A scenic view of the Houston skyline, featuring several tall skyscrapers with glass facades. In the foreground, a river flows through a lush green area with large trees. Two people are kayaking on the river, one in a red kayak and another in a blue kayak. The sky is clear and blue.

**Houston Municipal Employees  
Pension System  
2009 Report to Participants**

*Integrity. Expertise. Service.  
We're Here For You.*



#### Note to Participants

We prepared this report for our participants, to serve as a summary of the primary investment, benefit and financial information you care about. All the information in this report is derived from our Comprehensive Annual Financial Report (CAFR) and is consistent with Generally Accepted Accounting Principles (GAAP). All financial information is as of June 30, 2009. (The full CAFR is available on our website at [www.hmeps.org/publications.html](http://www.hmeps.org/publications.html).)



## Table of Contents

### Introduction

A Letter from the Chairman .....	3
Overview of the Fund.....	4
Board of Trustees .....	5
HMEPS Honors Those Who Served During Hurricane Ike Disaster .....	6
HMEPS Staff .....	8

### Benefits Overview

Membership Data.....	10
Schedule of Annuitants By Type .....	10
Historical Active Participant Data .....	11

### Financials

Summary Comparative Financial Statements .....	12
Actuarial Summary .....	13

### Investment

System Asset Allocation.....	14
Comparison of Investment Returns - Years Ended June 30 .....	15

<b>HMEPS History</b> .....	16
----------------------------	----

<b>Acknowledgements</b> .....	17
-------------------------------	----



## A LETTER FROM THE CHAIRMAN

December 17, 2009

Dear Plan Participants:

Welcome to HMEPS' 2009 Report to Participants. This report serves as a summary of the primary investment, benefit and financial information that we know is important to you, **our participants**.

This marks the second year we have produced this format of the report, which is a condensed version of our Comprehensive Annual Financial Report (CAFR) for our participants. This report is part of our continuing efforts to keep you informed about developments at the System.

The economic turmoil that began in 2008 continued into this year and still presents many challenges today. But I am pleased to report that despite the hardships of the past year, HMEPS met its financial obligations – and we will continue to do so in fiscal year 2010 and beyond.

Serving the participants and protecting and growing the System's assets are our primary responsibilities, and we take our obligations seriously. It is through the hard work and dedication of our Board of Trustees and staff that the System continues to out-perform the majority of funds in our peer group.

The System's portfolio has recovered some of the losses sustained in fiscal year 2009 and we are looking forward to further gains. Our Board and management

team will continue to diligently monitor our investments and take appropriate action when needed.

Also, in the past fiscal year, Houstonians faced an entirely different kind of adversity – Hurricane Ike. Again, I am very proud of the outstanding work the System's staff performed during the aftermath of the storm. They made sure benefits were paid and questions from participants were answered during this difficult time.

So while fiscal year 2009 presented us many challenges, we faced them with great resolve and commitment. I'm not surprised really. After all, we are Houstonians, employees in this great City.

It's been an honor to serve you this year. I look forward to continuing to serve all our participants in fiscal year 2010 and the years ahead. Thank you for all your support.

Sincerely,



Sherry Mose

## OVERVIEW OF THE FUND

At the heart of HMEPS is the hard work and dedication of everyone who serves it, beginning with the Board of Trustees. A significant responsibility of the Board is to ensure that the System has in place an adequate system of internal controls. A system of internal controls is an entity's plan of organization and all of its coordinated methods and measures adopted to safeguard its assets, to ensure the accuracy and reliability of the accounting system and to promote adherence to management policies. These controls include strategic design of the entity's business systems, the appropriate segregation of duties and responsibilities, sound practices in the performance of those duties, capable personnel, and the organizational structure itself. We believe the System's internal controls are adequate and are working as designed.

The majority of the Board's work is conducted at the Board level and within six committees, each of which addresses a specific aspect of the System's operations.

- The **Audit Committee** reviews and monitors the HMEPS audit process and oversees the reporting of financial information for HMEPS.
- The **Budget and Oversight Committee** reviews and monitors operational and administrative expenditures of HMEPS and the HMEPS actuarial process.

