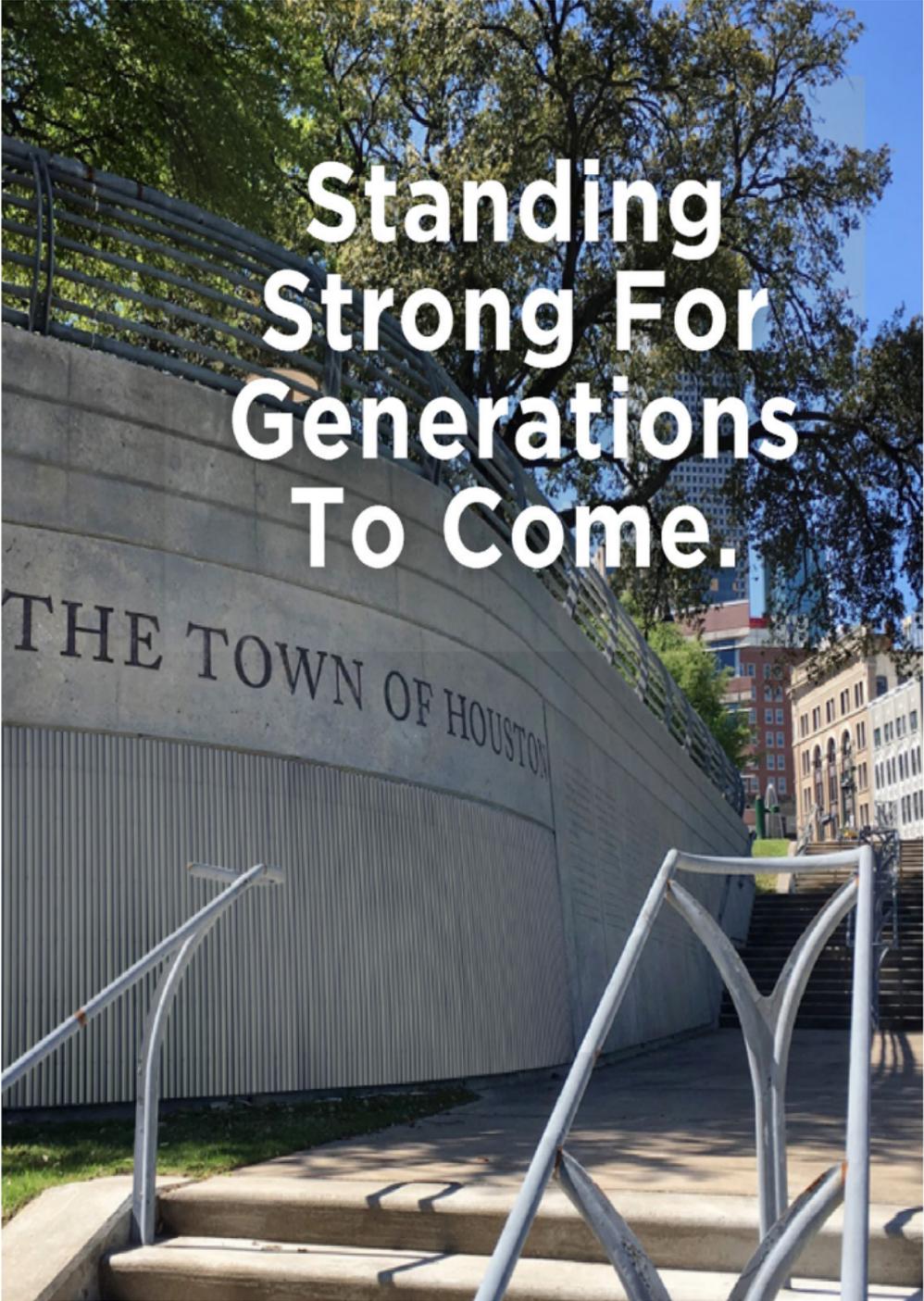




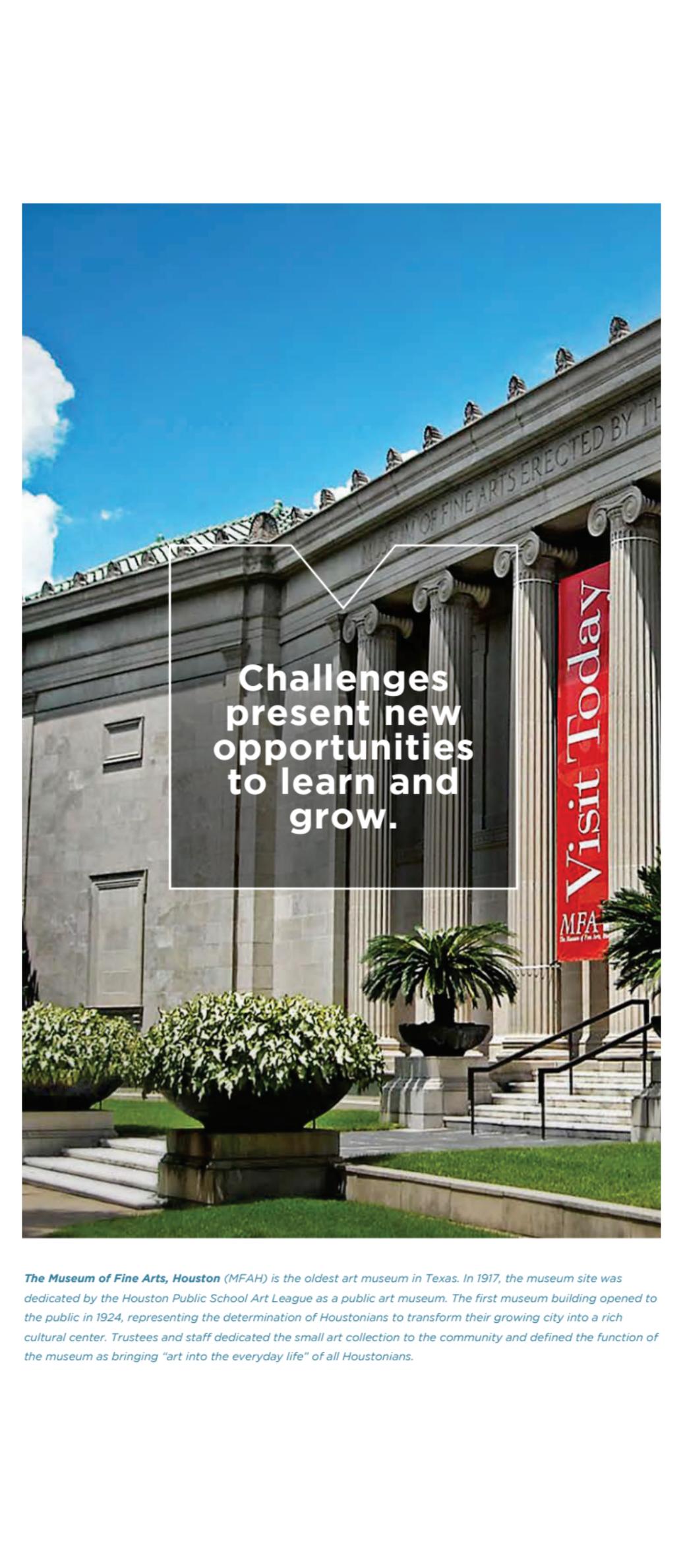
HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM



Standing
Strong For
Generations
To Come.

2020 Report to Participants
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019
A component unit of the City of Houston

The image shows the grand, classical facade of the Museum of Fine Arts, Houston. The building features a series of tall, fluted columns supporting a pediment. A red banner with the text "Visit Today" and the MFAH logo is hanging from one of the columns. In the foreground, there are several large, ornate planters filled with green foliage. The sky is a clear, bright blue with a few wispy clouds. A white text box is overlaid on the center of the image, containing the text "Challenges present new opportunities to learn and grow." in a bold, white, sans-serif font.

