



PENSION PRESS

The Newsletter of the Houston Municipal Employees Pension System

www.hmeps.org

Congratulations to Our Recently Elected Board Officers

In each odd-numbered year, the HMEPS Board of Trustees elects Board officers to the positions of Chairman, Vice Chairman and Secretary. At the February 24, 2011 meeting, the HMEPS Board re-elected Sherry Mose as Chairman, and Lonnie Vara as Secretary. Roy W. Sanchez was newly elected to the position of Vice Chairman. Each Trustee brings substantial experience and leadership, and the officers look forward to working with the Board to continue to strengthen HMEPS and provide excellent service to our participants. The following are highlights of their experience:

Sherry Mose has served as the Board Chairman since 2008. Sherry also is the Plan Administrator of the City of Houston 457 Deferred Compensation Plan. In addition to Sherry's extensive Board and City service, she serves as second vice president for the Texas Association of Public Employee Retirement Systems (TEXPERS).



Sherry Mose
Chairman

Roy W. Sanchez was elected to the Board in 2010 and has served the City of Houston for over 16 years in the Code

Enforcement Division of the Public Works & Engineering Department. Roy currently is the Treasurer for the Houston Organization of Public Employees (HOPE), and has been actively involved with employee issues as a HOPE officer and member.



Roy W. Sanchez
Vice Chairman

Lonnie Vara brings a wealth of experience to his role as Board Trustee and Secretary. Lonnie began working in the City's Civil Services Department in 1974 and retired as the Human Resources Director in 2006 after 32 years. Lonnie was a long-time Board member prior to his retirement, and was elected to the Board in the 2008 Trustee election as a retiree Trustee.

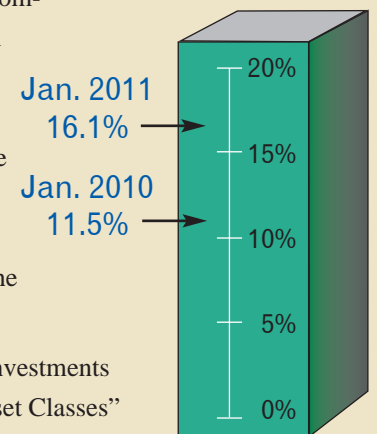


Lonnie Vara
Secretary

HMEPS Investment Update

Good news from the HMEPS' investment division: HMEPS' investments had a 16.1% rate of return for the first seven months of fiscal year 2011 (July 1, 2010 – Jan. 31, 2011). This rate of return represents a 4.6% increase compared to the 11.5% return over the same period last year. Additionally, HMEPS' total assets have surpassed the \$2 billion mark, representing a successful comeback from the market downturn.

HMEPS
Investment
Rate of Return

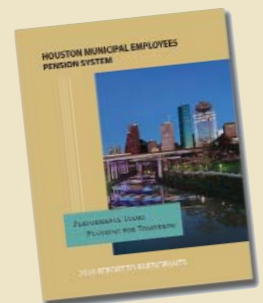


See the table "HMEPS Investments and Market Value By Asset Classes" on page 2 for more information on HMEPS investments.

Annual Statements and Reports to Participants Were Mailed – Did You Receive Yours?

Annual pension statements, DROP statements and the 2010 Report to Participants (Report) were mailed at the end of January. Did you receive yours?

Active participants of the system should have received a regular pension statement and a Report. DROP participants should have also received a DROP statement. Retirees should have received the Report.



If you did not receive any mailing from HMEPS, please call our office at 713-595-0100.

Inside This Issue

- **HMEPS Facts At-a-Glance**
- **Facts You Should Know About HMEPS**
- **Frequently Asked Questions (FAQs) About How Lay Offs May Affect Pensions**

The Chairman's Letter

Dear HMEPS Participants,

I would like to thank my Board colleagues for re-electing me on February 24th to a new term as Board Chairman. I am humbled by the trust they and you have placed in me, and I will continue to work hard to honor that trust and move HMEPS forward.

As many of you know, public pension systems are under attack across the country, as commentators generally criticize all defined benefit plans even though many plans are strong or are taking the necessary steps to strengthen their funds. In addition, those leveling the attacks often use weak evidence, or no evidence to support their claims. Executive Director Rhonda Smith has written an informative article separating fact from fiction in the pension debate. I urge you to read the article, which is on page 3 of this newsletter.