- The **Disability Committee** reviews the submitted medical reports and other relevant information for each disability claim and makes recommendations to the Board as to the appropriate course of action.
- The **External Affairs Committee** deals with matters concerning state and federal legislative issues that affect HMEPS and any agreement or proposed agreement with the City regarding pension issues and benefits.
- The **Investment Committee** reviews investment strategies and has authority over HMEPS' asset allocation, tactical asset allocation, managers and other aspects of HMEPS' operations relating to investments. The Investment Committee is a committee of the entire Board.
- The **Personnel and Procedures Committee** deals with matters concerning HMEPS' employees, changes in policies in the working of HMEPS, and constructing the procedures for HMEPS' adherence to applicable laws.

**ORGANIZATIONAL OVERVIEW (AS OF DECEMBER 31, 2009)**



**Sherry Mose**  
Chairman



**Mark Mancuso**  
Vice Chairman



**Lonnie Vara**  
Secretary



**Terrence Ardis**  
Elected Trustee



**George Bravenec**  
Elected Trustee



**Lenard Polk**  
Elected Trustee



**Barbara Chelette**  
Appointed Trustee



**Richard Badger**  
Council Appointee



**Gilbert Andrew Garcia**  
Controller Appointee



**Justo P. Gonzalez**  
Council Appointee



**Craig T. Mason**  
Mayoral Appointee



**David L. Long**  
Executive Director

**Executive Director – David L. Long**

**Director of Administration – Rhonda Smith**

Benefit Administration Services  
Member Services  
Accounting/Financial Reporting  
Communications

**Chief Investment Officer – Douglas Wynkoop**

Investment Managers' Services  
Performance Measurement  
Market Research

**General Counsel – Erin Perales**

**Information Systems Manager – Scott Otto**

## HMEPS HONORS THOSE WHO SERVED DURING HURRICANE IKE DISASTER

The City of Houston's citizens have long known they can count on the city's dedicated and hard-working employees to do their jobs and more, sometimes under extremely difficult circumstances. Their commitment to do their work was put to the test last year – and of course they came through with flying colors!

When Hurricane Ike roared into the Gulf of Mexico in September 2008, City employees across all departments began making preparations for the storm, both on the job and at home. No matter what their regular job responsibilities involved, employees were asked to start developing plans and to prepare for the worst.

After Ike struck the coast and stormed through Houston, those disaster plans were quickly implemented to begin the formidable task of recovering from one of the worst hurricanes ever to hit Texas.

Once the storm passed, City of Houston employees from all departments reported back to work almost immediately to help in any way they could, even though many faced a myriad of Ike-related problems back at home. They cleaned up tons of debris, helped thousands of citizens find a place to sleep and eat and pitched in wherever it was needed. They showed great





strength and resolve during this crisis. They persevered not because it was expected of them, but because they cared.

It has been over a year since Hurricane Ike hammered the Houston area, and much of the damage has been repaired. The Board and staff members at HMEPS want to extend our heartfelt thanks to all City employees for their tremendous efforts in helping Houston recover from this disaster.

HMEPS is proud to serve the City of Houston municipal employees, a special team of individuals who so selflessly give of themselves when residents need them most. Thank you for your service.



### *We're Here For You*

The Board of Trustees depends on HMEPS staff members to make informed day-to-day decisions and provide the Board with sound advice. The individuals who make up the pension system's staff are talented professionals who are experts in their respective fields.

They can be found in four sections: Administration, Investments, Legal and Information Services.

The **Administrative Services** division is responsible for serving the needs of our participants on a daily basis. The division's benefits section oversees members' needs from the time they enter the system through retirement, providing them the support needed to understand and access their benefits options.

The accounting section manages the accounting, budgeting, retiree payments, internal audit and financial reporting functions of HMEPS. Strong financial stewardship of our participants' money is the primary responsibility of this department.

The **Investment Services** division helps develop and implement investment strategies that maximize returns while minimizing risks. This department is charged with effectively and prudently investing and monitoring HMEPS' assets while adhering to all laws, regulations and policy guidelines.



