

October 25, 2016

Sherry Mose, Chairman
Houston Municipal Employees Pension System Board of Trustees
1201 Louisiana, Suite 900
Houston , Texas 77002

Dear Chairman Mose:

The Association of Retired Houston Municipal Employees (ARHME) has reviewed the *Proposed Revisions to Plan Provisions (7/1/2017 effective date)* as posted on the HMEPS website.

This correspondence is a result of that review. The city has for some time let it be known of its desire to reduce its actuarially required contributions to the pension system. We appreciate the diligence and hard work that went into these proposed revisions to accomplish that objective. Nonetheless, we are concerned of their impact on retirees,

Specifically ARHME believes that it is unfair that retirees should have to take such a large share of the reduction, particularly since they were promised benefits at a certain level when they retired and many made their decision to retire based on that promise. The equity of changes to benefits aside, I would also like to remind you that we have sustained such changes in the past, but at least then we had time to adjust and adapt. Those of us who are now retired do not have sufficient time to do so again. Past changes affected future benefits, not those already earned. If changes to benefits are to be made, that same principle should be applied.

Although we would prefer to see no changes to our pension, we recognize that for the city to achieve its objective of pension cost savings that changes will be required. We do, however, believe that the following recommended changes, though they may require modifications to the current HMEPS proposal to achieve the city's objectives, are more appropriate than those currently proposed.

COLA – Group A/B

- ARHME recognizes that the greatest cost savings to the city going forward are achieved by reductions in our COLA. However, we would like to see the currently proposed reductions in the COLA modified to the following schedule.
- 1.5 %, not compounded, if hired before 2005 effective February 1, 2019 and then thereafter
- 1.25%, not compounded, if hired after 2005 effective February 1, 2019 and then thereafter

Survivor Benefits – Group A/B

- 100% for Survivors of Employees retired prior to July 1, 2017
- 80% for Survivors of Employees retired on or after July 1, 2017

Mutually agreed Risk-Sharing Provisions (funding and plan design issues)

- We believe that if the proposed changes will, as stated by the mayor, truly provide a pension system that is reliable and sustainable, there should be no need for a provision such as this that will keep retirees continually concerned that further reductions could be made to their pensions. After years of reading and hearing only the bad news about our pensions, we would like to finally be able to relax and enjoy our retirement without the constant worry that our hard earned pensions could be reduced once again.

It should be noted that two of our board members, Lonnie Vara and Rod Neuman, are also on the HMEPS board of trustees as retiree representatives. Both have been and will be in the future required to vote on this and other matters affecting our pensions, and accordingly have abstained from endorsing this response to the proposed changes.

Sincerely,

George H. Bravenec
President
Association of Retired Houston Municipal Employees

cc: Mayor Sylvester Turner