



PENSION • PRESS

The Newsletter of the Houston Municipal Employees Pension System

www.hmeeps.org

Benefits Counselors Make Transition Into Retirement Easy For Members

Almost everyone looks forward to retirement, but when the time approaches, are you properly prepared? In many cases, the answer is no – and all too often City employees discover too late that they miscalculated numbers or used inaccurate data in figuring their benefit amount.

The good news is that HMEPS Benefits Counselors are available to help all members plan appropriately for their retirement, and encourage everyone to take advantage of this free counseling that can prove so important. The Benefits Counselors are making it as easy as possible for City employees to get needed information – they are making field visits to various City locations to provide members with pension information and answer questions; they make every effort to respond to members quickly either by telephone, in writing or one-on-one in a prescheduled appointment; and they often meet with members and their families to provide them with information relating to their benefits.

Through these meetings, they have found that retiring employees have often faced hurdles when they retired based on incorrect benefit amounts furnished by City employees or by entering incorrect data on the web calculator. In one case, a member had calculated his

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HMEPS Benefits Counselors staff stand ready to serve, from left, Lynnette Bartula, Claudia Carmona, Terri Murray, Terri Henton, Benefits Manager Carole Snyder, Terri Gathing, Angie Calenda and Angela McGowen.

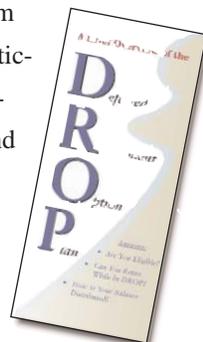
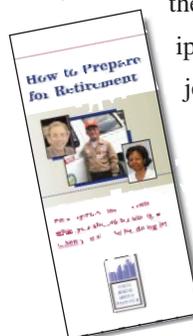
Annual Statements – Mailing Dates

Below is the mailing schedule for annual statements.

<u>Mailing</u>	<u>Date</u>
• Pension Statements (Active employees)	End of April
• DROP Statements (Participants with a DROP balance as of 12/31/06)	Middle of March - if you haven't received your DROP Statement, please call HMEPS.

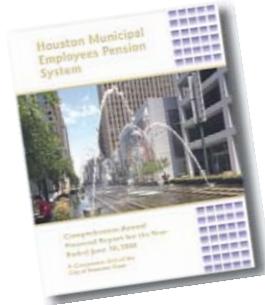
Two New Informational Pamphlets Available from the HMEPS Office

Two new informational pamphlets, available from the HMEPS office, are designed to give participants quick answers on two important subjects. “How to Prepare for Retirement” and “A Brief Overview of DROP” are quick, easy-to-read pamphlets that will help participants get many of the answers they need. If you wish to have a copy mailed to you, call the HMEPS office.



Check Out the Latest Additions to HMEPS Website @ www.hmeps.org

There have been several additions to the HMEPS website's Publications page (www.hmeps.org). The Comprehensive Annual Financial Report for the Year Ended June 30, 2006; Actuarial Valuation as of July 1, 2006; and the winter edition of the *Pension Press* have been added to the website. Participants can find these publications and others including past issues of newsletters, annual reports and reports to participants.



You need Adobe™ Acrobat or Acrobat Reader to download the publications found on the website (instructions for downloading and installing the program for free are provided).

HMEPS Investments

Market Values as of December 31, 2006

Domestic Equity	\$ 551,310,314
International Equity	390,570,126
Fixed Income	337,889,991
Real Assets	276,583,100
Alternative Investments	281,337,882
Cash Equivalents	12,677,762
City of Houston Pension Obligation Note	338,266,085
Total Fund	\$ 2,188,635,259

- For Calendar Year 2006, HMEPS' investment return was 17.94 percent. For the first six months of Fiscal Year ending December 31, 2006, the fund has returned 9.36 percent.

Retirees Join Other Retirees Who Meet to Stay Up-to-Date on Latest Pension Matters, Share Lunch

HMEPS retirees are encouraged to join other retirees for the monthly luncheon to hear the latest pension news, chat, and simply enjoy each other's company. There is no fee to attend (retirees purchase their own lunch from Luby's), the atmosphere is casual and HMEPS staff members are there to answer any questions. If you are an HMEPS retiree and would like to attend the next lunch bunch meeting, simply call Betty Daniel at 713-697-3818. They meet at 11 a.m. on the first Saturday of each month at the Luby's restaurant at 1414 Waugh Drive. All retirees of HMEPS and their spouses and friends are welcome. Mark your calendars for these upcoming lunch dates: April 14, 2007; May 5, 2007; and June 2, 2007.