*Brad Bangen, Financial Analyst, Douglas Wynkoop, Chief Investment Officer and Greg Brunt, Financial Analyst*

The **Legal Services** division works with all HMEPS divisions as well as the Board to ensure that the System is providing the best service possible to our members in compliance with federal, state and local laws.

The **Information Services** division is responsible for the technology that is so crucial to serving HMEPS' participants. The System's operational efforts could not be attained without the effective management of technology. Every participant's records, specific participants' documents, computer/server maintenance and more are the responsibility of this division.



*Myo Htut, Network Administrator*

#### **Major Current and Future Initiatives**

Customer service is a critical element of the System's goals and is the driving force behind many of the service improvements put in place during Fiscal Year 2009.

A core duty of the System is to process benefit payments for retirees, and the System delivered on that responsibility even in the aftermath of Hurricane Ike. Payments were processed and delivered to participants and System employees were on hand to help participants with any problem or question they had after the storm hit Houston.

Overall, the System processed more than 96,000 annual payments totaling more than \$180 million in lump-

sum and monthly retirement benefit payments during fiscal year 2009.

Throughout the year, the System placed particular emphasis on increasing our benefit and financial counseling outreach efforts to active participants and retirees.



*Terri Murray, Senior Benefits Counselor and Steve Waas, Financial Counselor*

Specifically, the System enhanced service delivery by providing more pre-retirement meetings, city payroll clerk training and comprehensive field visits to include both benefit education and financial counseling.

The System's new Certified Financial Planner™ met with participants and their immediate families to offer information about retirement planning, life insurance, education planning, Social Security, pension, DROP and other financial issues. This is a free service designed to provide objective, unbiased, professional financial coaching to the System's participants.

And in response to retirees' requests for greater access to their DROP accounts during these tough economic times, HMEPS approved expanding the ability of retired DROP participants to receive partial distributions from their DROP accounts once every 90 days instead of once every six months as under the previous policy.

The System's operating efforts could not be attained without the effective management of technology. The

Administration Information System (AIS), the System's proprietary program for participant data, continues to undergo enhancements that provide additional ease and efficiency to the process of servicing participants.

The System also improved its payroll representative online services. The cumbersome and time-consuming typewriter forms were replaced with a secure online network of up-to-date forms that City payroll representatives can complete on the computer and send electronically to the System.

The System's experienced team of in-house and outside experts guided the fund through an extremely tumultuous year. That expertise and hard-work resulted in the System finishing the fiscal year with its investment performance in the top 14 percent of the Wilshire public fund peer universe. This is a proud accomplishment for the System, whose employees have worked tirelessly through this economic crisis to serve participants and protect and grow the System's investment portfolio.

HMEPS trustees and staff members are proud to have implemented these improvements for our participants.



*HMEPS Participants Yvonne Boozier and Lester Shannon meet with Nicole Rainey, Benefits Counselor.*

## BENEFITS OVERVIEW

### *Service*

The System is a defined benefit pension plan covering all municipal employees, except police officers and firefighters (other than certain police officers in the System as authorized by the Pension Statute), employed full time by the City of Houston, elected City Officials, and the full time employees of the System. As of July 1, 2008, there were 26,538 participants in HMEPS. Included in this figure are active members, inactive participants, service retirees, disabled retirees and beneficiaries and spouses.

The System includes a contributory group (Group A) and two noncontributory groups (Group B and Group D) and provides for service, disability and death benefits for eligible participants. Participants newly hired on or after January 1, 2008 automatically become members of Group D pursuant to the Fourth Amendment to the Meet and Confer Agreement dated June 27, 2007.

