



PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System



Update From the Chairman

Sherry Mose
Chairman

Dear Participants,

It is, as always, a busy time here at HMEPS. As I reflect on the previous fiscal year that ended this summer, I am proud to report that HMEPS accomplished a great deal, but I am also disappointed by the continued attacks on public pension systems at the local, state and national levels.

All three of Houston's public pension systems have been the subject of a number of unwarranted negative media stories in recent months, with one even comparing Houston's city finances to Detroit. We at HMEPS have been extremely proactive in handling this situation by correcting false statements, keeping our participants informed about any developments and continuing to tell our positive story about the good work being done on behalf of the pension system.

And it is a very good story to tell.

As I wrote in a column published this summer in the Houston Chronicle, Houston simply is not Detroit, even though our hearts go out to the people affected by that city's decision to file for bankruptcy.

Houston is a city on the rise and it is primed for continued success at so many levels. The City of Houston's fiscal situation has improved dramatically and is a major factor in this recovery. HMEPS has worked proactively with the City to enact reforms that have strength-

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Register Now for the 2013 F.R.E.E. Summit

The 2013 Financial Retirement Employees Educational (F.R.E.E.) Summit will be held Tuesday, Oct. 22 and Wednesday, Oct. 23, 2013. Go to page 3 for more information. Don't miss the opportunity to learn more about your pension, deferred compensation and other topics related to financial planning.



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



An Update From the Chairman

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ened the municipal pension plan and helped it successfully weather the recent economic downturn.

A prudent, professional investment strategy by HMEPS has yielded the System 10- and 30-year returns in excess of the 8.5 percent target. In fact, for the fiscal year ending June 30, 2013, HMEPS had a gross return of 13.6 percent and a net return of 13.2 percent.

HMEPS is financially strong and fully able to meet its current and future obligations. We have been working hard to make sure that city officials, local taxpayers and others hear and understand the real story about HMEPS.

We also will continue to keep you informed and educated about the pension system and related issues affecting your benefits.

We are proud of HMEPS' accomplishments over the past year, and are continuing to build on those successes for the future. As part of that effort, HMEPS is again co-hosting the annual Financial Retirement Employees Education (F.R.E.E.) Summit on October

22-23. This summit offers active and retired employees valuable information on planning for retirement. For more information, see the following page.

We also have launched a redesigned and enhanced website at www.hmeps.org that contains innovative and interactive features, including a members-only site, and other information about your benefits.

We know that our participants spend their careers working hard to provide crucial services to make Houston a great city. We are here to protect and grow your pension fund to help each of you enjoy a secure retirement.

Your Chairman,



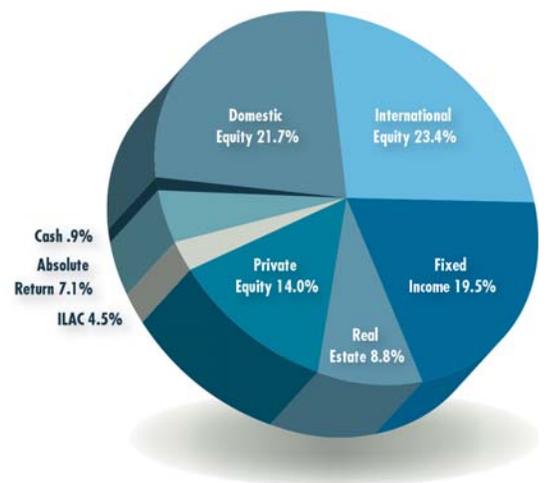
Sherry Mose
Chairman

HMEPS Investment Update

Market Value by Asset Class

	June 30, 2013	March 31, 2013
US Equity	\$478,688,451	\$508,894,420
Non-US Equity	515,541,222	527,273,466
Fixed Income	428,399,275	448,626,117
Real Estate	194,471,501	186,102,645
Inflation Linked	99,046,608	96,370,975
Private Equity	308,095,330	311,865,569
Absolute Return	156,759,165	104,981,505
Cash	20,389,212	23,427,773
Total Fund	\$2,201,390,765	\$2,207,542,471

Asset Allocation as of June 2013



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Register Now for...

THE 2013 F.R.E.E. SUMMIT

FINANCIAL RETIREMENT EMPLOYEES
EDUCATIONAL SUMMIT



ARE YOU HEADED IN THE RIGHT DIRECTION FOR RETIREMENT?

