

PENSION PRE

The Newsletter of the Houston Municipal Employees Pension System

www.hmeps.org

HMEPS and City of Houston Sign New Agreement; No Changes for Current City Employees or Retirees

s we endure the heat of the summer in Houston, one cooling thought is knowing that HMEPS and the City have signed a new agreement that helps ensure the long-term financial stability of the pension plan. What's more – the agreement makes no changes in benefits for the hard-working and dedicated current City employees and retirees.

HMEPS began trying to work with the City in December to come up with a sound agreement, and during May and June HMEPS Executive Director David Long had many meetings with Anthony Hall, the City's Chief Administrative Officer. The HMEPS Trustees and the Houston City Council approved the Fourth Amendment to Meet and Confer Agreement, which became effective June 27, 2007.

HMEPS went into the meet and confer negotiations with three objectives:

- No change in benefits for current active employees and retirees.
- Work to develop a new program for new employees within the defined benefit plan that provides a competitive benefit with appropriate funding.
- Secure future funding for the pension plan that is reasonable and actuarially sound.

The agreement meets the above objectives. Essentially, current members will not notice any changes, and the DROP program remains in effect for current employees. Beginning January 2008, new employees will participate in a non-contributory group (which will be known as Group D) with later retirement eligibility, and with an option for an early reduced retirement benefit and an option to roll over funds from their section 457(b) plan to purchase an increased benefit.

In addition, a former employee who is rehired as an employee by the City or by HMEPS on or after January 1, 2008 is a member of the group in which the employee participated at the time of the employee's immediately preceding separation from service.

"The HMEPS staff and HMEPS trustees worked hard to represent our participants' interests and remained committed to a program that helps provide for all of our participants' financial wellbeing now and in the future," David Long said. "We also are

confident that the new program provides a competitive benefit with options and is actuarially sound."

Anthony Hall agreed, telling Council, "This is a very fair and balanced proposal."

According to the agreement, the City will make the following contributions to HMEPS for the next four city fiscal years, which begin each July (so FY 2008 began July 1, 2007): \$75 million for FY 2008, \$78.5 million for FY 2009, \$83.5 million for FY 2010, and \$88.5 million for FY 2011. In subsequent fiscal years, the City is required to pay the actuarially determined rate, which is the contribution otherwise required by state law. "The new

> funding schedule was attainable due to HMEPS' excellent investment returns and the joint development of a revised benefit program for new employees," Long said. (HMEPS' investment return in FY 2006 was 18.11%; in FY 2005 it was 13.85%; and in FY 2004 it was 18.64%). Hall said this new plan makes it clear what the City owes in the future, and also noted that if HMEPS continues to have outstanding performance, the contribution could be less than projected when the required contribution reverts to the actuarially determined rate.

Several City employees attended the HMEPS Board meeting in June to praise the efforts of

the trustees and the staff for an agreement that kept intact all the benefits for current employees and retirees.

"This is vital to us," one IT worker said. "We appreciate all the hard work." Another worker expressed gratitude for the unyielding support of the HMEPS Board.

Trustee Sherry Mose thanked the HMEPS staff for their diligence and said they had made positive strides during the long negotiations.

"We appreciate the trust and support the HMEPS participants showed to the Board during this difficult time," Long said. "We realize at times it took a lot of patience. We believe this agreement is reasonable and sound, and will contribute greatly to the long-term financial health of the pension plan."

The entire text of the Fourth Amendment is available at www.hmeps.org/benefit_provisions.html

"We appreciate the trust and support the HMEPS participants showed to the Board during this difficult time."

- David L. Long

Two More Additions to HMEPS' **Series of Informational Pamphlets**

here are two new informational pamphlets available from the HMEPS office – "Understanding a Power of Attorney" and "Considering Returning to Work After Retirement?" The goal of these pamphlets



is to increase members' and retirees' understanding of the subject matter in a quick and easy-to-read format. Both pamphlets are free (as are all HMEPS informational pamphlets) and can be obtained by

either visiting the HMEPS office directly or calling 713-595-0100 to have them mailed.



HMEPS Investments

Market Values as of March 31, 2007

Domestic Equity	\$ 554,852,223
International Equity	406,408,306
Fixed Income	345,255,984
Real Assets	298,349,346
Alternative Investments	300,388,290
Cash Equivalents	24,358,535
City of Houston Pension	
Obligation Note	345,304,669
Total Fund	\$ 2,274,917,353

• For the first three months of Calendar Year 2007, HMEPS' investment return was 3.67 percent. For the first nine months of Fiscal Year 2007 ending March 31, 2007, the fund has returned 13.38 percent.

