



HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

**SETTING
A CLEAR
PATH TO
A BRIGHTER
FUTURE**

2021 Report to Participants

FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

A component unit of the City of Houston



**CHARTING
YOUR
OWN TRAIL
CAN
LEAD TO
THE MOST**

AMAZING RESULTS

LETTER FROM THE CHAIRMAN

Dear Participants,



I am pleased to present the 2021 Report to Participants, which summarizes the HMEPS 2021 Annual Comprehensive Financial Report (ACFR) and provides an overview of our operations for the last year.

2021 marked HMEPS' 78th year of serving its members, during which the COVID-19 pandemic and its effects continued to challenge us all. Throughout, City of Houston employees, often on the front lines, kept Houston moving forward and I salute them.

I am proud to report HMEPS' investment performance for Fiscal Year 2021, which ended June 30th, was 38.7%. The System's performance last year ranked in the top 1% among its peer groups in Wilshire's Trust Universe Comparison Service (TUCS) public fund universe, which is widely used as a performance benchmark for U.S. institutional assets. Our professionally managed portfolio now totals more than \$4 billion, and we continue to diversify our investments to manage risk and maximize returns for our participants.

I am also pleased to note that for the 27th consecutive year, HMEPS received a Certificate of Achievement for Excellence in Financial Reporting for our 2020 Comprehensive Annual Financial Report from the Government Finance Officers Association.

Finally, I want to acknowledge the continued hard work of HMEPS' Board of Trustees and administration. Their dedication and diligence on behalf of our over 30,000 participants help us deliver investment returns that exceed expectations, provide customer-friendly service and strengthen the System for today and beyond.

As always, it is an honor and privilege to serve as your Chairman. I wish you a healthy and happy 2022.

A handwritten signature in black ink, appearing to read 'Sherry Mose'. The signature is fluid and cursive.

Sherry Mose

HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

Organizational Overview as of June 30, 2021

BOARD OF TRUSTEES



Sherry Mose
Chairman



Lenard Polk
Vice Chairman



Rhonda Smith
Secretary



Roderick J. Newman
Elected Trustee



Roy W. Sanchez
Elected Trustee



Lonnie Vara
Elected Trustee



Barbara Chelette
Appointed Trustee



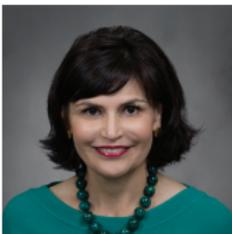
David Donnelly
Mayoral Appointee



Edward J. Hamb II
Controller Appointee



Adrian Patterson
Council Appointee



Denise Castillo-Rhodes
Council Appointee



David L. Long
Executive Director

BOARD COMMITTEES

- Audit Committee
- Budget and Oversight Committee
- Disability Committee
- External Affairs Committee
- Investment Committee
- Personnel and Procedures Committee

ADMINISTRATIVE ORGANIZATION

EXECUTIVE DIRECTOR

GENERAL COUNSEL

INVESTMENTS

- Investment Managers' Services
- Market Research
- Performance Measurement

MEMBER SERVICES

- Benefit Administration Services
- Communications
- Financial Counseling

OPERATIONS

- Accounting
- Financial Reporting
- Records
- Technology Support

**SUMMARY COMPARATIVE STATEMENT
OF FIDUCIARY NET POSITION (\$'000)**

ASSETS	2021	2020
Cash and cash equivalents	\$ 11,653	\$ 4,746
Investments	3,840,821	2,860,150
Receivables on asset sales	1,885	6,539
Contribution receivable - City of Houston	13,648	13,317
Other receivables	4,145	4,560
Collateral on securities lending	24,039	13,246
Net OPEB Asset	6,035	2,257
Furniture, fixtures and equipment, net	312	307
Total Assets	3,902,538	2,905,122
Deferred outflows of resources	59	227
LIABILITIES		
Payables on asset purchases	\$ 4,528	\$ 5,105
Accrued liabilities	3,902	3,175
Collateral on securities lending	24,039	13,246
Total Liabilities	32,469	21,526
Deferred inflows of resources	3,041	2,035
FIDUCIARY NET POSITION	\$ 3,867,087	\$ 2,881,788