Recent discussions regarding City of Houston lay offs have resulted in questions about how these actions may affect pensions. On pages 5-6 of this newsletter you will find an article which contains answers to the questions you have regarding lay offs (and how they may affect pensions). HMEPS will also, during the next few weeks, have an informational booth at 611 Walker, Garden Level to provide information and answer general questions. Please visit our website (www.hmeps.org) and click the link on the homepage for dates and times.

The 82nd Texas Legislature is now in session, and HMEPS and our government relations representatives have been actively monitoring legislation and meeting with legislators to provide accurate and timely information about important pension matters. We also have met with our legislators in Congress to ensure they have a balanced perspective on pension issues. HMEPS will continue to aggressively monitor legislation and to work with our state and national legislators to help protect the interests of HMEPS participants. The next issue of the *Pension Press* newsletter will feature a legislative update.

Finally, I am pleased to report that HMEPS' investment portfolio achieved a fiscal year to date return of 16.1% as of January 2011. This is considerably higher than the comparable number for January 2010 of 11.5%. HMEPS assets continue their strong recovery from the 2009 downturn in the public markets.

Your Chairman,



Sherry Mose

HMEPS Facts At a Glance

The following is a quick overview of the system's membership, investments, contributions and more. Data is as of July 1, 2010.

Total Participants	27,074
Active Members	12,913
Retirees and beneficiaries	8,526
Inactive Participants	5,635
Average Retirement Annuity	\$22,300
Benefits Paid FY 2010	\$191,048,000
Refunds FY 2010	\$1,285,000
Member Contributions FY 2010	\$19,736,000
Employer Contributions FY 2010	\$82,052,000

HMEPS INVESTMENTS

Market Value by Asset Class

	Dec. 31, 2010	Sept. 30, 2010
US Equity	\$520,501,484	\$474,323,254
Non-US Equity	498,504,671	465,568,135
Fixed Income	465,356,713	464,872,110
Real Estate	171,477,853	172,231,984
Inflation Linked	87,140,670	63,678,579
Private Equity	263,418,828	277,645,179
Absolute Return	23,067,878	21,659,329
Cash	30,020,163	18,721,734
Total Fund	\$2,059,488,259	\$1,958,700,304

Facts You Should Know About HMEPS *by Rhonda Smith, Executive Director*



Rhonda Smith
Executive Director

HMEPS is a unique pension system that has taken significant steps within the last six years to address pension issues in a responsible manner and in the best interests of our participants. While you may read or watch news reports that question the viability of pension systems, including HMEPS, we believe it is important that you know

the facts about HMEPS and pension matters in order to assure a balanced perspective:

HMEPS has already taken steps to secure pensions for the long-term. HMEPS dealt proactively with

funding challenges six years ago, long before the current outcry over problems with public pensions.

During the past several years, HMEPS has worked with the City to implement significant modifications to improve the long-term sustainability of our retirement plan. This includes changes to future benefit levels (over \$850 million in benefit reductions) that ensure members keep the benefits they've earned while also sharing in the solution, and to implementing a graduated funding schedule of fixed dollar amounts for seven years in order to provide the City with budgetary flexibility. Thanks to proactive leadership, HMEPS is strongly positioned, both for the short and long term.

City of Houston municipal employees receive a modest retirement pension at an average of \$23,000 annually. The average HMEPS retiree is 67 years old and receives an annual benefit of less than \$23,000 a year – hardly a gold-plated pension in today's world. At HMEPS, those employees who are hired after 2008 are not eligible for full retirement until age 62.

City municipal employees share in the financing of their pension. Most current HMEPS members contribute 5% of their wages to help fund their pension. These employee contributions along with investment returns comprise the majority of HMEPS' pension fund revenues.

Retirement systems remain a small portion of the city's budget. City pensions are not paid out of general operating revenues, but instead, from trusts to which the employees and the City contributed while they were working. Elected officials and

plan sponsors often focus on pension contributions as a percentage of payroll – the City's 2010 contribution to HMEPS was less than 15.5%. Pension contributions as a percent of budgets, however, provide a broader framework for projecting how public pensions will affect local activities. An analysis of the City's annual financial report (CAFR) indicates that HMEPS contributions represent 2% of the City's total budget.

