



HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM



**HAND
IN
HAND**

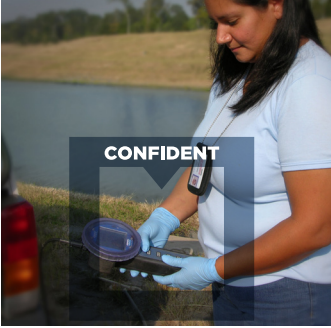
HOUSTON HAS
A BETTER FUTURE
BECAUSE OF YOU

2019 Report to Participants

FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

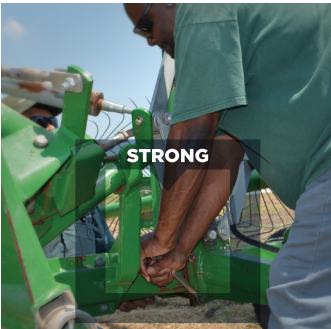
A component unit of the City of Houston

**YOU HELP
BUILD THE
FOUNDATION
FOR GREAT
COMMUNITIES**



**EVERY
ACTION
CONTRIBUTES
TO THE
BIGGER
PICTURE**

**YOUR
COMMITMENT
MAKES
ALL THE
DIFFERENCE**



**YOUR
EFFORTS
CREATE A
BETTER
FUTURE FOR
EVERYONE**

The financial data presented in this report is derived from the 2019 HMEPS Comprehensive Annual Financial Report (CAFR). The CAFR is available at www.hmeps.org.



LETTER FROM THE CHAIRMAN



Dear Participants,

I am pleased to present the 2019 Report to Participants, which summarizes the HMEPS 2019

Comprehensive Annual Financial Report (CAFR) and provides an overview of our operations for the last year.

This was HMEPS' 76th year of serving its members, continuing a long tradition of helping participants realize their financial goals. City of Houston employees work hard to make this a great place to live, work and visit, and this year's CAFR and Participant Report highlight how your dedication and commitment create a better Houston.

With the Fiscal Year 2019 investment performance of 7.2%, HMEPS once again exceeded its 7% assumed rate of return. HMEPS' diverse and professionally managed portfolio of more than \$3 billion delivered 3- and 10-year gross returns of 9.7% for both time periods and generated double digit positive returns in five of the past ten fiscal years.

Also of note, is that for the 25th consecutive year, HMEPS received a Certificate of Achievement for Excellence in Financial Reporting for our 2018 CAFR from the Government Finance Officers Association.

Finally, I want to acknowledge the continued hard work of HMEPS' Board of Trustees and staff. Their dedication and diligence on behalf of our 28,000 members help to deliver investment returns that exceed expectations, customer-friendly service and a stronger System for today and beyond.

As always, it is an honor to serve as your Chairman,

A handwritten signature in black ink, appearing to read 'Sherry Mose', written in a cursive style.

Sherry Mose

HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

Organizational Overview as of June 30, 2019

BOARD OF TRUSTEES



Sherry Mose
Chairman



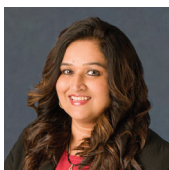
Roy W. Sanchez
Vice Chairman



Lonnie Vara
Secretary



Roderick J. Newman
Elected Trustee



Asha Patnaik
Elected Trustee



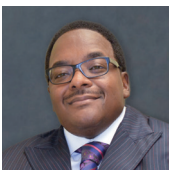
Lenard Polk
Elected Trustee



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

LEGAL

INVESTMENTS

- Public and Private Market Investments
- 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	2019	2018
Cash and cash equivalents	11,797	31,377
Investments	3,073,932	2,959,795
Receivables on asset sales	7,581	6,059
Contribution receivable - City of Houston	12,962	7,751
Other receivables	5,531	4,493
Collateral on securities lending	60,246	49,472
Furniture, fixtures and equipment, net	184	133
Total Assets	\$ 3,171,233	\$ 3,059,080
LIABILITIES		
Payables on asset purchase	7,030	9,149
Accrued liabilities	3,960	11,520
Collateral on securities lending	60,246	49,472
Total Liabilities	\$ 71,234	\$ 70,141
FIDUCIARY NET POSITION	\$ 3,100,999	\$ 2,988,864