#### MEMBERSHIP DATA

	Number	Number Vested	Average Salary or Annual Benefit	Average Age	Average Service
Active Members	12,653	7,234	38,237	45.2	9.3 yrs.
Inactive Participants	5,730	2,931	6,759		
Service retirees	6,186		21,300	66.7	
Disabled retirees	428		8,523	62.2	
Beneficiaries and spouses	1,541		9,851	68.5	

#### SCHEDULE OF ANNUITANTS BY TYPE

Schedule of Annuitants by Type	June 30, 2008			June 30, 2007		
	Number	Benefits (\$000)	Average Benefit	Number	Benefits (\$000)	Average Benefit
Retirees receiving benefits	6,186	131,765	21,300	6,017	125,246	20,815
Retired on disability	428	3,648	8,523	446	3,700	8,296
Survivors and beneficiaries	1,541	15,180	9,851	1,508	14,015	9,293
Total retirees, survivors and beneficiaries	8,155	150,593	18,466	7,971	142,961	17,935
Former participants eligible but not yet receiving benefits	2,931	19,811	6,759	2,922	18,907	6,470
Total Eligible for Benefits	11,086	170,404	15,371	10,893	161,868	14,860

## HISTORICAL ACTIVE PARTICIPANT DATA

Valuation Date	Number of Participants	Annual Payroll \$(000)	Average Salary (\$)	% Salary Increase
July 1, 1999 <sup>1</sup>	13,286	396,617	29,852	4.0
July 1, 2000 <sup>1</sup>	13,126	421,591	32,119	7.6
July 1, 2001 <sup>1</sup>	12,928	413,021	31,948	(0.5)
July 1, 2002	12,527	399,794	31,915	(0.1)
July 1, 2003	12,120	390,314	32,204	0.9
July 1, 2004	11,856	366,190	30,886	(4.1)
July 1, 2005	11,974	404,565 <sup>2</sup>	33,787 <sup>2</sup>	9.4
July 1, 2006	12,145	422,496	34,788	3.0
July 1, 2007	12,376	448,925	36,274	4.3
July 1, 2008	12,653	483,815	38,237	5.4

<sup>1</sup> 1999, 2000 and 2001 do not include DROP participants

<sup>2</sup> Beginning with 2005, a change in methodology now annualizes payroll for new entrants. If the methodology had not been changed, the covered payroll for 2005 would have been \$376,208,345 and the average payroll would have been \$31,419



*Lisa Groves, Department of Health & Human Services*

## FINANCIALS



Each year the System coordinates an annual audit during which an independent external firm reviews the System's financial statements and confirms that the

### SUMMARY COMPARATIVE STATEMENT OF PLAN NET ASSETS (\$000)

ASSETS	FY 2009	FY 2008
Cash and equivalents	\$ 405	956
Investments	1,744,241	1,886,044
Receivables on asset sales	7,796	52,292
Other receivables	6,267	77,482
Note receivable - City of Houston	-	300,000
Collateral on securities lending	81,757	141,334
Furniture, fixtures and equipment, net	471	419
<b>Total Assets</b>	<b>1,840,937</b>	<b>2,458,527</b>
<b>LIABILITIES</b>		
Payable on asset purchases	22,342	47,975
Accrued liabilities	6,696	7,185
Collateral on securities lending	81,757	141,334
<b>Total Liabilities</b>	<b>110,795</b>	<b>196,494</b>
<b>Plan Net Assets</b>	<b>\$ 1,730,142</b>	<b>2,262,033</b>

### SUMMARY COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS (\$000)

	FY 2009	FY 2008
<b>Additions</b>		
Contributions	\$ 97,286	94,447
Investment and interest income, net	-	73
Other income	489	634
<b>Total additions</b>	<b>97,775</b>	<b>95,154</b>
<b>Deductions</b>		
Investment and interest income, net	440,299	-
Benefits paid	180,361	169,482
Contribution refunds	1,795	1,760
Administration and professional fees	7,211	6,476
<b>Total deductions</b>	<b>629,666</b>	<b>177,718</b>
Net (decrease) increase in plan net assets	(531,891)	(82,564)
Plan net assets, prior year	2,262,033	2,344,597
<b>Plan net assets, current year</b>	<b>\$ 1,730,142</b>	<b>2,262,033</b>

statements are free of material misstatement. This outside opinion considers internal control over financial reporting. The System coordinates the production of the Comprehensive Annual Financial Report (CAFR), which is made possible through considerable teamwork by all divisions of HMEPS.

The System's CAFR is also submitted to the Government Finance Officers Association (GFOA), which oversees the certification program for a governmental entity's CAFR. For the 14th consecutive year, the System has received the Certificate of Achievement for Excellence in Financial Reporting for its work on the CAFR. This award speaks to the thorough nature of the System's financial reporting skills.