Long-term investment returns of public funds continue to exceed expectations. HMEPS has over \$2 billion in assets, and is a long-term investor with a time horizon that lasts over

decades. The investment portfolio is professionally managed,

and is well diversified in many different asset

classes. HMEPS, while not immune to

the effects of the recession, has

weathered the storm better than

most public pension systems in

part because of sound manage-

ment of its assets – HMEPS' invest-

ment portfolio returned more than a

12% gain in fiscal year 2010, and has consis-

tently outperformed its peer group. As of Dec. 31, 2010

HMEPS had a rate of return of 8.39% over a 15-year period

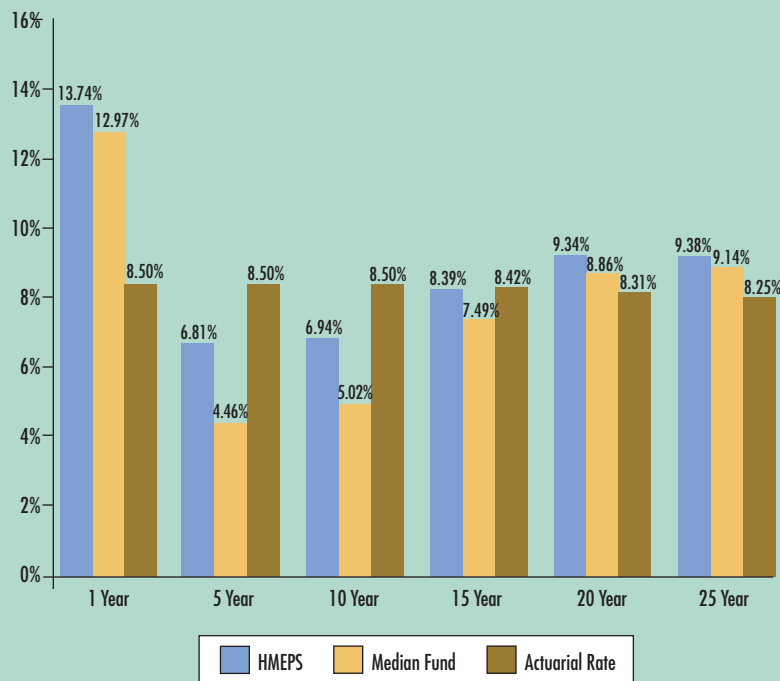
and 9.38% over a 25-year period.

(Continued on Page 7)

Sources of Revenue – FY 2010



Investment Returns as of December 31, 2010



Frequently Asked Questions (FAQs) About How Lay Offs May Affect Pensions

The following information is available in the HMEPS Benefits Handbook, available on the HMEPS website at www.hmeps.org.

Q. What happens to my pension if I am laid off?

The effect of a layoff depends on your credited service and the period of the layoff.

Section 17 of the Pension Statute provides in part:

A member who terminates employment with the city involuntarily due to a reduction in workforce, as determined by the pension board, before the member becomes eligible for a normal retirement pension or attains five years of credited service, by written notice to the pension board, may make an irrevocable election to leave the person's contributions in the pension fund until the first anniversary of the date of termination. If during that period the person is reemployed by the city, all rights and service credit as a member shall be immediately restored without penalty. If reemployment with the city does not occur before the first anniversary of the date of termination, all payments made by the person into the pension fund by salary deductions or other authorized contributions shall be refunded to the person without interest. If the person is subsequently reemployed, the person may have credit restored, subject to the provisions applicable at the time of reemployment.

Member with at least 5 years of credited service

If you have at least five years of credited service at the time of layoff, you may choose to take a normal retirement or defer retirement to a future day after attaining the minimum age and years of credited service for a retirement pension. The retirement benefit will be based on all years of credited service that you have accrued and/or purchased.

If you elect not to retire, you will retain the credited service. This credited service will be combined with any credited service you accrue for any future covered employment.

If you contributed to HMEPS, either member contributions or to purchase credited service, you must decide what to do about the contributions if you do not elect to retire. You may choose to:

1. take a refund of your contributions (without interest), or
2. leave your contributions on deposit with HMEPS and retain all the credited service represented by the contributions in the event you return to covered employment and resume membership.

If you elect to take a refund of contributions, all service covered by the refund is cancelled. If you later return to covered employment, you may repay the refunded contributions, plus interest, and restore the credited service represented by the refund in accordance with the laws and regulations then in effect.

