



HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM



**OUR PROGRESS IS
A REFLECTION OF YOUR WORK**

2022 Report to Participants

FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

A component unit of the City of Houston



EMERGE

WE TURN UP ANEW
NO MATTER
THE CIRCUMSTANCE



LETTER FROM THE CHAIRMAN

Dear Participants,



I am pleased to present the 2022 Report to Participants, which summarizes the HMEPS 2022 Annual Comprehensive Financial Report (ACFR) and provides an overview of our operations for the last fiscal year.

The System is proud to have served HMEPS members for over 79 years, helping participants realize their financial goals. Houston continues to be one of the fastest-growing cities in the U.S., and as our population grows, so does the demand for City services. City of Houston employees work hard to make this a great place to live, work and visit, and I salute their dedication and commitment.

HMEPS' portfolio had a total return of 5.2% for fiscal year 2022. Through the efforts of the Board of Trustees, the System's investment portfolio is broadly diversified and tends to perform well in most market environments. During the 10-year period ending June 30, 2022, the System's annualized return was 10.2%.

At HMEPS, we strive to attain the highest standards of accountability, integrity and openness by applying rigorous controls within the System. HMEPS' efforts were once again recognized by the Government Finance Officers Association (GFOA) of the United States and Canada, which for the 28th year in a row awarded HMEPS a Certificate of Achievement for Excellence in Financial Reporting.

I especially want to recognize our HMEPS Board of Trustees and staff for delivering outstanding service to our participants while strengthening the System for the long term. We look forward to a successful 2023, and will continue to stay vigilant and work diligently on behalf of our participants.

I am grateful for the honor of serving as your Chairman. I wish each of you a safe, healthy and prosperous new year.

A handwritten signature in black ink, appearing to read 'Sherry Mose'.

Sherry Mose

HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

Organizational Overview as of June 30, 2022

BOARD OF TRUSTEES



Sherry Mose
Chairman



Lenard Polk
Vice Chairman



Rhonda Smith
Secretary



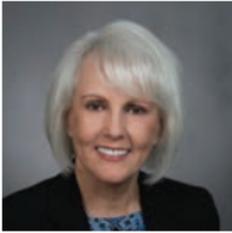
Roderick J. Newman
Elected Trustee



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

OPERATIONS

- Accounting
- Financial Reporting
- Records
- Technology Support

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

ASSETS	2022	2021
Cash and cash equivalents	\$ 13,278	\$ 11,777
Investments	3,970,544	3,875,364
Receivables	25,830	19,853
Net OPEB asset	4,240	6,035
Capital assets, net	2,057	312
Total Assets	4,015,949	3,913,340
Deferred outflows of resources	767	59
LIABILITIES		
Payables on asset purchases	\$ 12,413	\$ 4,528
Accrued liabilities	41,500	28,167
Total liabilities	53,913	32,696
Deferred inflows of resources	1,353	3,041
FIDUCIARY NET POSITION	\$ 3,961,450	\$ 3,877,663

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

ADDITIONS	2022	2021
Contributions	\$ 229,995	\$ 218,262
Investment and interest (loss) income, net	188,203	1,086,451
Other income	466	487
Total Additions	418,664	1,305,200
DEDUCTIONS		
Benefits paid	\$ 329,140	\$ 314,778
Administration expenses and professional fees	5,737	3,161
Total Deductions	334,877	317,939
Net increase (decrease) in net position	83,787	987,260
Fiduciary net position restricted for benefits Beginning of year	3,877,663	2,890,402
END OF YEAR	\$3,961,450	\$3,877,663

Membership

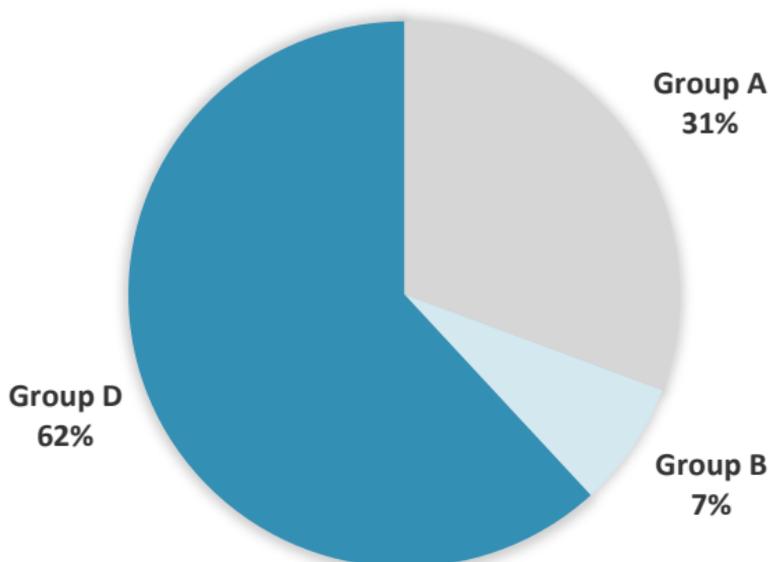
SCHEDULE OF MEMBERS AND ANNUITANTS BY TYPE

	JUNE 30, 2022			JUNE 30, 2021		
	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)
Retirees Receiving Benefits	9,484	236,947	24,984	9,189	230,531	25,088
Retired on Disability	235	2,916	12,409	252	3,128	12,414
Survivors and Beneficiaries	2,040	35,960	17,627	2,022	34,779	17,200
Former Participants Eligible But Not Yet Receiving Benefits	3,886	-	-	3,700	-	-

HISTORICAL ACTIVE PARTICIPANT DATA

FISCAL YEAR	GROUP A	GROUP B	GROUP D	TOTAL	ANNUAL PAYROLL (\$000)	AVERAGE SALARY (\$)	% SALARY INCREASE
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
2022	3,457	840	6,958	11,255	696,890	61,120	5.8

ACTIVE PARTICIPANTS BY GROUP (6/30/22)



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, 2022, the System returned 5.2%, which exceeded the median public fund return of -9.0%. For the trailing 10 years, the System returned 10.2%, which exceeded the median public fund return of 8.0%.

