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HOUSTON MUNICIPAL EMPLOYEES
PENSION SYSTEM
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September 23, 2010

Mayor Pro Tem Anne Clutterbuck
District C
900 Bagby, 1st Floor
Houston, TX 77002

Dear Mayor Pro Tem Clutterbuck:

We received your recent letter requesting the following information regarding retirees in the Houston Municipal Employees Pension System (HMEPS) who began receiving normal retirement benefits from July 1, 2009 to June 30, 2010:

- Age at retirement
- The initial annual annuity amount expressed as a % of annual base salary immediately prior to retirement
- The DROP account balance at retirement expressed as a multiple of annual base salary immediately prior to retirement

HMEPS does not utilize annual base salary information for individual retirees. In addition, because retirement benefits and DROP benefits for DROP participants are based on average monthly salary as of the later of January 1, 2005 or DROP entry date, HMEPS does not utilize salary information at retirement for DROP participants.

Your letter states that a review of the pension benefits the City provides to its employees will be included on the Budget and Fiscal Affairs agenda on October 5, 2010. Under the Meet and Confer Agreement between HMEPS and the City, there have been significant changes to the HMEPS plan over the last five years. These changes include reducing benefit accrual rates, delaying retirement eligibility, and lowering COLAs. In addition, a new group design was implemented in 2008 for all newly hired employees with lower benefits and later retirement eligibility.

All of these changes cut approximately \$1 billion from current and future employee benefits and brought substantial reductions in costs to the City, including a normal cost that is below 6% of employee pay. However, the information you requested on employees retiring over the last year would not reflect these changes and would present an incomplete picture of the benefits that the City provides to its employees and their cost.

To assist you with your inquiry on employee pension benefits, we have attached information from the HMEPS Comprehensive Annual Financial Report for the Year Ended June 30, 2009, with additional information based on updated data:

- Average Benefit Payment Amounts for the Ten years Ended June 30, 2009
- Average Benefit Payments by Type (Normal, Disability & Survivor) for the Ten Years Ended June 30, 2009
- Annuitants by Type for years ended June 30, 2009 and 2008, including number of annuitants, benefit amounts and average benefit
- Active Participant Data since the July 1, 2000 actuarial valuation, including number of participants, annual payroll, average salary and percentage salary increases
- Average Benefit Payments by Years of Credited Service (2005-2009) and Five Year Average, including (in 5-year bands and for all members) the following: average monthly benefit, average monthly salary, average DROP balance, and number of retirees.

Each year, HMEPS provides the Comprehensive Annual Financial Reports to all Council Members, and posts the reports on the HMEPS website at www.hmeps.org. HMEPS also used to provide information on benefits and funding to the former City Council Pension Review Committee (PRC), which was dissolved approximately two years ago. The PRC was an important link between the City and the pension systems, and provided an opportunity for the systems to periodically present information to Council, answer questions, and facilitate the discussion of pension-related matters from both the City's and the pension system's perspectives. We would welcome the opportunity to once again have such a forum in which to share information.

Please call me if you have any questions.

Sincerely,



Rhonda Smith
Executive Director

cc: HMEPS External Affairs Committee

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
FOR THE TEN YEARS ENDED JUNE 30, 2009**

<u>Year Ended</u>	<u>Number Receiving Benefits</u>	<u>Benefits Paid (\$000)</u>	<u>Average Annual Benefit</u>
June 30,2000	5,104	50,142	9,824
June 30,2001	5,457	57,877	10,606
June 30,2002	5,928	72,256	12,189
June 30,2003	6,215	84,519	13,599
June 30,2004	6,878	107,083	15,569
June 30,2005	7,523	123,211	16,378
June 30,2006	7,780	135,688	17,441
June 30,2007	7,971	142,961	17,935
June 30,2008	8,155	150,593	18,466
June 30,2009	8,340	158,356	18,988

SCHEDULE OF BENEFITS BY TYPE (\$000) FOR THE TEN YEARS ENDED JUNE 30, 2009

<u>Fiscal Year Ended</u>	<u>Normal Retirement Benefits</u>	<u>Disability Retirement Benefits</u>	<u>Survivors' Benefits</u>	<u>Total Benefits</u>
June 30, 2000	39,836	3,490	6,816	50,142
June 30, 2001	46,867	3,555	7,455	57,877
June 30, 2002	59,746	3,638	8,872	72,256
June 30, 2003	71,246	3,715	9,558	84,519
June 30, 2004	92,766	3,832	10,485	107,083
June 30, 2005	108,217	3,762	11,232	123,211
June 30, 2006	119,287	3,658	12,743	135,688
June 30, 2007	125,246	3,700	14,015	142,961
June 30, 2008	131,765	3,648	15,180	150,593
June 30, 2009	138,123	3,689	16,544	158,356