Member with less than 5 years of credited service

The following highlights provide information regarding the impact of a layoff on your credited service if:

1. At the time of the layoff, you are not eligible for a normal retirement pension and do not have five years of credited service;
2. The Board determines that the layoff was the result of an involuntary reduction in workforce; and
3. You are later reemployed in a full-time covered position.

Group A members

If you are a Group A member with less than 5 years of credited service, you may make a written irrevocable election to leave your contributions in HMEPS until one year from the date of termination. If you are reemployed during that one year period, the credited service earned before the layoff will be restored without penalty. If reemployment does not occur within the one year period, you may make a written request for a refund, without interest, of all your employee contributions paid to HMEPS. If you are subsequently reemployed, the opportunity to restore credited service will be subject to the rules and provisions in effect at the time of reemployment.

Group B members

If you are a Group B member with less than 5 years of credited service, all credited service will be forfeited upon termina-

tion. If you are reemployed within one year of termination, the forfeited credited service is restored upon reemployment. If reemployment occurs after one year from termination, you will receive one year (or remaining portion of a year) of previous credited service in Group B for each full year of subsequent service, up to the amount of the previous service that was forfeited.

NOTE: It is HMEPS' understanding that the only people who would be subject to this provision are former Group B members who are rehired after January 1, 2008. Most Group B members have at least five years of credited service and would not forfeit credited service.

Members with split service (A/B)

If you have split service (both Group A and Group B) but less than 5 years of total credited service, the same rules apply provided there was no break in service between the Group A and Group B membership. If there was a break in service, the same rules apply unless you want to take a refund of contributions or early lump sum payment of the service in a particular group. Members in this situation should call their HMEPS Benefit Counselors.

Group D members

For Group D members, all credited service will be forfeited upon termination. The forfeited credited service is restored upon reemployment only if you are reemployed within one year of termination.

Q. What happens to my credited service accruals if I am laid off?

If a layoff results in termination from employment, you will not accrue any credited service after the termination.

Q. What happens to my DROP participation if I am laid off?

If a layoff results in termination from employment, you will cease participation in DROP and will not receive any DROP

credits after termination (other than applicable DROP interest if you continue to maintain a DROP account). Also, you will not be eligible to again participate in DROP if reemployed.

Q. I would like to purchase previous service for which I received a refund. Can I do that after I am laid off?

No. A former member is ineligible to purchase credited service. The following types of service can only be purchased by a member (current active employee):

1. Service that was forfeited to receive a refund of contributions or service for which contributions were not made.
2. Group A service that was refunded prior to September 1, 1981 that a Group B member is eligible to purchase into Group B.
3. Service for which credit was forfeited to receive an early lump sum distribution.
4. Military service under USERRA.
5. Permissive military service.

If you are eligible to purchase any of these types of service and you wish to purchase the service, you must enter into a payment obligation prior to termination of employment.

CONTACT HMEPS

If you are part of a potential layoff, please call your HMEPS Benefit Counselor for information or a meeting. HMEPS also provides the free services of a Financial Counselor, Steve Waas, who is a Certified Financial Planner™. Steve is available for individual meetings with participants and can help you understand important issues regarding your financial and retirement plans.

HMEPS will also have an informational booth at 611 Walker, Garden Level to provide information and answer general questions. Please visit our website and click the link on the homepage for dates and times.

Retirements – August to December 2010

Administration & Regulatory Affairs (ARA)

Clay, Jesse*
 Clavert, Rogene*
 Johnson, Judy*
 Mares, Dolores
 Moore, Terry*
 Truong, Southivone
 Winters, Ella

Aviation

Eddings, James*
 Erenbaum, Ellen*
 Gray, Betty
 Haley Jr., Frank
 Laborde, Arthur*
 Martin-Pike, Marjorie
 Owens, Leon
 Puran, Olive*
 Thompson, Geraldine
 Williams, Loretta*
 Wise, Oswald

City Council

Gorczynski, Dale*
 Strachan, Sandra*

General Services

Boulter, Edward
 Dadoush, Issa*
 Eadie, Robert

Health & Human Services

Dedeke, Abayomi
 Delosrios, Mary
 Eshofonie, Anthony*
 Garcia, Elijio*
 Govin, Glenn*
 Johnson, Margarita*
 Jones, Veronica
 McCarty, Sondra*
 Shah, Kokila
 Walker, Linda

Houston Emergency Center (HEC)