**SUMMARY COMPARATIVE STATEMENT OF
CHANGES IN FIDUCIARY NET POSITION (\$'000)**

ADDITIONS	2021	2020
Contributions	\$ 218,087	\$ 209,012
Investment and interest (loss) income, net	1,084,387	(115,165)
Other income	487	484
Total Additions	1,302,961	94,331
DEDUCTIONS		
Benefits paid	\$ 314,149	\$ 308,002
Contribution refunds	402	649
Administration expenses and professional fees	3,111	4,891
Total Deductions	317,662	313,542
Net increase (decrease) in net position	985,299	(219,211)
Net Position restricted for pensions		
Beginning of year	2,881,788	3,100,999
FIDUCIARY NET POSITION	\$3,867,087	\$2,881,788

Membership

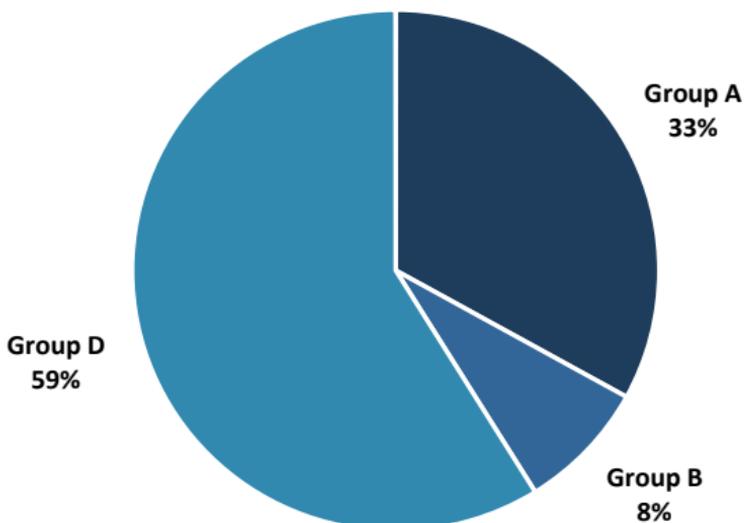
SCHEDULE OF MEMBERS AND ANNUITANTS BY TYPE

	JUNE 30, 2021			JUNE 30, 2020		
	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)
Retirees Receiving Benefits	9,189	230,531	25,088	9,070	225,352	24,846
Retired on Disability	252	3,128	12,414	280	3,322	11,864
Survivors and Beneficiaries	2,022	34,779	17,200	1,997	33,616	16,833
Former Participants Eligible But Not Yet Receiving Benefits	3,700	-	-	3,622	-	-

HISTORICAL ACTIVE PARTICIPANT DATA

FISCAL YEAR	GROUP A	GROUP B	GROUP D	TOTAL	ANNUAL PAYROLL (\$000)	AVERAGE SALARY (\$)	% SALARY INCREASE
2012	7,167	1,759	2,744	11,670	534,394	45,792	3.8
2013	6,777	1,666	3,338	11,781	549,971	46,683	1.9
2014	6,366	1,590	3,993	11,949	568,992	47,618	2.0
2015	5,911	1,489	4,427	11,827	584,025	49,381	3.7
2016	5,537	1,417	5,149	12,103	608,210	50,253	1.8
2017	5,165	1,312	5,589	12,066	623,577	51,681	2.8
2018	4,788	1,198	5,894	11,880	624,266	52,548	1.7
2019	4,427	1,107	5,973	11,507	636,463	55,311	5.3
2020	4,116	1,019	6,459	11,594	657,876	56,743	2.6
2021	3,827	936	6,816	11,579	669,217	57,796	1.9

ACTIVE PARTICIPANTS BY GROUP (6/30/21)



The investment objective of the System's portfolio is to produce an annualized investment return over the long term that exceeds the System's actuarial assumed rate of return. This will help the Board to achieve its overall objective of providing adequate retirement benefits to the participants of the System.

The System's asset allocation provides an efficient mix of assets that is designed to provide a return profile that is consistent with the System's long-term portfolio risk and return objectives. The current target and actual allocations are shown below.

The System invests in seven major asset classes (Global Equity, Fixed Income, Real Estate, Private Equity, Inflation-Linked, Private Credit, and Absolute Return) as a method to maximize overall fund diversification. Further, the System invests with both public market investment managers and private market entities with demonstrated skills and expertise in their respective asset class.

For the fiscal year ended June 30, 2021, the System returned 38.7%, which exceeded the System's policy benchmark return of 22.7%. For the trailing 10 years, the System returned 9.7%, which exceeded the System's policy benchmark return of 8.9%.