Member Questions to Benefits Counselors

Dear HMEPS Benefits Counselor,

"I will be leaving employment with the City before I am eligible to receive a pension benefit. How do I get a refund of my employee contributions?"

If you have at least five years of credited service in HMEPS, you are eligible to receive a normal pension benefit when you reach the applicable age and service requirements. If you do not have at least five years of credited service, you are not eligible for a normal pension benefit and you will receive a refund of your employee contributions upon your written request

If you are a former Group A member who has separated from service with the City and want a refund of your employee contributions, you must file a written, signed request with HMEPS. Upon receiving your request, HMEPS will mail you the necessary forms and notices. Once HMEPS receives your completed forms and information, it should take between 45 and 60 days for your refund to be sent to you.

NOTE: If you do have at least five years of credited service and have separated from service with the City, you should contact your former department payroll representative as soon as possible in order to complete an application for deferred retirement. A delay in submitting a deferred retirement application to HMEPS may delay your deferred pension.

Please refer to the HMEPS Benefits Handbook (January 2005) for more information. A copy is available on the HMEPS website at www.hmeps.org/publications.

Smith Graham's Formula For Success Started With HMEPS

erald Smith has a special affinity for the Houston Municipal Employees Pension System.

After all, HMEPS was his very first client when he opened his own investment firm in Houston 17 years ago. In 1990, HMEPS hired Smith to run \$15 million in a core bond strategy. Smith, Graham & Co. (Smith's firm as it is known today) now manages HMEPS' cash, which typically ranges between \$60 million and \$75 million.

Smith's company has close to 20 employees, 35 clients and manages about \$2.4 billion in assets. Smith says about 50 percent of his company's clients are from the public sector – including the City of Houston and the Houston Port Authority. Other Houston clientele includes Memorial Hermann Health Care System, Centerpoint Energy, Continental Airlines and the University of Houston.

"You always remember your first client," Smith says with a smile. "In 1990, when I first started out, I visited with the municipal pension executives. One thing about HMEPS – they always do their due diligence," Smith said. "They looked at the experience we had to offer and we were hired."

There was one point in the partnership when Smith, Graham & Co. lost HMEPS as a client due to performance issues. Undaunted, Smith labored to regain the trust and the account. "Due to our good numbers and out-performance, HMEPS rehired our firm," he said. "Today we have five different fixed income products, and all are above their respective benchmarks in addition to ranking in the top quartile for the last three years."

Smith says his company's philosophy is unique as far as a growth strategy. They limit the number of their clients, focus on the methodology and concentrate on how to increase their assets under management. "If we do a good job for our clients, they

"One thing about HMEPS – they always do their due diligence."
- Gerald Smith

award us additional funds," he said. "In addition to managing clients' assets, we also focus on solidifying the relationship with superior client service."

Their philosophy is based on the belief that a disciplined global approach focused on economic fundamentals and market conditions will produce superior long-

term risk-adjusted returns. The investment professionals utilize a team approach working together to achieve their out performance. Coincidentally, 75 percent of Smith Graham is owned by the principals of the firm which enhances and strengthens their team approach.

HMEPS Chief Investment Officer Doug Wynkoop says Smith and his group deal with HMEPS' custodial bank on a daily basis managing HMEPS' cash. "We are very appreciative to have someone locally filling such an important role," Wynkoop said.

"They are great people to work with."

Gerald Smith certainly has made his mark in Houston. A native Houstonian who grew up in the Third Ward, he graduated from Jack Yates High School. He received his Bachelor of Arts in Business Administration, with a major in finance, from Texas Southern University School, where he currently serves as

Chairman of the Foundation Board. At TSU, there now is a Gerald B. Smith Center for Entrepreneurship & Executive Development to help grow small businesses.

As founder, Chairman and Chief Executive Officer of Smith, Graham & Co., Smith chairs his firm's Investment Oversight Committee and manages oversight of the HMEPS fund. "My role is to ensure we meet



Gerald Smith, Chairman and CEO

and exceed HMEPS' expectations," he said. He previously was senior vice president and director of fixed income for Underwood Neuhaus & Co., was affiliated with Westcap Corp. Investment Bankers and Dillon Read and Co. in New York. He is a founding member of the New York Futures Exchange.

In addition, Smith serves on many community and civic boards, including Vice Chair of METRO, the Houston Museum of African-American Culture, the Museum of Fine Arts, the Greater Houston Partnership and the M.D. Anderson Cancer Center. He also serves on three corporate boards – Charles Schwab/Schwab Funds where he chairs the Investment Oversight Committee of the \$200 billion plus Mutual Fund complex, Deputy Chairman of Cooper Industries and Oneok Partners.

