. Your account goes up and down with the index.

- But every year we look at the return and put a floor at 0% – so you can “never lose money!”
- Each month we look at the index return, and if it is a really good month – if the return is more than 2.75% - then we cap your return at 2.75% for that month.
- You commit to the program for 10 years.

Most people will listen to this EIA pitch and think it’s a far better deal than the simple but boring strategy A. But that’s because they

probably overlook some important points.

- Typically products like this use a “stock index” that does not include dividends. In the long run, dividends generally make up as much as 40% of the total return on stocks.
- Capping the monthly return can make a big difference to your total return. It’s quite common for most of the gains in stocks to occur in a short period of time – perhaps in only one or two months of the year.
- These products often have hard to uncover fees, and typically have deep penalties if money is taken out too early.

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**"Now, if we stick to our financial plan,
I can retire at 55 and you at 87."**

Equity Indexed Annuities (Continued from Page 5)

Fidelity ran the numbers on this product and found that over a recent 10 year period, strategy A actually does quite a bit better than strategy B. According to their calculations, strategy A results in \$139,502 at the end of the 10 years, while strategy B results in only \$129,864.

Before jumping into an EIA, think about simpler and cheaper ways to reach the same objective.

What are some specific precautions you can take? Here is a great resource: “Financial Self-Defense Guide for Seniors” http://www.cfp.net/docs/publications/financial_self_defense_guide_for_seniors.pdf?sfvrsn=12

It will educate you on the “red flags” to watch out for in the financial sales process when it comes to annuities, as well as many other financial products and services.

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.

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.

Timing Your Retirement Correctly With HMEPS

Use the following retirement guide for what you should be doing and when you should be doing it.

THREE YEARS BEFORE RETIREMENT

Project your estimated pension benefit. You can project your benefit on our web site. The benefit calculator allows you to enter different dates for retirement and participation in the DROP, salaries and credited service totals.

Locate proof of your age. No benefits can be paid without official proof of your birth date. The most common documents provided are:

- Birth Certificate
- Current Passport
- Certificate of Naturalization

Contact HMEPS if you do not have any of the above documents. Also, if you have changed your name since birth, HMEPS must have official records establishing the name change(s).

Purchase Available Service. Determine if you have any forfeited service that you wish to pay to reinstate (service for which you received a refund or lump sum payment).

TWO MONTHS BEFORE RETIREMENT

Submit a Retirement Request (Form RET011). This form can be found on the AccessHMEPS webpage, or by contacting your HMEPS Benefit Counselor or departmental payroll representative. You will then work with the Human Resources/Payroll Representative in your department to complete the application packet to provide the following:

- Application

- W4-P
- Direct Deposit Form (optional but recommended)
- Proof of name and birth date
- Social Security card
- Driver’s license or state-issued ID card
- Other documents upon request
- Optional Annuity (if in Group A/B and unmarried, or in Group D)

For timely processing, all forms should be submitted to HMEPS 45 days prior to your planned retirement date.

If you are divorced and your ex-spouse was awarded a portion of your benefit, provide HMEPS with a qualified domestic relations order (QDRO). For more information on QDROs, please consult with your attorney.

DURING YOUR LAST PAY PERIOD

Contact your City departmental payroll representative to finalize sick/vacation pay.

Contact the City’s Health Benefits Department to make any retiree benefit and insurance arrangements.

This guide can be very helpful, but it 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.

RETIREES – MAKE PLANS TO ATTEND ARHME’S 10TH ANNIVERSARY SOCIAL

The Association of Retired Houston Municipal Employees (ARHME) invites all HMEPS retirees and their guests to attend its upcoming “ARHME Social.” The event will celebrate the 10th anniversary since ARHME was founded. Below are details for the western-themed event:

Saturday, May 7, 11:30 a.m. to 2:30 p.m.
Bayland Community Center
6400 Bissonnet Street
Houston, TX 77076

Enjoy delicious bar-b-que, mix and mingle with old and new friends, play games and win prizes. Please visit the ARHME website at www.arhme.org to purchase



tickets. However, ARHME members who contribute \$50 to ARHME this year or contribute through payroll deduction will receive a free ticket for themselves and their spouse.

Submit a RSVP (which you can get off the website) to let ARHME know you will be attending.

PENSION PAYMENT SCHEDULE, MARCH – JUNE 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.

March 2016							April 2016							May 2016							June 2016						
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					1	2	1	2	3	4	5	6	7				1	2	3	4	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				26	27	28	29	30			

RETIREMENTS 4TH QUARTER 2015

Aviation

Behn, Darlene
 Ebow, Michael
 Green, Leonard
 Miller, Perry
 Poudyal, Krishna
 Ramos, Maria
 Wells, Robert

General Services

Wiltz, Preston

Health & Human Services

Brown, Jan
 Guien, Ana
 Petry, Johnnie

Fleet

Alan, Ekrem

Legal

Helms, John
 Yaksich, Dennis

Library

Farmer, Sandra
 Garza, Belinda

Parks & Recreation

Compean, Dolores
 Cortes, Belinda
 Hendricks, Bradford

Police

Shahani, Jagdish

Public Works & Engineering

Cain, Barry
 Courtney, Kenneth
 Griffin, Larry
 Jones, Carrie
 Sanchez, Roy
 Tamame, Antonio
 Tapp, Grace
 Tran, Nieu



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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Lonnie Vara, *Secretary*
Roderick J. Newman
Asha Patnaik
Lenard Polk
Barbara Chelette, *Appointed*

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Edward J. Hamb II
Craig T. Mason
Adrian Patterson

PENSION PRESS

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*.



HMEEPS

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.

HMEPS CONTACT INFORMATION

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Houston, Texas 77002-5608

HMEPS Phone Numbers:
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Toll Free: 800-858-1450
Fax: 713-650-1961

HMEPS Website:
www.hmeeps.org