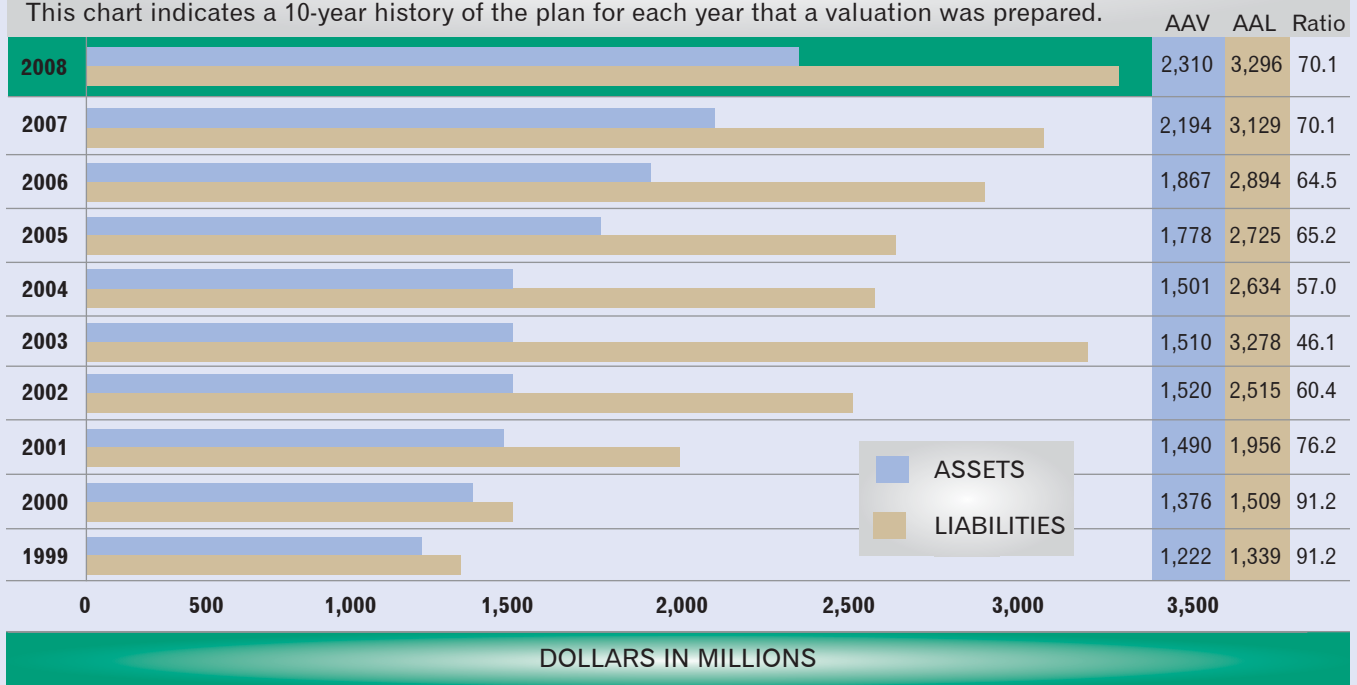
### Fiscal Year 2009 Financial Highlights

This fiscal year, ending June 30, 2009, the System lost \$343 million compared to a gain of \$95 million in the last fiscal year. This represents the loss on returns on investments and the City Pension Obligation note less the collection of member and City of Houston contributions. Because of the continued market downturn during fiscal year 2009, investment activity posted a loss of \$456 million. The System posted interest income on the City of Houston note receivable of \$16 million (see note description) and received City contributions of \$97 million.

As always, a large majority of the Fund's expenditures - nearly \$180 million, or 95 percent - was paid out in the form of benefits to our participants and beneficiaries. Contributions from members and the City of Houston covered 54 percent of the benefits paid, with our investment income reserve from prior years funding the remaining 46 percent. Another major expenditure

## HISTORICAL ACTUARIAL FUNDING RATIO

The funding ratio reflects the System's actuarial assets value (AAV) relative to its actuarial accrued liability(AAL). This chart indicates a 10-year history of the plan for each year that a valuation was prepared.



is disbursed in the form of fees necessary to maintain our investments, which are managed externally by professional investment firms.