"I was always taught it is important to give back to the community we serve," Smith said. "Houston is home for my family and my business. I remain committed to making our city a better place. I believe that if we are in a position to help, we should. That is our obligation as good citizens."

Smith splits his time between his work, his community and his family. And, he tries to find an occasional break to play golf – although he says his handicap has gone up to 13.

For the future, he sees more good things ahead for HMEPS and the money his company manages for HMEPS' members. "I see absolutely positively good things," he says. "We plan to continue to consistently produce good returns and to do so with a transparent process."

Shirley Kropik - Over 3 Decades of Service to the Men and Women In Blue

he year was 1973, and Shirley Kropik had only been at her Houston Police Department clerk position for less than a year when a detective threw graphic crime scene photos from the infamous "Boat Shed Killings" on her desk for processing. "We had been updated on a daily basis how the investigation was going and I thought they were so interesting, but when I looked up co-workers were cringing in disgust," she said. "It was then that I decided I liked police work and all the behind-the-scenes work it entailed – despite the fact that some of it was hard to stomach!"

Kropik, a member of HMEPS, has been employed by the City of Houston for 34 years as a civilian employee within the Houston Police Department (HPD). She started as a desk clerk and worked her way up to Administration Manager. She notes, "I



Shirley Kropik (right) discusses a file with Houston Police Department officer Angela Merritt in front of HPD headquarters. Photo by Quoc-Tuan Nguyen.

could have worked in any one of the numerous City departments but chose instead to work as one of the many non-uniformed civilians who work as support staff within HPD."

"When I started I cleared just a little over \$100 per pay check, but I loved HPD and worked two jobs to make ends meet. I understand the whole system (after working in nine different HPD divisions) and have especially enjoyed the variety of work you encounter each day," Kropik said.

"Much has changed since the 1970s," said Kropik, who is now responsible for 29 full-time and temporary staff members who handle all aspects of HR for more than 7,000 employees. "Because there were no computers, police reports (containing information such as complainants names, addresses and charges) were recorded on 3 x 5 index cards. Detectives had to rely on desk clerks to research cases because we were the ones

who knew the facts from typing them onto the 3 x 5 index cards. I've come a long way with HPD, from using a typewriter to helping implement the new *Systems*, *Applications and Products in Data Processing* (SAP) software application."

Kropik recalled one time when notorious criminal Lee Otis had been brought in by detectives. Otis had been featured on the front page of the newspaper and was a smooth, sly criminal. "A detective, who was not the best typist in the world, was typing his confession," Kropik explained. "The detective was typing real slowly and Otis was getting impatient. He told the detective, 'Get outta' the way and let me do it, I can type faster than you!" Kropik said the whole floor of HPD detectives burst into laughter. "Otis typed his own confession that day. A few months later, I was questioned by the FBI as he had filed a Civil Rights complaint."

Kropik attributes her success to a strong work ethic and dedication to her job. She was born in Fort Worth where her father was in the Air Force. After his retirement, they moved to New Caney, where she graduated from high school in 1969. Shirley and her husband, Wes, enjoy traveling and spending time with their grandchildren. Two grandchildren are team ropers and they enjoy going to the roping competitions with them. They hope to someday travel to see them participate in the national finals in Las Vegas – an event she said she would not miss.

Kropik and her husband are both cancer survivors – something that gave them "a greater respect for life and brought us closer together." She said, "You learn a lot when you beat cancer. You look at life differently and appreciate every day."

Kropik has earned a total of 39 commendations over her career, including a "Civilian Supervisor of the Year" and two "Chief's Commendation" awards. She is also the HR liaison for HPD, served on numerous committees, is a certified mediator for HPD and served on the team for implementing SAP. Kropik takes it all in stride saying she has been blessed to work with incredible people over the years. She is quick to add that her employees are the best team a supervisor could ask for.

Kropik says her family would have liked her to retire almost two years ago, but she finds it hard to leave the work she loves so much. "I will most likely retire within the next year, but it is not going to be easy."

Kropik plans on doing one thing when she does retire: not hold another professional job. "I have worked hard for the last 34 years of my life and plan on taking it easy." But, she quickly adds, "It's funny though. Because I love my job, it really doesn't feel like it has been work."

When the time comes to retire, she will be ready financially. "My HMEPS pension is something I value tremendously," Kropik explains. "I cannot put in words how grateful I am to have it – it means that after working hard our entire lives, my husband and I can be assured we will have a secure financial future."