Member Questions to Benefit Counselors

Dear HMEPS Benefits Counselor:

"I want to join the Deferred Retirement Option Plan (DROP). When will I be eligible?"

Answer: In order for you to be eligible to join DROP, you must meet or have met one of the following age and credited service requirements on, or before, the DROP entry date:

- At least age 62 with at least 5 years of credited service, or
- At least age 50 with at least 5 years of credited service provided the sum of your age and years of credited service, including parts of years, equals 75 or more; or
- Any age with at least 5 years of credited service provided the sum of your age and years of credited service, including parts of years, equals 70 or more (Rule of 70), but only if, prior to January 1, 2005, you had at least 5 years of credited service and your age and years of credited service, including parts of years, were equal to 68 or more.

If you have further questions about DROP please make an appointment to talk to a Benefits Counselor by calling the HMEPS office at 713-595-0100.

Traditional Work Ethic Keeps CB Richard Ellis On Top

HMEPS' Biggest Real Estate Manager Explains How Their Funds Have Done So Well

For about seven years, HMEPS and CB Richard Ellis Strategic Partners have enjoyed a very personable and successful partnership. Executives with each share a mutual



Vance Maddocks, CEO

respect for the other, and boast of a close working relationship that has led to quite high performance returns for HMEPS.

HMEPS was one of the original investors in the CB Richard Ellis product since the Strategic Partners division was founded in 2000 and has

invested a total of \$110 million in all four of its real estate funds since. This is the biggest real estate manager for HMEPS, and the funds have returned more than 20 percent annually for the pension system.

“Our perspective on making money is that we produce a higher level of return without exposing beneficiaries to an overall high level of risk,” explains Vance Maddocks, the new CEO of CB Richard Ellis Investors, and the president of its Strategic Partners U.S. pro-

gram. “Buried into our philosophy is that we are very hands on. We operate the real estate – we don’t allocate capital out. We roll up our sleeves, we get in, and we add value ourselves.

“We also reduce risk because we only invest in very high quality real estate. A lot of people with high return strategy will invest in anything. We also only invest in major cities in the United States.”

In Houston, that includes investing in the Alamo Crossing industrial development and in the Montebello multi-family development, the latter of which brought in an investment return of almost 26 percent.

Maddocks, who is based in California, was one of the first to provide these types of real estate investments when he joined

CB Richard Ellis more than 23 years ago. He works 55 hours a week, and spends at least half that time traveling.

“I don’t do my job sitting at a desk,” he says. “I go out seeing the properties and meeting people.”

Though Maddocks is the lead on the HMEPS investments, he has a diverse team of 16 who work on the account.

He says HMEPS is the “typical investor” for Strategic Partners, as the majority of their funds come from public pensions. But, he says, HMEPS is unique in its consistency and in its approach.

“They are very diligent and very organized in the way they invest their money,” Maddocks says. “A lot of public plans don’t have real estate expertise or specialists. Houston is a cut above in terms of their sophistication, how they are organized and their consistency. They are some of the sharpest people I deal with.”

HMEPS’ Chief Investment Officer Douglas Wynkoop praises Maddocks’ hands-on approach, his sharp skills and the above-average returns he and his team have produced for

HMEPS. “He is extremely impressive and we’ve been very successful with him,” Wynkoop says.

Maddocks says his overall strategy is to purchase, reposition, develop and then sell institutional quality properties.

The private partnerships HMEPS invests in with Strategic Partners have a finite life of about three to four years. Two of the four already have been fully liquidated, and the other two are doing extremely well. Maddocks already is looking into possibilities for a fifth investment.

“We’re excited about continuing to work with HMEPS as we really cherish this relationship,” he says. “We are very investor oriented – very transparent. Client relationships are key to us.”