SCHEDULE OF ANNUITANTS BY TYPE

<u>Schedule of Annuitants by Type</u>	<u>June 30, 2009</u>			<u>June 30, 2008</u>		
	<u>Number</u>	<u>Benefits (\$000)</u>	<u>Average Benefit</u>	<u>Number</u>	<u>Benefits (\$000)</u>	<u>Average Benefit</u>
Retirees receiving benefits	6,336	138,123	21,799	6,186	131,765	21,300
Retired on disability	415	3,689	8,889	428	3,648	8,523
Survivors and beneficiaries	1,589	16,544	10,412	1,541	15,180	9,851
Total retirees, survivors and beneficiaries	8,340	158,356	18,988	8,155	150,593	18,466
Former participants eligible but not yet receiving benefits	2,884	19,598	6,795	2,931	19,811	6,759
Total Eligible for Benefits	11,224	177,954	15,855	11,086	170,404	15,371

HISTORICAL ACTIVE PARTICIPANT DATA

Valuation Date	Number of Participants	Annual Payroll (\$000)	Average Salary (\$)	% Salary Increase
July 1, 2000	13,126	421,591	32,119	7.6
July 1, 2001	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	33,787	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
July 1, 2009	13,333	539,023	40,428	5.7

2000 and 2001 do not include DROP participants

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

AVERAGE BENEFIT PAYMENTS BY YEARS OF CREDITED SERVICE

Members Retiring During Year

	Years of credited service							All Members
	5-10	11-15	16-20	21-25	26-30	30+		
2009 Average monthly benefit	\$ 582	\$ 881	\$ 1,526	\$ 1,839	\$ 2,320	\$ 2,400	\$ 1,591	
Average monthly salary	\$ 3,278	\$ 3,032	\$ 3,267	\$ 3,166	\$ 3,383	\$ 2,959	\$ 3,181	
Average DROP balance	\$ 42,190	\$ 55,623	\$ 173,415	\$ 164,178	\$ 283,627	\$ 19,301	\$ 123,056	
Number of retirees	76	89	76	86	21	3	351	
2008 Average monthly benefit	\$ 532	\$ 1,036	\$ 1,503	\$ 2,342	\$ 3,721	\$ 1,826	\$ 1,827	
Average monthly salary	\$ 2,967	\$ 3,169	\$ 3,138	\$ 3,279	\$ 3,956	\$ 2,527	\$ 3,173	
Average DROP balance	\$ 37,547	\$ 67,218	\$ 122,902	\$ 155,089	\$ 422,202	\$ 10,629	\$ 135,931	
Number of retirees	62	92	88	76	20	2	340	
2007 Average monthly benefit	\$ 550	\$ 956	\$ 1,350	\$ 2,042	\$ 3,360	\$ 3,252	\$ 1,918	
Average monthly salary	\$ 2,867	\$ 2,893	\$ 2,958	\$ 2,943	\$ 3,555	\$ 3,476	\$ 3,115	
Average DROP balance	\$ 37,590	\$ 56,962	\$ 81,073	\$ 135,316	\$ 273,677	\$ 368,268	\$ 158,814	
Number of retirees	81	102	63	73	24	4	347	
2006 Average monthly benefit	\$ 553	\$ 1,147	\$ 1,608	\$ 2,344	\$ 2,870	\$ 2,725	\$ 1,875	
Average monthly salary	\$ 2,906	\$ 3,243	\$ 3,263	\$ 3,186	\$ 3,118	\$ 2,812	\$ 3,088	
Average DROP balance	\$ 33,642	\$ 57,946	\$ 93,836	\$ 126,830	\$ 162,450	\$ 217,721	\$ 115,404	
Number of retirees	74	91	93	132	40	5	435	
2005 Average monthly benefit	\$ 655	\$ 993	\$ 1,715	\$ 2,106	\$ 2,810	\$ 2,898	\$ 1,863	
Average monthly salary	\$ 2,930	\$ 2,847	\$ 3,069	\$ 2,807	\$ 3,084	\$ 2,979	\$ 2,953	
Average DROP balance	\$ 31,291	\$ 46,690	\$ 81,834	\$ 88,719	\$ 167,759	\$ 250,593	\$ 111,148	
Number of retirees	89	138	173	275	116	14	805	
5 Years Ended 6/30/2009	Average monthly benefit	\$ 574	\$ 1,003	\$ 1,540	\$ 2,135	\$ 3,016	\$ 2,620	\$ 1,815
Average monthly salary	\$ 2,990	\$ 3,037	\$ 3,139	\$ 3,076	\$ 3,419	\$ 2,951	\$ 3,102	
Average DROP balance	\$ 36,452	\$ 56,888	\$ 110,612	\$ 134,026	\$ 261,943	\$ 173,302	\$ 128,871	
Average Number of retirees	73	94	80	92	26	4	368	