**Challenges
present new
opportunities
to learn and
grow.**

***The Museum of Fine Arts, Houston (MFAH)** is the oldest art museum in Texas. In 1917, the museum site was dedicated by the Houston Public School Art League as a public art museum. The first museum building opened to the public in 1924, representing the determination of Houstonians to transform their growing city into a rich cultural center. Trustees and staff dedicated the small art collection to the community and defined the function of the museum as bringing “art into the everyday life” of all Houstonians.*

LETTER FROM THE CHAIRMAN



Dear Participants,

I am pleased to present the 2020 Report to Participants, which summarizes the HMEPS 2020 Comprehensive Annual Financial Report (CAFR) and provides an overview of our operations for the last fiscal year.

The System is proud to have served HMEPS participants for the last 77 years, through good times and tough times, always working diligently to deliver a secure retirement benefit worthy of our members' years of dedicated public service.

The year 2020 was certainly an eventful year. The COVID-19 pandemic and its health and economic consequences created unique challenges for the entire world, and HMEPS was no exception. The loss of lives and livelihoods, and the disruption to our way of life have been profound. We mourn those we have lost and now look with hope to move beyond the pandemic. Amid these immense challenges, the HMEPS Board of Trustees and staff maintained their unwavering commitment to serving our participants.

At HMEPS, we maintain accountability, integrity and openness by applying rigorous controls within the System. I am pleased to report our efforts were once again recognized by the Government Finance Officers Association (GFOA) of the United States and Canada, which for the 26th consecutive year awarded HMEPS a Certificate of Achievement for Excellence in Financial Reporting for our 2019 CAFR.

Your HMEPS leadership remains vigilant in working to safeguard the system and our participants. We are closely monitoring legislative and regulatory activities related to pensions, and we continue to diversify our investment portfolio to manage risk and maximize returns for our participants.

I am continually grateful for the honor and privilege of serving as your Chairman. On behalf of the HMEPS Board of Trustees and staff, I wish each of you a safe, healthy and prosperous new year.

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, 2020

BOARD OF TRUSTEES



Sherry Mose
Chairman



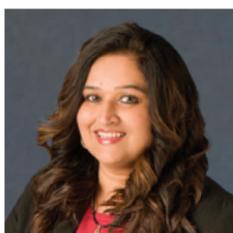
Roy W. Sanchez
Vice Chairman



Lonnie Vara
Secretary



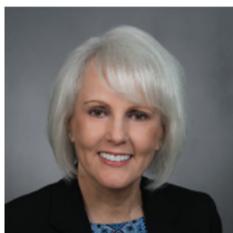
Roderick J. Newman
Elected Trustee



Asha Patnaik
Elected Trustee



Lenard Polk
Elected Trustee



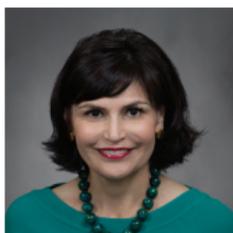
Barbara Chelette
Appointed Trustee



David Donnelly
Mayoral Appointee



Edward J. Hamb II
Controller Appointee



Denise Castillo-Rhodes
Council Appointee



Adrian Patterson
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	2020	2019 (RESTATED)
Cash and cash equivalents	\$ 4,746	\$ 11,797
Investments	2,860,150	3,073,932
Receivables on asset sales	6,539	7,581
Contribution receivable - City of Houston	13,317	12,962
Other receivables	4,560	5,531
Collateral on securities lending	13,246	60,246
Net OPEB Asset	2,257	1,752
Furniture, fixtures and equipment, net	307	184
Total Assets	2,905,122	3,171,233
Deferred outflows of resources	227	98
LIABILITIES		
Payables on asset purchase	\$ 5,105	\$ 7,030
Accrued liabilities	3,176	3,958
Collateral on securities lending	13,246	60,246
Total Liabilities	21,527	71,234
Deferred inflows of resources	2,035	1,925
FIDUCIARY NET POSITION	\$ 2,881,787	\$ 3,100,999