Butler, Euradell
 Wagner, Grayson

Housing

Barker, Daniel
 Cook, Vassie

Human Resources

Burch, Pamela
 Joseph, Deborah

Information Technology

Benton, Janis*
 Kennedy, Alfred

Legal

Fortenbach, Karl
 Richardson, Russell
 Stuart, Rosemary*
 Wolfson, Paulette

Library

Balderas, Delores
 Estrada, Richard*
 Fletcher, Carolyn
 Grahmann, Brenda*
 Walker, Maria*

Municipal Courts

Hendry-Williams, Alfreda
 Rideaux, Debra
 Wyatt, Aurelia*

Parks & Recreation

Garza, Eloise*
 Glowacki, Vincent
 Lister, Marsha
 Taylor, David*
 Wilcox, Bryan
 Witham Jr., Roy

Planning

Trotty, Loletta*

Police

Bland, Bernice
 Broussard, Alma
 Emmons, Carolyn
 Glaze, Gloria
 Johnson, Linda
 Jones, Christopher
 Lee, Fuh-Mei
 Malveaux, George
 Navarro, Dalia*
 Neal, Thelma
 Ramirez Jr., Paul*
 Suler, Patti*

Public Works & Engineering

Arenas, Paulita
 Ashley, Glenn
 Bell, Samuel*
 Cooper, Reginald
 Dogins, Larry*
 Frank Jr., Lawrence
 Garrett, James*
 Ghafoor, Abdul
 Gonzales, Christine*
 Goodman Jr., Joe*
 Guerrero, Julian
 Hoffman, Betty*
 Jackson, Gilbert
 Johnson, Albert

Kelley Jr., Otis
 Klotz Jr., Marion
 Leonard, Larry*
 Martinez, Daniel*
 McCarnes, Marilyn
 Mitchell, Charles
 Nguyen, Phong
 Ozenne, Simon
 Pathiranage, Thilakasiri*
 Peevey, James
 Roberts, Schansa
 Ruiz, Ricardo
 Simpson, Shirley
 Sulski, Scott*
 Weems, Clyde
 Williams Jr., Ollie
 Wilson, Wesley

Solid Waste

Henriquez, Santos
 Jones, Earl
 Lewis, Aaron
 McAdams, Lois
 Morris, Leonard
 Wykoff, Joseph*

*Deferred Retirement

In Remembrance

Active Employee and Retiree Deaths – August to December 2010

HMEPS received notification of the following participants' deaths. We wish to remember these individuals and their dedication and service to the City of Houston.

Adams, June
 Alexander, Lorrie
 Anderson, Keith*
 Auderer, Georgia**
 Bailey, Marcell**
 Baker, Connie
 Baker, John*
 Ball, Patsy
 Beatty, Oscar
 Becerra, Santiago
 Benson, Margie**
 Birmingham, Preston
 Blum, Robert
 Bolton, Arlecie**
 Boulware, Burl
 Boutte, James
 Brinley, Lorine
 Brown, Gregory*
 Campbell, Frank
 Cardenas, Margarita**
 Castillo, Virginia**
 Cody, Thomas
 Cowart, Lola**
 Cruz, Roberto
 Davis, William
 Deleon, Josephine**

Delgado, Richard**
 Desimane, Franks
 Dishaw, Jacqueline
 Ditto, Thomas
 Echevarria, Aurora**
 Ellison, Clarence
 Evans, Wilma
 Fontenot, Sammie
 Galloway, Carolyn**
 Gouldmen, Dorothy
 Guice, Gerues
 Guzman, Herrea
 Gwinn, Lawrence
 Haligiest, Dorothy**
 Hampton, Betty
 Hardwell, Mary
 Henderson, Ida
 Hernandez, Ramon
 Hodges, Marvin
 Hooks, Barbara
 Huckabay, Dewayne
 Huett, Teresa
 Ingalls, Howard
 Johnson, Mildred**
 Johnson, Robert
 Johnson, Ronald*

Jones, Annie**
 Jones, Hosea
 Jones, Roscoe
 Kirkpatrick, Sylvester
 Kubala, Mary
 Lopas, Carol
 Martinez, Augustine
 Martinez, Aureli
 Maynard, Adlene
 McConnell, Margaret
 McGarity, William
 McGrew, Squire
 McNeal, Hubert
 Medina, Doroteo
 Motta, Benjamin
 Muckelroy, Wendall*
 Newbold, Benjamin
 Newton, James
 Nichols, Forrest
 Nounes, Louis
 Nutt, Buradene
 O'Bryant, Joe**
 Ogg, George
 Overstreet, Janie**
 Parkey, Dorothy
 Paschall, Louise