ASSET ALLOCATION

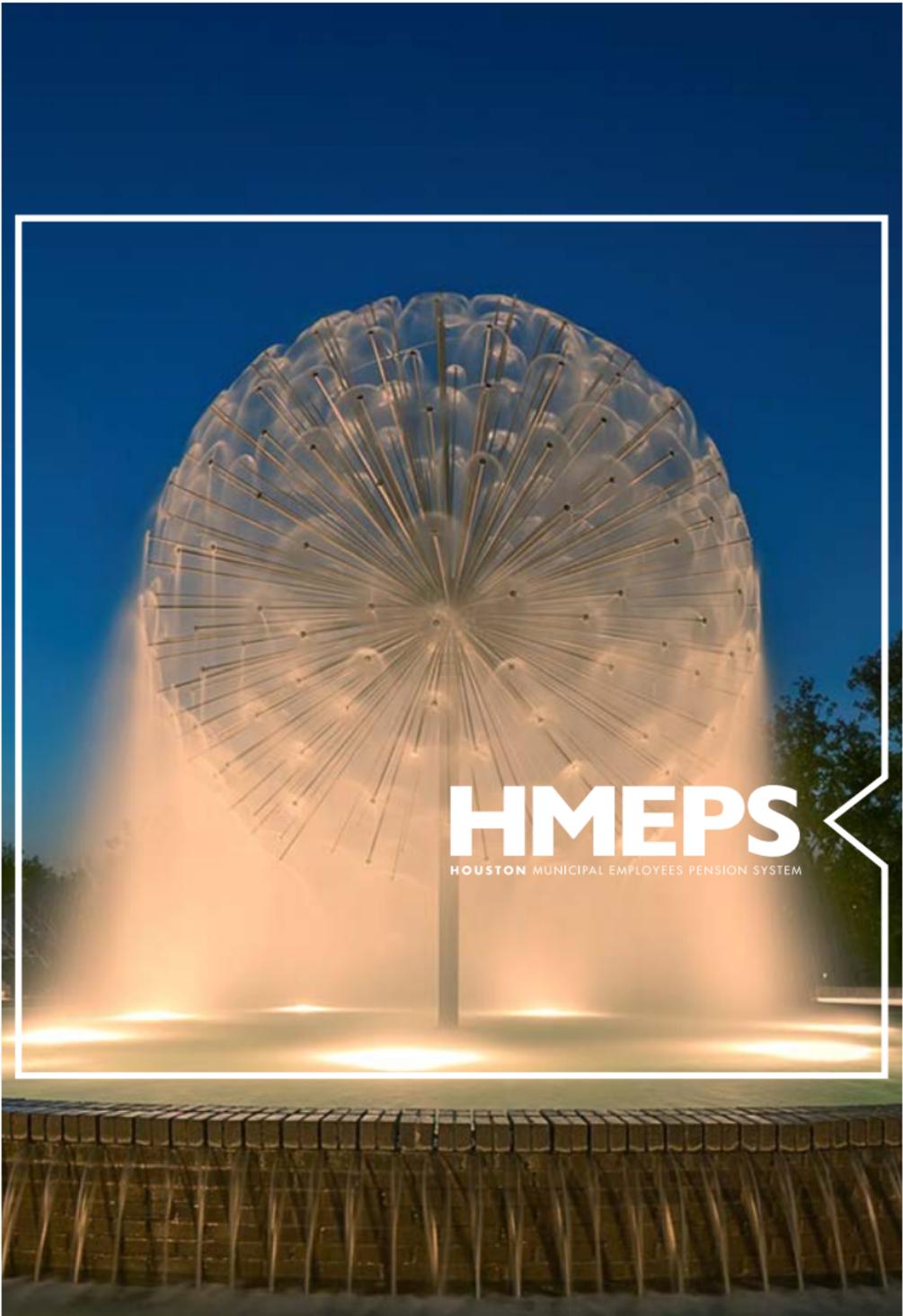
ASSET CLASS	TARGET	ACTUAL
Global Equity	32.5%	26.4%
Private Equity	17.0%	31.4%
Fixed Income	10.0%	6.5%
Real Estate	12.5%	10.7%
Absolute Return	8.0%	3.3%
Inflation-Linked	15.0%	15.1%
Private Credit	5.0%	2.6%
Cash/Liquidation	0.0%	4.0%
TOTAL	100%	100%

INVESTMENT RETURNS AS OF JUNE 30, 2022

PERIOD	RETURN
1 Yr.	5.2%
3 Yrs.	13.1%
5 Yrs.	11.1%
10 Yrs.	10.2%



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