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

ADDITIONS	2020	2019
Contributions	\$ 209,012	\$ 208,797
Investment and interest (loss) income, net	(115,166)	200,445
Other income	484	710
Total Additions	94,330	409,952
DEDUCTIONS		
Benefits paid	\$ 308,002	\$ 291,060
Contribution refunds	649	1,394
Administration expenses and professional fees	4,891	5,363
Total Deductions	313,542	297,817
Net increase (decrease) in plan net position	(219,212)	112,135
Net Position restricted for pensions		
Beginning of year	3,100,999	2,988,864
FIDUCIARY NET POSITION	\$2,881,787	\$3,100,999

Membership

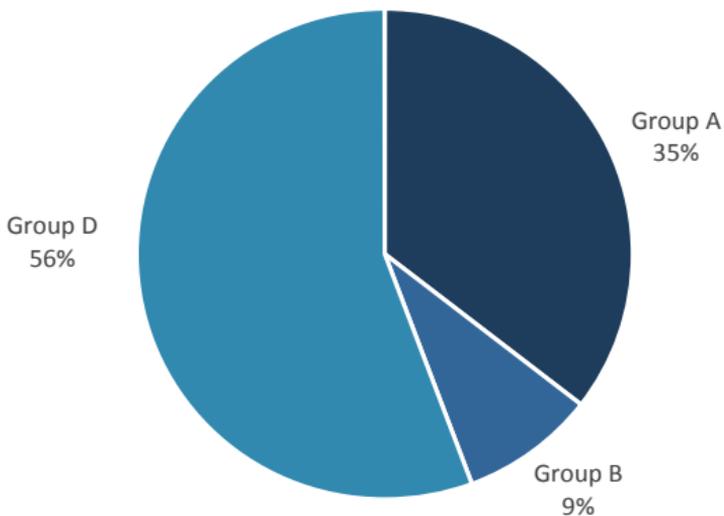
SCHEDULE OF MEMBERS AND ANNUITANTS BY TYPE

	JUNE 30, 2020			JUNE 30, 2019		
	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)
Retirees Receiving Benefits	9,070	225,352	24,846	8,855	220,871	24,943
Retired on Disability	280	3,322	11,864	289	3,350	11,592
Survivors and Beneficiaries	1,997	33,616	16,833	1,955	32,705	16,729
Former Participants Eligible But Not Yet Receiving Benefits	3,622	-	-	3,597	-	-

HISTORICAL ACTIVE PARTICIPANT DATA

FISCAL YEAR	ALL ACTIVE				ANNUAL PAYROLL (\$000)	AVERAGE SALARY (\$)	% SALARY INCREASE
	GROUP A	GROUP B	GROUP D	TOTAL			
2011	7,857	1,932	2,556	12,345	544,665	44,120	3.5
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

ACTIVE PARTICIPANTS BY GROUP (6/30/20)



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, 2020, the System returned -0.9%, which trailed the System's policy benchmark return of 4.4%. For the trailing 10-years, the System returned 8.3% versus the policy benchmark return of 8.9%.

ASSET ALLOCATION

ASSET CLASS	TARGET	ACTUAL
Global Equity	32.5%	31.6%
Private Equity	17.0%	26.5%
Fixed Income	10.0%	11.5%
Real Estate	12.5%	11.2%
Absolute Return	8.0%	4.6%
Inflation Linked	15.0%	11.3%
Private Credit	5.0%	2.8%
Cash/Liquidation	0.0%	0.5%
TOTAL	100%	100%

INVESTMENT RETURNS AS OF JUNE 30, 2020

PERIOD	RETURN
1 Yr.	-0.9%
3 Yrs.	5.1%
5 Yrs.	5.9%
10 Yrs.	8.3%



www.hmeps.org



HMEPS
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

1201 LOUISIANA, SUITE 900
HOUSTON, TEXAS 77002
713 - 595 - 0100