Patterson, Cornelius**
 Patton, Robert
 Pawlowski, Lucille**
 Payne, Mildred
 Petch, William
 Pitts, Floyd
 Potts, Eunice
 Price, Everett**
 Raia, John
 Reed, Ernest
 Rias, Susie**
 Rice, Randy*
 Richardson, Johnny
 Rising, Philip
 Robbins, T.J.
 Roofner, Mary**
 Sampson, Robert
 Sanders, Charles
 Sepulveda, Margaret**
 Shepherd, Andrew
 Smith, James
 Stewart, James
 Strickland, Gloria**
 Taft, Ramon
 Taylor, Jamey**
 Torres, PO

Tuley, Gladys**
 Turner, Terry
 Upchurch, Lind
 Vanzandi, Pauline**
 Vaughn, Bobbie**
 Vinson, Ernest
 Ward, Carl
 Washington, Claudette
 Watson, Dorothy**
 Watts, Joseph
 Williams, Delbert
 Williams, Earnestine**
 Williams, J.W.
 Williams, Nola
 Willis, Williams
 Windham, Ellis
 Wolf, Elvrie
 Womack, Charline**
 Wright, John

*Active Employee Death
 **Surviving Spouse

Facts You Should Know About HMEPS (Continued from Page 3)

The more responsible discussion is how America will address retirement planning in the future. This is not an issue of private vs. public employee’s benefits, with calls for reform that constitute a “race to the bottom.” Instead of making retirements less secure for our public safety employees, 911 operators, health workers, waste collectors, and other public service employees, we need to make it more secure for everyone. We especially need to focus on how America will address retirement planning in the future to assure we are not retiring our citizens (both private and public sector) into poverty. The impact of this reaches not only the quality of life for retired citizens but the economic impact on the local economy and social services.

Retirement plans like HMEPS have shown we can work with plan sponsors to address these challenges. Public employees did not create the problem, but they have worked to be part of a reasonable and fair solution. As always, HMEPS welcomes the opportunity to continue to discuss these matters in a responsible way.


Through the benefit and funding modifications that were implemented over the last several years, HMEPS clearly has taken the right steps, and will emerge from this current economic cycle to continue to strengthen and will remain a secure retirement plan.




(cut and save)

2011 Pension Payment Schedule

The schedule below indicates the State Street Bank and Trust (State Street) “Mail by” dates for checks and direct deposit benefit payments. If you would like to enroll in direct deposit, please visit the MyPenPay link from the HMEPS website at www.hmeps.org, or call the HMEPS office at 713-595-0100.

 = Mail by date for pension benefit checks

 = Direct deposit (ACH), the last business day of each month

March 2011							April 2011							May 2011							June 2011						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2	1	2	3	4	5	6	7				1	2	3	4
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				26	27	28	29	30			
July 2011							August 2011							September 2011							October 2011						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
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3	4	5	6	7	8	9	7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8
10	11	12	13	14	15	16	14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15
17	18	19	20	21	22	23	21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22
24	25	26	27	28	29	30	28	29	30	31			25	26	27	28	29	30	23	24	25	26	27	28	29		
31																			30	31							
November 2011							December 2011																				
S	M	T	W	T	F	S	S	M	T	W	T	F	S														
		1	2	3	4	5					1	2	3														
6	7	8	9	10	11	12	4	5	6	7	8	9	10														
13	14	15	16	17	18	19	11	12	13	14	15	16	17														
20	21	22	23	24	25	26	18	19	20	21	22	23	24														
27	28	29	30				25	26	27	28	29	30	31														

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BOARD OF TRUSTEES

ELECTED AND APPOINTED TRUSTEES

Sherry Mose, *Chairman*
Roy W. Sanchez, *Vice Chairman*
Lonnie Vara, *Secretary*
Terrence Ardis
David L. Long
Lenard Polk

Barbara Chelette, *Appointed*

CITY APPOINTED TRUSTEES

Richard Badger
Justo P. Gonzalez
Alfred Jackson
Craig T. Mason

PENSION PRESS

Rhonda Smith, Executive Director
Peter Koops, Communications Specialist

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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Houston, Texas 77002-2555

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Toll Free: 800-858-1450
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