



HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

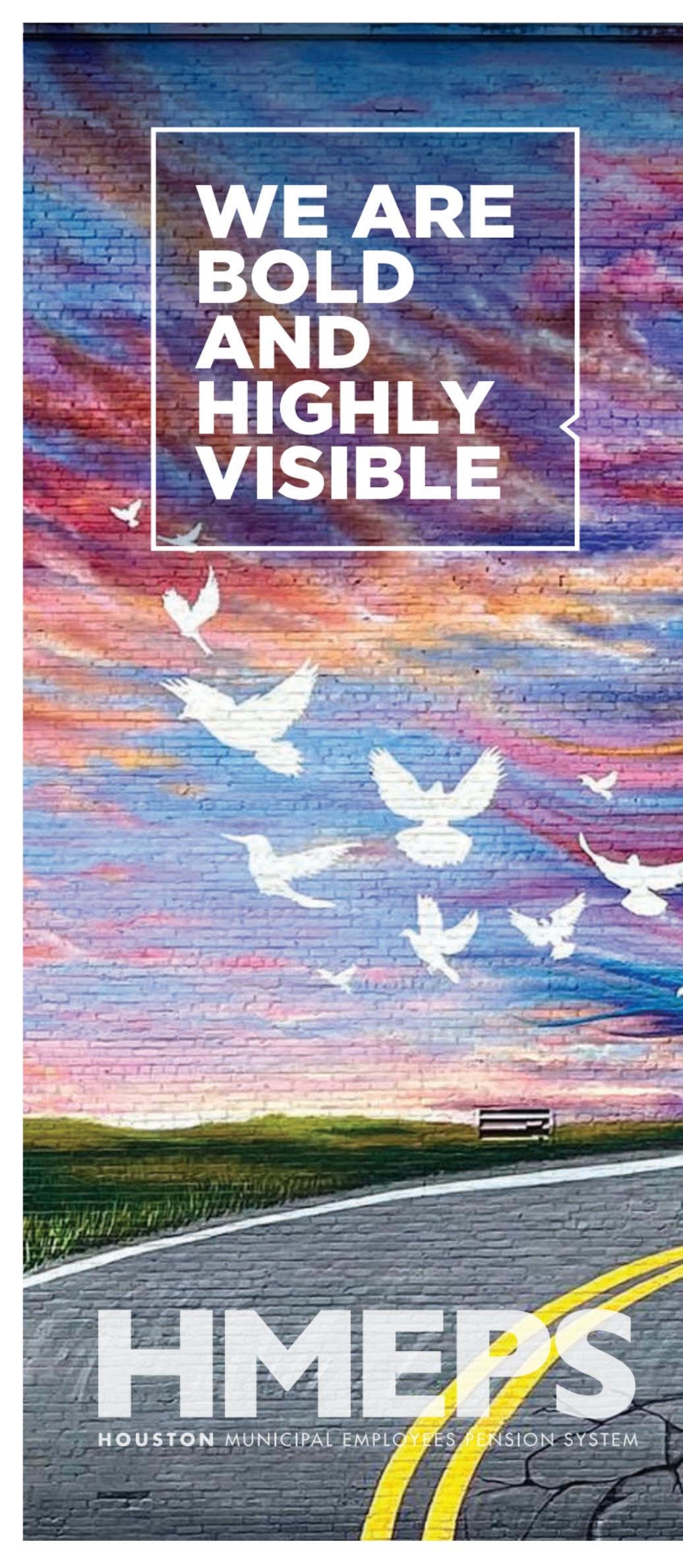


**CREATING
A VIBRANT
HOUSTON**

2023 Report to Participants

FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022

A component unit of the City of Houston



**WE ARE
BOLD
AND
HIGHLY
VISIBLE**

HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

LETTER FROM THE CHAIRMAN



Dear Participants,

I am pleased to present the 2023 Report to Participants, which summarizes the HMEPS 2023 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 participants for more than eight decades, delivering a secure retirement benefit to thousands of active employees, retirees and their dependents. Houston is a dynamic and thriving city. The constant influx of new residents and businesses requires a proactive approach and response from City of Houston employees, and I am enormously proud of their dedication and hard work.

After a very turbulent year for public markets driven by continued inflationary pressure, HMEPS' portfolio had a total return of 6.2% for fiscal year 2023. As reported by a widely recognized public fund database, as of June 30, 2023, HMEPS' investment performance ranks in the top one percent for the past 3-, 5-, 15- and 25-year periods, and has a 10-year annualized return of 9.5%. Along with the system's historic 38.7% return in fiscal year 2021, HMEPS is on strong footing and participants should be confident that their benefits and pensions are secure.

As part of our long-term commitment to upholding exemplary standards of accountability and transparency, HMEPS' efforts were once again recognized by the Government Finance Officers Association (GFOA) of the United States and Canada, which for the 29th year in a row awarded HMEPS a Certificate of Achievement for Excellence in Financial Reporting.

HMEPS' outstanding service and stewardship to participants would not be possible without the excellent work of our Board of Trustees and staff. I salute each of them and look forward to their continued partnership in 2024.

I am honored by the trust and responsibility placed in me to serve as your Chairman. I wish you the very best in the coming year.

A handwritten signature in black ink, appearing to read 'Sherry Mose'. The signature is fluid and cursive, written over a white background.