The Chairman's Corner

Dear Plan Participants:

It is always pleasing to report good news, and I am happy to be able to write about the successful negotiations that led to a new agreement between HMEPS and the City, as well as continued high investment performance numbers by HMEPS. My congratulations to everyone involved for a job well done.

Specifics on the agreement on the new pension program for new employees are in the article on the front page of this newsletter, so I won't go into all the details. But the biggest news for all of the HMEPS participants is that there are no changes for any current City employees or retirees, and if you happen to leave your City employment only to return at a later date, you will return to the group (Group A or Group B) you currently have. This is great news for each of you, and my hat certainly is off to Executive Director David Long for his perseverance in working with the City on our behalf.

While benefits will change for new employees, they will be competitive with employee benefits offered in similar work environments. There were some nail-biting moments leading up to the final agreement, but in the end there was give-and-take from both sides to come up with a signed document that helps ensure the future viability and soundness of the pension fund. My thanks to each of you for your patience and understanding during this process.

As many of you know, one thing that helps reduce the City's unfunded liability is HMEPS' outstanding investment performance. So it is with great pleasure that I tout our most recent performance numbers. Though preliminary (we still are waiting for actual audited figures), the 1-year period ending June 30, 2007 shows high investment returns of 18.4 percent. This marks the second year in a row we have surpassed the 18 percent return (last year's was 18.1 percent). Our three-year return is 16.8 percent, and our five-year return is 14.3 percent – the latter being the best we have seen since 2000.

Once we have the audited numbers, we will report to you in more detail. But suffice it to say this is terrific news for HMEPS. Chief Investment Officer Doug Wynkoop and his staff have worked diligently and strategically with the Board of Trustees to position us for the long term so that we do well in many different market environments. We are in good hands with a portfolio that yields attractive returns with appropriate volatility and risk.

I hope you share my excitement in all this good news, and recognize that your Trustees and your HMEPS staff are here to serve you. We all are working so we can continue providing positive results that keep us all secure.

Sincerely,

Ined Holmes

Fred Holmes Chairman

The HMEPS Board of Trustees



Fred Holmes Chairman



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Executive Director



David L. Long

Retirements - March 2007 to May 2007

Aviation

Baker, Vernon*
Bennett, Janet
Lamb, Eric*
Lopez, Jose
Otto, Emil
Stepchinski, Aloysius
Taing, Kong

Building Services

Rivers, Bobby Sosa, Guillermina

City Council

Reyes, Ben*

Finance & Administration

Chow, Christine Martinez, Carmen Nauls, Thomas Perrow, Earl

Fire

Carter, Jeannette* Hibbs, Lonnie Townsend, Annamaria

Health & Human Services

Byrd, Marilyn
Carter, Robert
Engel, Martha*
Esquivel, Maria
Garcia, Ernestine
Gardenhi, Jerry
Malachowski, Daniel
Milazzo, Marco*
Minifee, Walterine
Mitchell, Gwendolyn
Posadas, Emma
Turner, Polly*
Ukaeabu, Ephraim

Housing

Allen, Pauline* Doyle, Thomas*

Houston Emergency Center (HEC)

Criswell, Lizzie Idan, Ishmael

Information Technology

Dathorne, Sandra McNinch, Harlan

Legal

Knight, Lillie*

Library

Martin, Frances Russell, Clara* Woodhouse, Mary

Mayor's Office

Bitz, Kenneth*

Municipal Courts

Garcia, Veronica* Smith, Patricia* Sporie-Ko, Bjorn*

Parks & Recreation

Autrey, William Beasley, Fannie Castillo, Katherine Farr, Dewie Gonzalez, Jaoquin McGilber, Wilbert

Planning

Fields, Lisa*

Police

Barnes, Raymond*
Bussey, Rebekah
Cofer, Mary
Green, Dennis
Moore, Anetha
Preiss, Paulette
Stokes, Jim*
Wolf, George

Public Works & Engineering

Alvarez, Arsenio Arya, Anita* Avila, Angela Baltimore, Dalton* Berryman, Leon Bongat, Orlando Briones, Francisco Carter, John* Crafton, Carlton* Davis, Leonard Dean, Brenda Diaz, Ramiro* Easterling, Donald Edwards, Don* Finister, Edward Fuller, Arthur Garefalos, Mike* Garza, Bernardo

Hall, Frederic
Herrin, Victor*
Holloway, James
Huang, David*
Jones, Linda
Madison, Isaac
Meyer, Anna
Miltenberger, James
Owen, George
Severa, Richard
Stephenson, Evans
Velgakis, Emmanuel

Solid Waste

Wells, Royce*

Willis, Ida

Colunga, Joseph Hankins, Michael Luna, Leonardo* Richmond, Milton

*Deferred Retirement

In Remembrance

Active Employee and Retiree Deaths – February 19, 2007 through June 1, 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.