“...Houston is a cut above in terms of their sophistication, how they are organized and their consistency”

- Vance Maddocks

An Explanation of Your Annual Pension Statement

The HMEPS office will be mailing out members' annual pension statements at the end of April. The following is a brief explanation of the information in the statement:

- ➔ **Social Security Number** – the first five digits have been omitted to restrict information about your number.
- ➔ **Pension Group (A or B)** – the group of membership you are currently in: Group A is the contributory group, in which members make periodic contributions to HMEPS. Pension benefits for Group A members are calculated using higher benefit percentages than are used for calculating pension benefits for Group B members. Group B is the non-contributory group, in which members do not make contributions to HMEPS and benefits are calculated using lower benefit percentages than Group A members.
- ➔ **Estimated Accrued Credited Service** – the total estimated amount of accrued credited service you have earned since you first began performing work and services as a member in an eligible position for the City. Consult the HMEPS Benefits Handbook (available from the HMEPS office or online at www.hmeps.org/publications.html) for details on how credited service is determined.
- ➔ **Estimated Member Contributions (if any)** – your total estimated amount of contributions to HMEPS during your employment with the City. Group A members contribute 5% of salary, and Group B members do not make contributions to HMEPS.
- ➔ **Estimated Service Purchase Contributions (if any)** – if you entered into a service purchase obligation to purchase service, this field indicates the total amount of contributions you have made towards the service purchase total.

Houston Municipal Employees Pension System
1111 Bagby, Suite 2450
Houston, Texas 77002

Nota Realemployee
12345 Nothing Drive
Houston, TX 77000



April 30, 2007

A member of the Houston Municipal Employees Pension System ("HMEPS") is eligible to receive a normal retirement pension after having earned the required credited service and after having reached the required retirement age. Currently, a member who separates from service with at least five (5) years of credited service is eligible to receive a retirement pension on the first day of the month following the month in which the member: (1) attains at least 62 years of age; (2) attains a combination of age and credited service that equals 75 or more, with a minimum age of 50; or (3) attains a combination of age and credited service that equals 70 or more, but only if the member attained 68 points (age and credited service) prior to 1/1/05. The amount of the pension will be a percentage of the member's average monthly salary ("AMS") for each year of credited service as of the member's last day of credited service (other than DROP participants, whose AMS for pension purposes is calculated as of the later of 1/1/05 or DROP Entry Date).

City of Houston ("City") records indicate that you are a member of HMEPS. Therefore, this statement has been prepared for you. The information in this statement is based on data electronically transmitted from the City database as of 12/31/06:

- ➔ **Social Security Number:** XXX-XX-1234
- ➔ **Your pension group as of 12/31/06:** A
- ➔ **Your estimated accrued credited service, as of 12/31/06:** X Yr(s) 0 Mo(s)
- ➔ **Your estimated member contributions, if any, as of 12/31/06:** \$X,XXX.XX
- ➔ **Your estimated service purchase contributions, if any, as of 12/31/06:** \$X,XXX.XX

* If you are a DROP participant, your credited service ceased to accrue the day prior to your DROP entry date. You will receive information regarding your DROP entry date on your annual DROP statement.

The above data has not been audited or verified. Therefore, if you have any service with the City that does not qualify for credited service in HMEPS, your actual credited service may be significantly different from that provided in this statement. For example, you may have other service with the City that may qualify for pension benefits.

(The bottom of the statement is intentionally cut off.)

Reappointment of Officers/Increased Premiums for City Health Coverage

Dear Plan Participants:

At the January meeting, the Board of Trustees held Board officer elections, and re-elected for two-year terms myself as Chairman, Ray Kennedy as Vice-Chairman and Rod Newman as Secretary. I want to thank the other Board Members for their support and for giving us the opportunity to continue to serve all of you – our hard-working participants. On behalf of myself, Ray and Rod, I want to affirm our dedication to HMEPS and all of its participants. We will continue to work to keep HMEPS a strong system and look out for your future.

On a more somber note, I realize that many retirees recently received information from the City of Houston that the medical insurance premiums for City-sponsored health care were going to increase significantly. For retirees under age 65 in the HMO plan, the Fiscal Year 2008 premiums increased by over 34 percent as compared to the previous year. Rates for retirees age 65 and over in the HMO plan increased by over 22 percent. Similarly, the increase in rates for the PPO plan range from 10.5 percent to 25.9 percent for retirees and their families.

HMEPS is a member of the City of Houston Health Benefits Advisory Committee (HBAC), which provides us an opportunity to voice our concerns about insurance and health benefit changes. We have been a member of the HBAC for many years, and when premium rates for retirees started to significantly escalate a few years ago, we strongly voiced our concerns and opposition to the burden the increased rates placed on retirees, and we and the other retiree representatives on the HBAC have continued to oppose the spikes in retiree rates. While we understand that health costs continue to rise for everyone, we are alarmed at the rate of increase over the last few years, especially when the retiree rates are already substantially higher than active employee rates.

