

CRAIG MASON CONTRACT FIRST AMENDMENT
Frequently Asked Questions

1. Why are we requesting this First Amendment to the Contract?

Based on the qualifications set out for the Chief Pension Executive, Craig Mason was originally hired in 2005 as a salaried employee with no benefits. After being hired as a full-time employee, it was concluded that a full time City employee could not legally be excluded from participating in a City sponsored pension plan. In order to avoid any conflict of interest, it was determined that the position should not be a beneficiary of a City sponsored pension system and the position was placed on a “contract” basis. The position is housed in the Finance Department and reports to the Director of Finance or their designee.

The current contract expires December 31, 2013. However, it is extremely important to extend the contract for two more years as serious pension issues continue to persist along with the upcoming implementation of new GASB rules and rating agency procedures.

2. Who is Craig Mason and how long has he provided these services for the City of Houston?

An executive recruiting firm, Spencer Stuart, was originally engaged by the City to search for a person to fill the position. It was determined, and has been verified by experience, that Craig Mason met both the experience requirements and personal characteristics formulated for the position. Craig Mason has been providing pension related consulting services for the City of Houston since 2005. There have been four previous three-year contracts approved by City Council. The most recent one was approved by Council on December 16, 2009, Ordinance No. 2009-1343.

3. What are the specific responsibilities under the contract amendment?

The following is an outline of the major consulting responsibilities included in the contract:

- a. Review, analyze, and evaluate the benefit design, plan administration, and funding issues involved with the 3 City sponsored pension systems.
- b. Serve as a trustee on all 3 pension boards.
- c. Enhance understanding and promote good decision-making, routinely prepare and communicate the benefit design, plan administration, and funding issues to all stakeholders – City Administration, City Council, City management, employees, taxpayers, pension boards, and State Legislature.
- d. Develop appropriate alternative solutions to benefit design, plan administration and funding challenges.
- e. Manage the project and relationship between the City and any actuary engaged by the City to perform desired actuarial services in connection with the pension systems.

- f. Train City staff, particularly the Finance Department personnel, on matters related to the City's pension as well as rules, regulations and processes.
- g. Provide and submit a succession plan for the transition of services upon completion of this agreement.

Any other duties, as may be assigned by the Mayor or Director of Finance or his/her designee.

4. What three pension funds are covered under this contract amendment?

(As per 2012 Actuarial Valuation Reports)

1. Houston Police Officers' Pension System (HPOPS):
 - \$3.57 billion in assets
 - Over 8,556 Participants
2. Houston Municipal Employees Pension System (HMEPS):
 - \$2.02 billion in assets
 - Over 26,419 Participants
3. Houston Firefighters' Relief & Retirement Fund (HFRRF):
 - \$3.16 billion in assets
 - Over 6,586 Participants

5. What reports are available and how can a constituent view them?

Both actuarial and annual (CAFR) reports for each of the pension systems can be accessed online as follows:

The Houston Firefighters' Relief & Retirement Fund: www.hfrrf.org

The Houston Police Officer's Pension System: www.hpops.org

The Houston Municipal Employees Pension System: www.hmeps.org