Do you want to learn more about your pension, deferred compensation and other topics related to financial planning? If so, make plans to attend the 8th annual 2013 F.R.E.E. Summit.

Tuesday, Oct. 22 - 10:00 a.m. to 2:15 p.m. - 611 Walker, Garden Level Auditorium

Please note the Tuesday event is SOLD OUT, however, you may visit with vendors

Wednesday, Oct. 23 - 10:00 a.m. to 2:15 p.m. - Harris County Department of Education Building, 6300 Irvington Blvd.

An agenda will be provided on our website at www.hmeps.org and through the registration website.

FREE for ALL City of Houston employees, retirees and spouses.

Pre-Registration website: www.2013freesummit.eventbrite.com

Sponsored by: Houston Municipal Employees Pension System and City of Houston Deferred Compensation Program

**Come and Go at Your Leisure,
Light Lunch Will Be Provided
or Feel Free to
Bring Your Own!**



**For more information and
any questions, call
Pete Koops, HMEPS, at
713-595-0123**

View Your Pension Data on the Redesigned HMEPS Website

HMEPS has unveiled a newly redesigned and enhanced website at www.hmeps.org. The enhancements to the website are part of our efforts to reach out to our members and provide you with more information and resources.

The redesigned website contains innovative and interactive features, including an improved members-only site, increased pension resources, easier navigation and more use of color photography to make

the site more visually appealing. The members-only

site, AccessHMEPS, allows all active and retired participants to view their personal, pension and/or DROP information online.

HMEPS continues to strive to keep our participants informed and up to date on the continued protection and growth of the pension system. The redesigned

website will help achieve that goal.





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

Mortgage Magic?

A participant recently showed me a letter he received from his mortgage company with the official-looking title “Notice of Interest Overpayment.”

The letter turned out to be an invitation to sign up for the company’s “bi-weekly mortgage program.” This program, according to the letter, could save the homeowner thousands of dollars in interest payments. The participant wanted my opinion, basically asking, “Is this for real?”

It was not clear from the letter whether there was a charge for the service. But I have seen other companies charge fees for similar programs, sometimes fairly substantial ones. If it really saves thousands of dollars in interest – maybe tens of thousands of dollars – it must be worth it, right?

Probably not. This is not to say that the program itself is a bad idea – it’s just that the “program” is easy for the homeowner to replicate on his or her own – for free.

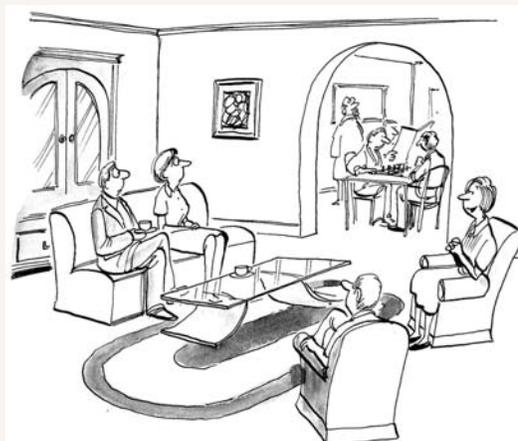
Here’s what’s going on. Most people receive paychecks every two weeks. That’s 26 paychecks a year. But they also typically make their mortgage payments once a month – 12 times a year.

In a bi-weekly payment plan, you make half your normal monthly payment but you do it every two weeks. This is sometimes very helpful in budgeting – since it matches better with a bi-weekly paycheck schedule.

It also means that you pay your mortgage off faster.

You are making the equivalent of 13 normal monthly payments in one year (26 half-sized payments). This is why the “Notice of Interest Overpayment” letter promised thousands of dollars of savings.

But it’s also true that you can save thousands more and retire your mortgage even earlier by making 14 regular payments per year. And you save even more with 15 payments.



“We’ve rented out the kitchen for extra money to pay the mortgage. Want to eat out?”

The more extra payments you make, obviously the faster you pay off the debt and the more you save in interest costs.