Remaining expenses involve the day-to-day operations, including servicing our participants and maintaining our state-of-the-art information system. It is the System's duty and privilege to add to the valuable services offered to participants and their families. This duty guides the allocation of all available resources.

### City Pension Obligation Note

As part of the Meet and Confer Agreement, on November 10, 2004 the City issued the System a \$300 million pension obligation note (the Note) maturing on December 1, 2033. The Note was issued to fulfill an obligation under the 2004 Meet and Confer Agreement, and was agreed upon in order to improve the System's long-term funding outlook. The Meet and Confer Agreement also authorized the City to prepay the Note and Deferred Interest Certificates in whole or in part.

During fiscal year 2009, the City notified the System of its intent to prepay in full the Note, the Deferred

Interest Certificates and any and all accrued interest. On January 8, 2009, the City prepaid the Note in the amount of \$381 million, which is equal to the sum of the principal amount of the Note, the amount of Deferred Interest Certificates, and all accrued interest to the date of prepayment.

The actions taken by the City to replace the Note with actual dollars adds to the system's investment portfolio and benefited both the City and HMEPS. HMEPS worked with City representatives to assure a successful refinancing and prepayment.

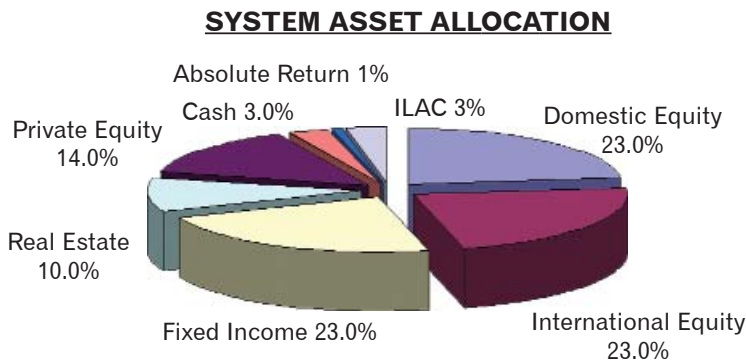
### Financial Market

Subsequent to year-end, there has been improvement in the conditions in the financial markets. The System's portfolio has recovered part of the losses sustained in fiscal year 2009. As of September 30, 2009, the portfolio return is up approximately 10% from fiscal year end. With continued improvement, the System looks forward to further gains. The System's Board and management continue to monitor the portfolio and take action as deemed appropriate.

*Expertise*

The 10-year period ended June 30, 2009 produced annual returns that were highly volatile for the markets as a whole and for the System. The System generated double-digit positive returns in five of the past 10 fiscal years, outperformed its policy index in eight of those 10 fiscal years and outperformed its peer group in nine of those 10 years. However, the double-digit negative investment return of fiscal year 2009 caused the System's 10-year annualized return to drop to 6.14%, below its return target of 8.50%. The 20-year return stands at 8.43%.

An integral part of the overall investment policy is the strategic asset allocation policy. The System's investment allocation provides an efficient allocation of assets designed to achieve overall portfolio risk and return objectives (See Figure 1). During fiscal year



**FIGURE 1**

2009, the Board conducted a comprehensive asset/liability study that resulted in changes that are intended to reduce the volatility of the System's investment returns and to further control the composition and management of the System's alternative investment portfolio. First, the target exposure to U.S. Equities was reduced from 30% to 20% to equal the target exposure of Non-U.S. Equities. Second, the Real Assets asset class was segregated into two new asset classes, Real Estate and Inflation-Linked, with the target exposure of the two increased from 15% to 17%. And third, the Alternative Investments asset class was segregated

into two new asset classes, Private Equity and Absolute Return, with the target exposure of the two increased from 15% to 23%.