ASSET ALLOCATION

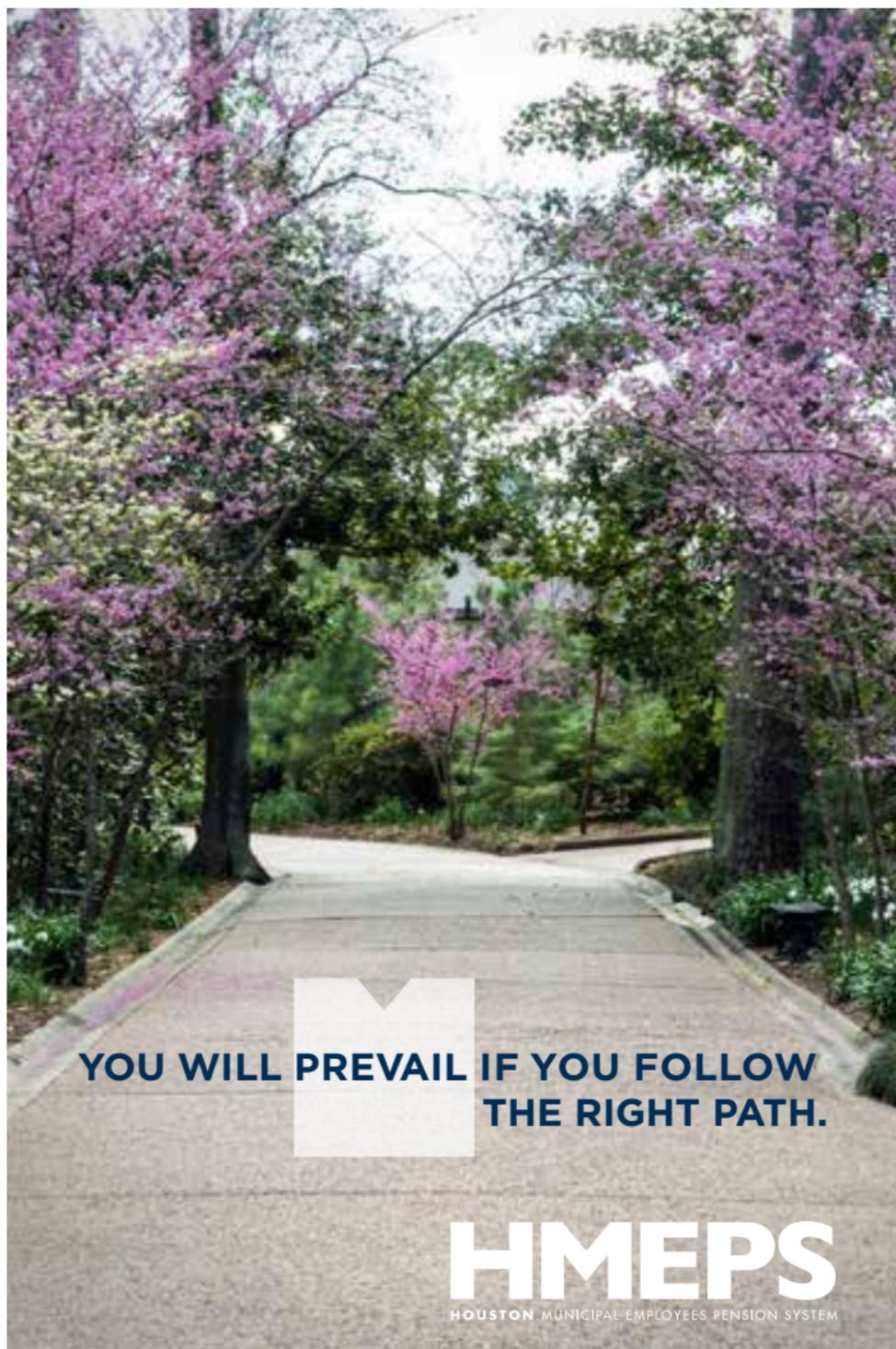
ASSET CLASS	TARGET	ACTUAL
Global Equity	32.5%	31.3%
Private Equity	17.0%	28.7%
Fixed Income	10.0%	8.1%
Real Estate	12.5%	9.9%
Absolute Return	8.0%	3.8%
Inflation-Linked	15.0%	13.0%
Private Credit	5.0%	2.5%
Cash/Liquidation	0.0%	2.7%
TOTAL	100%	100%

INVESTMENT RETURNS AS OF JUNE 30, 2021

PERIOD	RETURN
1 Yr.	38.7%
3 Yrs.	13.8%
5 Yrs.	12.7%
10 Yrs.	9.7%



www.hmeps.org



**YOU WILL PREVAIL IF YOU FOLLOW
THE RIGHT PATH.**

HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

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