We understand the importance of health care coverage to retirees and will continue to make our concerns known. However, HMEPS does not have any control over medical costs in the City health plan, and does not administer any portion of the plan. If you have an administrative issue concerning the health plan (coverage, available health care providers, etc.), please contact the City Benefits Division at 713-837-9400. If you would like to relate your thoughts on retiree medical premiums directly to the City, we suggest that you contact your elected City representative and make your concerns known.

Sincerely,

Fred Holmes
Chairman

The HMEPS Board of Trustees



Fred Holmes
Chairman



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Vice Chairman



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Secretary



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Elected Trustee



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Elected Trustee



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Appointed Trustee



Gilbert Garcia
Controller Appointee



Alfred Jackson
Council Appointee



Richard Badger
Council Appointee



Craig T. Mason
Mayoral Appointee

Executive Director



David L. Long

Retirements – December 2006 to February 2007

Aviation

Bradburn, Walter
Chum, Yin
Franklin, Dixie
Lam, Chieu
Lewis-Williams, Dora
Pierce, Tony*
Rodriguez, Frances
Tem, Meas*
Trejo, Roberto

Building Services

Luu, Theodo
Wharton, Dalton

City Secretary

Melton, Mattie

Finance & Administration

Johnson, James
Kirk, Paul
Kulkarni, Sudhir
Morris, Clester

Fire

Barragan, Carlos
Hayes, Lisa*

Health & Human Services

Archuleta, Tim*
Chavez, Angela*
Cooper, Vivian*
Harms, Jerald
Harris, Lorenzo
Merenda, Joy
Odom, Darryl
Roosevelt, Charles
Rosin, Adolfo
Rosin, Elena
Salgado, Gladys
Wang, Wei Hua

Housing

Arceneaux, Laverne

Houston Emergency Center (HEC)

Ross, Johnnie

Human Resources

LaChapelle, Veronica
Murphy, Helen

Information Technology

Abraham, Varughese
Reynolds, Helen*
VanMeter, Carmen

Library

Hicks, Mattie
Horn, Anna
Lambert, Toni*

Municipal Courts

Dang, Phuong

Parks & Recreation

Altamirano, Miguel
Metzler, Richard
Paul, Gregory
Torres, Jose

Planning

Butler, Judith
Cox, Gwendolyn
Hung, Alice
Vatterott, Charles*

Police

Blevins, James
Buenostro, Erika*
Craft, Sharon
Flores, Gloria
Hebert, Rita
Heuitt, Nancy
Lozes, Elbert
Mayes, Lolita
Robertson, Rex
Schmidt, Glendon
Steele, Jimmie

Public Works & Engineering

Bell, Henry
Breuer, Beverly
Broussard, George
Carter, Arlean*

Coleman, Leroy
Davis, Ethel
Evans, Albert
Ferguson, John
Holland, Ernest
Hilburn-Cade, Bonita
Jarmon, Donald
Le, Phan
Lyons, Sam
Marion, Mikel
Masri, David
Nounes, Louis
Perales, Pablo
Philp, Terrence
Richmond, Donna
Stewart, Clayton
Vasquez, Joe
Walton, Geraldine
Williams, Elvis

Solid Waste

Frank, William
Rodriguez, Jose

*Deferred Retirement

In Remembrance

Active Employee and Retiree Deaths – November 15, 2006 through February 19, 2007

HMEPS received notification of the following participants' deaths. We wish to remember these individuals and their dedication and service to the City of Houston.

Aguilar, Caroline**
Allen, Sidlyn**
Barcia, Katherine
Bierwirth, Ludwig
Blount, Curtis
Blyaert, L.C.
Broussard, Ella**
Calip, Joshua
Castillo, Teofilo
Catalina, W.
Cockrell, Jettie**
Coleman, Eva**
Collins, Helen**
Contreras, Rosie**
Crawford, Beverly
Crosby, Bertie
Curiel, Joe
Curtis, Odessa

Davis, Francis
Davis, Leslie
Degress, W.
Dominy, Lois**
Donath, Calvin
Dulaney, Flora
Etienne, Wilfred
Farmer, Paul
Fenske, Leroy*
Fernandez, Mack
Fransaw, Lee*
Frech, Abraham
George, Mernie
Gillum, Larry
Grant, Londell
Greco, Joseph
Gutierrez, Johnny
Hale, Nancy