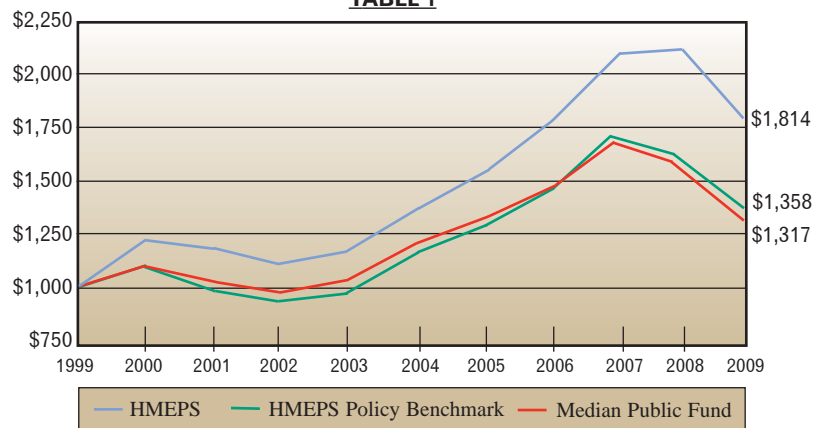
**Fiscal Year 2009 Results**

For the fiscal year ended June 30, 2009, the System returned -16.02%. Despite the disappointing results in absolute terms, the fund outperformed its policy portfolio return of -17.55% and the median return in the Wilshire Associates Public Fund universe of -19.19%.

The System's total fund return exceeds its policy portfolio for the following time periods (one, three, five and ten years). In addition, the System's total fund performance compares very favorably relative to the median public fund, as represented by the Wilshire Associates Public Fund universe, and has outperformed this benchmark for all time periods presented (one, three, five, and ten years). Over the five- and ten-year periods, the System is the top performing fund in the Wilshire universe.

The consistent long-term above-benchmark performance is best illustrated by the growth of \$1,000 invested in the System's total fund, the policy portfolio and median public fund during the past 10 years (see Table 1). The ending points indicate that \$1,000 invested in the System's total fund would have grown to \$1,814, while the same \$1,000 would have grown to \$1,358 and \$1,317, respectively, in the policy portfolio and the median public fund.

**TABLE 1**





## COMPARISON OF INVESTMENT RETURNS - YEARS ENDED JUNE 30

(Calculated based on a time-weighted rate of return based on the market rate of return)

	2009	2008	2007	2006	2005	3-Yrs.	5-Yrs.	10-Yrs.
<b>Total Fund</b>								
Actuarial rate	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
<b>Total Portfolio</b>	-16	0.47	18.64	18.11	13.85	0.2	6.2	6.1
Median Public Fund (Wilshire Public Fund Universe)	-19.2	-4.92	17.75	11.14	10.23	-3.2	2.7	3.08
<b>U S Equities</b>	-26.4	-16.79	19.36	11.14	7.94	-9.9	-2.6	0.6
Wilshire 5000 Index	-26.4	-12.53	20.45	9.92	8.23	-8.1	-1.6	-1.3
<b>International Equities</b>	-31.9	-5.42	29.54	30.14	13.24	-5.9	4.2	4
MSCI All Country World ex US Index	-30.5	-6.2	30.14	28.4	16.95	-5.4	5	2.9
<b>Fixed Income</b>	0.4	1.95	9.56	2.62	9.17	3.9	4.7	5.4
Barclays Aggregate Index	6.1	7.13	6.12	-0.81	6.81	6.4	5	6
Merrill Lynch High Yield Master II Index	-3.5	-2.09	11.72	4.71	10.62	1.8	4.1	4.4
<b>Real Estate</b>	-40.4	18.18	20.1	36.39	30.03	-5.4	8.5	10.4
NCREIF Property Index	-19.6	9.2	17.24	18.67	18.02	1	7.6	8.5
<b>Private Equity</b>	-20.9	11.86	25.37	22.46	19.96	3.5	10.3	8
S&P 500 Index	-26.21	-13.13	20.60	8.63	6.31	-8.22	-2.24	-2.22



*Gregory R. Dufour, Department of Health & Human Services*

# *Serving City of Houston Employees for 66 Years*

City of Houston officials in 1934 began setting aside funds with a special goal in mind – creating a retirement system to serve its hard-working employees. Nine years later, they had accumulated \$281,000 that they used to create the Municipal Pension System. The Texas Legislature established the plan, making the system official on May 3, 1943.