Alsdorf, Mary* Alvarado, Antonio Anderson, Maudie Bench, Frances** Blakely, Nettie** Brvan, Steve **Burrell**, Charles Capuchino, Irene Cooke, Olga** Cordova, Gilbert Daley, M. W. Donath, Calvin Elder, Robert Elston, Violet Espinosa, Felix Flores, Santos Francis, Kenith

Frankens, S. Fulgham, Thomas Gossett, Joe Gould, Lucille Grant, L. Hall, Nancy Harbour, M. Hough, Jo Hudson, Joe Hutchinson, Virginia Jattar, David Johnson, Edith Johnson, Louella Jones, O. M.* Keller, Milton Key, Lettel Koenig, Mary**

Lange, Lonnie Lopez, Eugene Macias, Guadalupe Marczak, Stanley Martinez, Deanna Martinez, Edmund Matthews, Jerry Michael, Nancy** Moreno, Mercedes Newcomb, Kathyrine Nichols, Elaine Oconnor, W. L. Parmley, Marvis Pereira, Edith Pernell, Lewis Rea, Judy

Reiter, Russell

Reynolds, Helen Robinson, Roy Rocamontes, Angelita** Sloan, Jake Smith, Herbert Smith. Sue Southard, Everett Spencer, Aggie** Sutton, James Tabor, Floyd** Taylor, Joeletta** Thompson, Patsy** Tillis, Ellie Trammell, Ruth Triplett, James Waddy, Bertha

Warnick, Lorraine**

Watson, Ella Weathers, Willie Wettstein, Margo** Williams, Joyce** Wilson, Betty Wirth, Avis Wrubel, John Wrubel, Marie Young, Pearl** Zepeda, Luis

**Surviving Spouse

HMEPS Staff On-Hand to Answer Questions at "FEED" Conference

he Public Works Department recently held its "Field Employees Education & Development" Conference at the George R. Brown where several hundred employees obtained literature and asked questions of the multiple vendors that had booths. HMEPS' staff members were on-hand to answer questions and distribute HMEPS' information.

The event was held for Public Works employees who work "out in the field" and find it difficult to visit City Departments during regular office hours.



HMEPS' Staff recently attented the Public Works "FEED" Conference to answer questions and hand out literature.

Member Celebrates Over One-Half Century of Service

ifty-two years ago President Eisenhower was re-elected to his second term, Elvis Presley recorded "Heartbreak Hotel," and City of Houston employee Pedro Solorio started his first day on the job in the Public Works Department. Solorio, who recently applied for his hard-earned retirement benefits with HMEPS, spent a total of 52 years in the service of the City. HMEPS salutes him on his retirement and wishes him the best in the future!



Pedor Solorio (right) visits with Benefits Counselor Claudia Carmona to discuss his retirement. Solorio will soon retire after serving the City of Houston for 52 years.

Pension Payment Schedules: August – November 2007

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

- Wednesday, August 29, 2007
- Wednesday, September 26, 2007
- Monday, October 29, 2007
- Wednesday, November 28, 2007

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

- Friday, August 31, 2007
- Friday, September 28, 2007
- Wednesday, October 31, 2007
- Friday, November 30, 2007

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

HMEPS Retiree Luncheon

MEPS retirees, their spouses and friends are welcome to join other retirees for the monthly luncheon. There is no fee to attend (retirees purchase their own lunch from Luby's restaurant) and HMEPS staff members are there to answer any questions. They meet at 11 a.m. on the first Saturday of each month at the Luby's restaurant at 1414 Waugh Drive. Mark your calendars for these upcoming lunch dates: September 8, 2007 (note this is the second Saturday in September due to Labor Day), October 6, 2007 and November 3, 2007. Call Betty Daniel at 713-697-3818 for more information.



Attendees at the HMEPS Retirees' luncheon meeting at Luby's restaurant on May 5, 2007. All HMEPS retirees, their spouses and friends are welcome to attend.

Pension Press

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PENSION PRESS

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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

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HMEPS Phone Numbers:

Phone: 713-595-0100 Toll Free: 800-858-1450 Fax: 713-650-1961

HMEPS Website:

www.hmeps.org