Harbour, Matilda
Harvison, Harold
Hines, Jerry*
Hsiao, Stephen*
Hudson, Harold
Inglis, John
Irvin, Evan
Jameson, Bennie
Johnson, Arthur
Johnson, Dewilla
Kacal, Willie
Kellison, Edward
Kherkher, Razouk
Knott, Milton*
Lacy, Joe
Lewis, Vernon*
Lostracco, Jack
Martin, Jesse

McGehee, James
McGriff, Eddie
McLain, Pierson
McPhail, Thelma**
Monroe, Earline**
Muckleroy, Richard
Neville, Willie
Newcomb, Kathyrine
Ochoa, Elida
Ortega, Paul
Palmer, Calvin
Parker, Andrew
Parks, Ray
Pear, Ada**
Pereira, Edith**
Pereira, Frances**
Rudek, William
Rue, Margaret

Salazar, John
Sereal, Buster
Sharretts, Kenneth
Sloan, Jake
Smith, Catherine*
Smith, Madeline
Spillar, Levie
Thomas, Cora
Thompson, Bernard
Trickey, Jane
Triplett, James
Velasco, Carlos*
White, Dorothy**
Williams, Ina**
Wyatt, Gracie

*Active Employee Death

**Surviving Spouse

Benefits Counselors Make Transition Into Retirement Easy For Members

(Continued from Page 1)

benefit on the HMEPS web calculator, but unfortunately he had inserted data stating that he had been in Group A for his entire period of service when in fact he had been in Group B. After meeting with HMEPS, he realized his benefit was too low for his retirement income requirements and he needed to work longer to receive the benefit amount he needed.

Benefit calculations, cautions HMEPS Benefits Manager Carole Snyder, must depend on accurate data that is available when a member is eligible to retire. Through meetings with a Benefits Counselor, employees are advised of each available benefit and informed of factors that would affect the benefit.

Carole stresses how important it is that *before* members retire, they know the approximate amount of their benefit and how benefits are processed after they leave employment. For example, members are paid generally twice a month when they work for the City, but in retirement they are paid at the end of each month.

One recent retiree wrote HMEPS a thank you note, expressing her gratitude for such courteous and prompt service, as well as sage and needed advice. She praised HMEPS benefits staff for giving her confidence “to make my own decisions and feel comfortable with the pension information.”

“Retirement is something almost everyone looks forward to achieving. The reality is that retirement decisions are overwhelming to the average City of Houston employee who lacks the resources that would require a tax professional or an investment adviser,” she wrote. “The employee suddenly has a large sum of money...which he/she is responsible for making judicious investment decisions...(HMEPS) presented the ‘things-you-need-to-know’ retirement information in a concise and succinct manner...It’s good to know you’re there.”

If you would like to talk to a Benefits Counselor, please contact the HMEPS office by calling 713-595-0100 and enter your Social Security number. You will automatically be directed to your appropriate Benefits Counselor (each Benefits Counselor is responsible for the members in one or more City departments and works directly with the members in those assigned departments), at which time you can schedule an appointment. Members should allow at least half an hour for a meeting.

Pension Payment Schedules: April – June 2007

The following are the dates pension benefit checks will be mailed in the months ahead. The schedule will be strictly adhered to.

- **Thursday, April 26, 2007**
- **Tuesday, May 29, 2007**
- **Wednesday, June 27, 2007**

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

- **Monday, April 30, 2007**
- **Thursday, May 31, 2007**
- **Friday, June 29, 2007**

If you are interested in direct deposit of your pension benefit checks, please call our office at 713-595-0100.

Need an HMEPS Form? Download It From the Website! (No computer? Your local library has them!)

If you are in need of the latest pension forms, visit the Forms Center at www.hmeps.org/forms.html. The Forms Center contains many of the forms you need as an HMEPS participant. Currently, you can find the following forms online:

- **Change of Address Form (for Retirees only)**
- **Declaration of Marital Status**
- **Electronic Funds Transfer Direct Deposit Enrollment Application (Direct Deposit)**
- **Election to Change Group Participation**
- **DROP Request**

The forms are in .pdf format. You will need Adobe™ Acrobat or Adobe Reader to view and print the forms. Instructions for downloading and printing forms are provided at the Forms Center.

Pension Press

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PENSION PRESS

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Peter Koops, Director of Communications
Naomi “Amy” Rowley, Executive Assistant

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

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

HMEPS Address:

Houston Municipal Employees Pension System
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Houston, Texas 77002-2555

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Toll Free: 800-858-1450
Fax: 713-650-1961

HMEPS Website:

www.hmeeps.org