But here’s the thing. You don’t need a special program to do this. All you need to do is check with your mortgage company to ensure they will apply early payments to principal. Then simply make the extra payment to the mortgage company, and direct them to apply the payment to principal. This latter point is important – otherwise the mortgage company

might just think you’re paying the next month’s payment a bit early. Write “Apply entire payment to principal” clearly on the check and make sure the mortgage company is indeed applying the payment to principal.

The lesson here is not that extra payments are a bad idea. For some people, they might be a good idea. And it might even be worth a small fee for the convenience of having it done automatically. But it’s certainly not worth paying a big fee for this service – since you can do it yourself for free, in most cases.

Mortgage companies have a variety of services similar to these to pitch. One involves making two payments

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Mortgage Magic? *(Continued from Page 4)*

a month (not one every two weeks, as above). You make the same dollar amount of payments over the year but you pay it in 24 installments rather than 12. Sometimes the mortgage company is not even applying this extra payment when they receive it. Instead they basically save it (as a “convenience” to you) and then apply both payments on the normal due date. The loan is not paid off any sooner, and you lose any interest you might have earned on that money. Your only benefit is that your mortgage payments might be coordinated with your paychecks. By the way, even if the mortgage company does apply the mid-month payment immediately, the impact on your total interest payments will be very small.

A great source of information about this and other mortgage related issues can be found at www.mtgprofessor.com. Any time you are curious about a mortgage offer or are confused about some aspect of the mortgage business, this is an excellent go-to site.

Finally, keep in mind that the decision to pay off a mortgage early is really an investment decision. Think about the alternative uses of the cash you would be using to pay off the mortgage. This is especially important in the current low-interest rate environment. For example, if you have other debts that are costing you a higher interest rate than the mortgage, it probably makes sense to pay those off first. Also, if paying your mortgage quicker means you have to remove money from tax-deferred accounts, you need to take into account any taxes and penalties (and forgone interest) it may cost you to get access to that cash.

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.

Retirees Are Targets for the Dishonest and Unscrupulous

Here is a simple way to get a financial salesperson’s eyes to widen: tell them that you’re about to retire and that you’ve got money in a DROP account or other deferred compensation type accounts.

That makes you a very attractive target.

While there are many competent and honest financial salespeople, there are also many who are not so competent and not so honest. This latter type will do almost anything to get the chance to separate you from your money.

One popular approach is the “free” lunch or dinner. The salesperson somehow gets a list of “targets” and sends each of them a “special invitation” to a free luncheon, where “experts” will give them the secrets of estate planning, or investments, or tax avoidance, etc. The event often turns into an elaborate and sophisticated sales pitch to pressure the retirees into making

questionable money-losing investments or paying for unnecessary services. These scams are so common that the AARP has started a “No Free Lunch” campaign to increase awareness.

Check out <http://money.usnews.com/money/retirement/articles/2012/02/22/how-to-protect-your-retirement-investments-from-scams> for more information.

Retirees are frequently targeted for potentially expensive estate planning products such as living trusts. Valuable information on this topic can be found at http://www.texasbar.com/Content/NavigationMenu/ForThePublic/FreeLegalInformation1/Elder_Law1/LivingTrustScam-sandtheSeniorConsumer.pdf.

Remember, free financial counseling is available at HMEPS. Call 713-595-0140 for more information.

HMEPS Posted Strong Investment Returns of 13.6% for FY 2013

Rhonda Smith, HMEPS Executive Director



Rhonda Smith
Executive Director

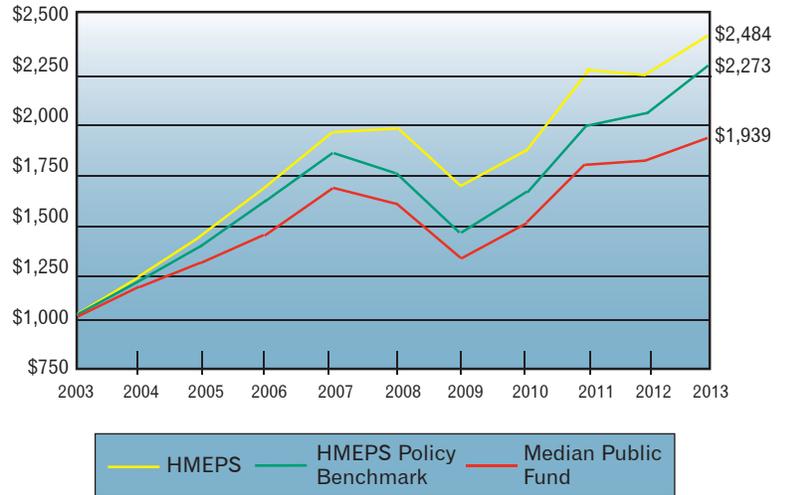
I am delighted to report that fiscal year 2013 was a strong year for HMEPS. The System's investment portfolio closed out the fiscal year at \$2.2 billion, up from \$2.03 billion at the beginning of the year. The total investment return for the fiscal year was 13.6% (gross of fees). It was a strong, solid year for HMEPS.