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

ADDITIONS	2019	2018
Contributions	208,797	449,467
Investment and interest (loss) income, net	200,445	231,815
Other income	710	701
Total Additions	\$ 409,952	\$ 681,983
DEDUCTIONS		
Benefits paid	291,060	283,928
Contribution refunds	1,394	807
Administration and professional fees	5,363	6,442
Total Deductions	\$ 297,817	\$ 291,177
Net increase (decrease) in plan net position	112,135	390,806
Plan net position, beginning of year	2,988,864	2,598,058
FIDUCIARY NET POSITION	\$ 3,100,999	\$ 2,988,864

Membership

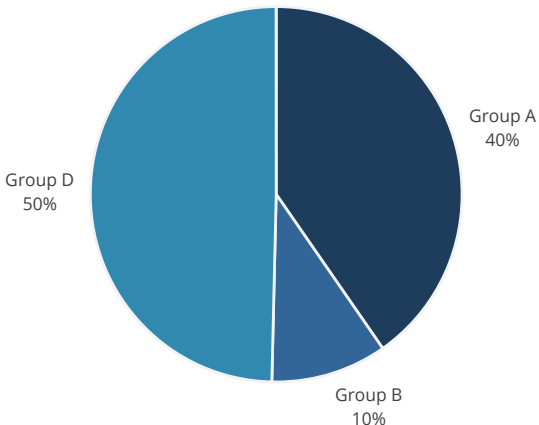
SCHEDULE OF MEMBERS AND ANNUITANTS BY TYPE

	JUNE 30, 2019			JUNE 30, 2018		
	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)	NUMBER	BENEFITS (\$000)	AVERAGE BENEFIT (\$)
Retirees Receiving Benefits	8,855	220,871	24,943	8,616	212,243	24,634
Retired on Disability	289	3,350	11,592	298	3,462	11,617
Survivors and Beneficiaries	1,955	32,705	16,729	1,918	31,521	16,434
Former Participants Eligible But Not Yet Receiving Benefits	3,597	-	-	3,451	-	-

HISTORICAL ACTIVE PARTICIPANT DATA*

FISCAL YEAR	ALL ACTIVE				ANNUAL PAYROLL (\$000)	AVERAGE SALARY (\$)	% SALARY INCREASE
	GROUP A	GROUP B	GROUP D	TOTAL			
2009	8,906	2,153	2,274	13,333	539,023	40,428	5.7
2010	8,323	1,999	2,591	12,913	550,709	42,648	5.5
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

ACTIVE PARTICIPANTS BY GROUP (6/30/18)



*2019 final numbers were not available at publication.

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

The System's investment allocation provides an efficient allocation of assets that is designed to achieve overall 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. 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, 2019, the System returned 7.2%. This rate of return exceeded both the System's policy benchmark return of 7.0%, and the return of the median fund in the Wilshire TUCS Master Trusts – Public Universe of 6.6%.

ASSET ALLOCATION

ASSET CLASS	TARGET	ACTUAL
Global Equity	32.5%	32.3%
Private Equity	17.0%	22.9%
Fixed Income	10.0%	13.5%
Private Credit	5.0%	1.1%
Real Estate	12.5%	10.6%
Absolute Return	8.0%	4.7%
Inflation Linked	15.0%	14.0%
Cash/Liquidation	-	0.9%
TOTAL	100%	100%

INVESTMENT RETURNS AS OF JUNE 30, 2019

YEAR	RETURN
1 Yr.	7.2%
3 Yrs.	9.7%
5 Yrs.	6.7%
10 Yrs.	9.7%



www.hmeps.org

We will continue to send a strong message of resilience to our participants that we, HMEPS, will stay the course and get the job done.

HMEPS
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

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