Sherry Mose

Organizational Overview as of June 30, 2023

BOARD OF TRUSTEES



Sherry Mose
Chairman



Lenard Polk
Vice Chairman



Rhonda Smith
Secretary



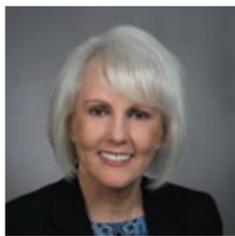
Roderick J. Newman
Elected Trustee



Roy W. Sanchez
Elected Trustee



Lonnie Vara
Elected Trustee



Barbara Chelette
Appointed Trustee



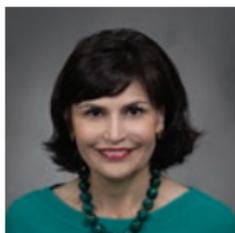
David Donnelly
Mayoral Appointee



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	2023	2022
Cash and cash equivalents	\$ 46,109	\$ 13,278
Receivables	14,421	25,830
Investments	4,090,613	3,970,544
Net OPEB asset	5,088	4,240
Capital assets, net	1,636	2,057
Total Assets	4,157,867	4,015,949
Deferred outflows of resources	569	767
LIABILITIES		
Payables on asset purchases	\$ 7,759	\$ 12,413
Accrued liabilities	67,550	41,500
Total liabilities	75,309	53,913
Deferred inflows of resources	1,382	1,353
FIDUCIARY NET POSITION	\$4,081,745	\$3,961,450

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

ADDITIONS	2023	2022
Contributions	\$ 239,495	\$ 229,995
Investment and interest (loss) income, net	221,975	188,203
Other income	619	466
Total Additions	462,089	418,664
DEDUCTIONS		
Benefits paid	\$ 336,109	\$ 329,140
Administration expenses and professional fees	5,685	5,737
Total Deductions	341,794	334,877
Net increase (decrease) in net position	120,295	83,787
Fiduciary net position restricted for benefits Beginning of year	3,961,450	3,877,663
END OF YEAR	\$4,081,745	\$3,961,450

Membership

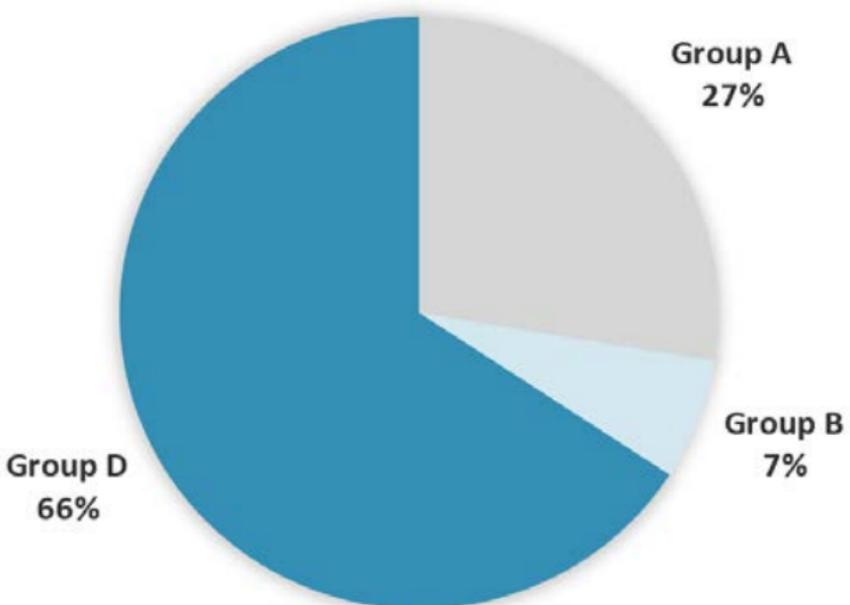
SCHEDULE OF MEMBERS AND ANNUITANTS BY TYPE

	JUNE 30, 2023			JUNE 30, 2022		
	MEMBERS	BENEFITS PAID (\$000)	AVERAGE BENEFIT (\$000)	MEMBERS	BENEFITS PAID (\$000)	AVERAGE BENEFIT (\$000)
Retirees Receiving Benefits	9,670	248,784	25,727	9,484	236,947	24,984
Retired on Disability	217	2,743	12,641	235	2,916	12,409
Survivors and Beneficiaries	2,072	37,289	17,997	2,040	35,960	17,627
Former Participants Eligible But Not Yet Receiving Benefits	3,982	-	-	3,886	-	-

HISTORICAL ACTIVE PARTICIPANT DATA

FISCAL YEAR	GROUP A	GROUP B	GROUP D	TOTAL	ANNUAL PAYROLL (\$000)	AVERAGE SALARY (\$)	% SALARY INCREASE
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	3,482	847	7,073	11,402	696,890	61,120	5.8
2023	3,196	765	7,617	11,578	729,928	63,044	3.1

ACTIVE PARTICIPANTS BY GROUP (6/30/23)



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 System's current asset allocation became effective July 1, 2023. This section and the asset allocation chart below reflect the asset allocation in effect during fiscal year 2023.

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, 2023, the System returned 6.2%. For the trailing 10 years, the System returned 9.5%, which exceeded the median public fund return of 7.7%.

ASSET ALLOCATION

ASSET CLASS	TARGET	ACTUAL
Global Equity	32.5%	29.0%
Private Equity	17.0%	28.2%
Fixed Income	10.0%	5.7%
Real Estate	12.5%	9.9%
Absolute Return	8.0%	3.3%
Inflation-Linked	15.0%	16.9%
Private Credit	5.0%	3.7%
Cash/Liquidation	0.0%	3.3%
TOTAL	100%	100%

INVESTMENT RETURNS AS OF JUNE 30, 2023

PERIOD	RETURN
1 Yr.	6.2%
3 Yrs.	15.7%
5 Yrs.	10.5%
10 Yrs.	9.5%



www.hmeps.org



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