Sixty-six years of service later, the System remains true to the original vision of providing a pension to its members. But there have been a few changes along the way, as well as plenty of growth in assets and membership.

The Municipal Pension System consisted of a seven-member Board of Trustees made up of the city manager, city treasurer, two city employees who were members of the System and three taxpaying Houston voters. Membership included 108 retirees who received average monthly pensions of \$44.98 and 1,067 active members who made monthly contributions of \$2.00.

By 1950, Houston was the nation's 14th largest city - behind Milwaukee - with a population of 596,163. As the city continued to expand, officials knew they needed a solid workforce to fuel the growth and so they promised new hires a pension. The offer attracted many citizens to local government work, spurring a dramatic increase in the pension system.

Membership in the mid-1950s reached 4,548 and assets grew to \$3,966,825. An employee retiring in 1956 with 28 years of service was entitled to a pension benefit of \$100 per month. The monthly contribution by employees rose to \$7. Also during that time, employees became eligible for Social Security benefits.

As a new decade began in 1960, the System's assets surpassed the \$10 million mark for the first time to total \$10,596,901. Membership stood at 5,376 and active members were contributing \$10 a month to help fund the System's positive trend.

More change came in 1981, when bills were introduced in the Texas Legislature to establish a noncontributory pension group for employees, Group B.

The Pension System continued its upward trek in the early 1980s, with membership topping 14,856, including 12,252 active members and 2,604 retired members, beneficiaries and inactive vested members. During this time, Houston became

the nation's fourth largest city. The System's market value surpassed yet another milestone, the \$100 million mark, to equal \$108.5 million.

In 1987 the U.S. stock market suffered a severe decline and budgets in most of the nation's cities, including Houston, were adversely affected.

Despite the economic turmoil of the 1980s, the System's market value continued to grow. The 1989 fund was \$546.3 million – a 400 percent increase from 1980. That same year, the System published the first issue of the *Pension Press* newsletter.

In 1992, Roderick J. Newman was elected as the first African American to serve on the HMEPS Board. In 1993, the Board hired its first executive director, David L. Long, and his administrative staff. That same year, the name was changed to the Houston Municipal Employees Pension System, HMEPS.

HMEPS thrived and its market value climbed to \$1.17 billion in 1997, another major first for the pension system. Also, that year the Deferred Retirement Option Plan (DROP) was instituted.

In 2004, HMEPS and the City entered into its first Meet and Confer Agreement to make certain changes to the pension plan. In subsequent years, there have been four amendments to the original Meet and Confer Agreement. The Meet and Confer Agreement also established a new noncontributory group - Group D.

HMEPS continued to expand services to its membership in 2006 by participating in the City's first Financial Fitness Expo and introducing AccessHMEPS, an online service for DROP participants.

After serving the System for 35 years in different capacities, Fred Holmes stepped down from the HMEPS Board in 2008. Rod Newman was elected Chairman, the first African American elected to the post since the creation of the fund in 1943. In September, Sherry Mose became the first female elected to the office of Chairman.

As of June 30, 2009 the System had more than 26,538 participants and total assets of \$1.7 billion. HMEPS is honored to continue the commitment set forth so many decades ago for the valued employees of the City of Houston.

## ACKNOWLEDGEMENTS

- Peter Koops, Communications Specialist, HMEPS.
- Martin Blaise, Senior Communications Specialist, Information Systems Division, Houston Department of Health & Human Services (HDHHS).
- Sandra Jackson, Assistant Public Information Officer, and Daniel P. Hinojosa, Web Developer, Solid Waste Management Department.
- Jim Olive/Stockyard Photos, Inc.
- [www.VisitHoustonTexas.com](http://www.VisitHoustonTexas.com).



HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM  
1111 BAGBY, SUITE 2450, HOUSTON, TEXAS 77002-2555  
PHONE 713-595-0100 | WEB [WWW.HMEPS.ORG](http://WWW.HMEPS.ORG)