Although the financial markets wrestled through a number of issues, the 2013 fiscal year saw equity markets rise on continued accommodative Federal Reserve policies and increasing consumer confidence. On the broad market, domestic equities (Wilshire 5000) ended the year with a gain of 21.1%. International equities (MSCI All World ex-US) trailed somewhat with a gain of 13.7%.

Real Estate also performed well, as the NCREIF Property Index yielded 12.8% in fiscal year 2013. High yield bonds, as represented by the Merrill Lynch High

Yield II Total Return index, performed well, returning 9.6%. However, high quality investment grade bonds declined due to anticipation of interest rate increases, ending the year with a slight loss (-0.7%).

GROWTH OF \$1,000



HMEPS Receives Awards for Excellence in Financial Reporting

HMEPS has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of



the United States and Canada (GFOA) for our 2012 Comprehensive Annual Financial Report (CAFR). HMEPS also was

awarded a Certificate of Achievement for Excellence in Popular Financial Reporting by the GFOA for our 2012 Report to Participants.

For HMEPS, the best performing asset classes for fiscal year 2013 were Domestic Equity (22.6%) and International Equity (17.2%). HMEPS outperformed the broad based index returns in these two asset classes by 1.5% and 3.5%, respectively.

I want to thank HMEPS Board members for their expertise and guidance in helping the System focus on the long-term growth and health of the fund. I also want to thank the HMEPS staff for their hard work, experience, commitment and service to the System and its participants.

At HMEPS, our top priority is to serve our participants and protect your hard-earned retirement benefits.

Retirements

2nd Quarter 2013



Aviation

Ale-Ebrahim, Ebrahim
 Quintana, Catalina
 Ramirez, Frank
 Sarpy, Luke
 Smith, Larry
 So, Mary
 Taft, Frank

Fire

Alcala, Diane
 Martinez-Gallegos, Gloria

Fleet

Vo, San

General Services

Williams, Barry

Health & Human Services

Bailey, Althis

Human Resources

Reynolds, Barbara

Legal

Richards, Patti
 Schenk, Larry

Library

Gibson, Christine
 Hensley, Jane
 Takach, Coulette

Parks & Recreation

Barraza, Manuel
 Cuellar, Jose
 Lopez, Manuel
 Olvera, Manuel

Police

Baquet, Allen
 Biess, Dani
 Brown, Anthony

Haynes, Godfrey
 Jackson, Joyce
 Masterson, Dorothy
 Wainwright, Sheila

Public Works & Engineering

Artie, Alaric
 Baker, Ronald
 Campbell, Carolyn
 Devenport, Calvin
 Harden, Elizabeth
 Hill, Linda
 Huguet, Larry
 Jones, Treva
 Miles, Robert
 Mills, Robert
 Moore, Pamela
 O'Neal, Stephen
 Puente, Cindy
 Taub, Roland
 Tester, Sharon
 Tran, Buong
 Vaughn, Dean

Williams, Linda
 Wooten, Knolton

Solid Waste Management

Corbin, Darrell
 Lamott-Jones, Kimberly
 Walker, John

The Retirement 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.

Pension Payment Schedules October to December 2013

Direct deposits (ACH) will be deposited on the last business day of each month, as follows:

- Thursday, October 31
- Friday, November 29
- Tuesday, December 31

Checks are mailed to arrive by the last business day of the month.

Call HMEPS to Schedule a Personal Meeting with Your Benefits Counselor



Senior Benefits Counselor Terri Murray meets with participant Cruz Hinojosa Jr. to discuss his pension, benefits and more.

PENSION PRESS

Houston Municipal Employees Pension System



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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.

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