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#### INSIDE

Retirement Planning  
Beyond the Numbers

Hiring an Attorney

Naming a Beneficiary

Investment Summary

## HPOPS Now Provides Free Estate-Planning Services



BY J. LARRY DOSS,  
CHAIRMAN

The Greek playwright Euripides once said: "No one can confidently say that he will still be living tomorrow". Truer words have hardly been spoken which apply so universally to all of us, regardless of age.

Although difficult to think about, it is vital that you plan ahead for the sake of your family and loved ones.

You may not realize it, but no one really dies without a Will. The State of Texas essentially writes a Will for those residents who fail to do it themselves. This means that the State, as opposed to you, may ultimately control the distribution of your property and the care of your minor children once you are gone, and you may or may not like the results!

In order to assist you in this effort, HPOPS is pleased to announce the advent of our Estate Planning services offered through our staff attorneys. These services include the preparation of basic Wills and other legal documents, if needed. These services are offered at no charge to HPOPS' members, members' spouses, survivors and survivors' spouses.

Whether you have a Will that requires updating, or have never thought about a Will at all, we hope that you will take advantage of these services. At the very least, you might consider discussing your options with our new staff attorney, Jennifer Swick.

Although estate planning and financial planning are not synonymous, the services tend to go hand in hand. As such, we encourage you to utilize HPOPS' financial planning services in tandem with the estate planning services. Please contact HPOPS to set up meetings with the appropriate staff members.

HPOPS' mission is simple. It is charged with responsibly managing your pension assets in your best interests, and in a manner that assures both you and your beneficiaries' peace of mind. Assisting you with your estate planning needs takes this mission one step further, and is the reason HPOPS now offers this enhanced service. While it is HPOPS' sincere hope that services such as this will benefit its members, it remains acutely focused on its primary goal – providing you and your beneficiaries with an adequate pension in retirement.

#### OUR MISSION

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TO RESPONSIBLY  
MANAGE THE SYSTEM IN  
THE BEST INTERESTS OF  
THE MEMBERS AND  
BENEFICIARIES SO THAT  
THEY MAY HAVE PEACE  
OF MIND KNOWING  
THEIR PENSION  
BENEFITS ARE SECURE.

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# Retirement Planning Beyond the Numbers

A co-worker recently chided me for sending out so many articles catering to the 20+ year crowd. Since I've been talking about DROP strategies and retirement income needs lately, I could see where he was coming from. After all, why would an Officer with less than 20 years service want that kind of information? This mind set is pervasive, and indicative of how people underestimate the challenges ahead of them. For example, everyone fantasizes about retirement. But how will you know when you can afford to retire? Isn't it better to compare projected income and estimated expenses ahead of time, rather than pulling the chute and hoping for the best? Lets say you would like to retire in 10 years. Is it okay to go ahead and take on a new super-sized 30-year mortgage? Retirement is not a far distant and isolated event.



Assume for a moment you are in your early to mid fifties, and all the retirement related financial questions have all been addressed to your satisfaction. What else is there to worry about? The one word answer is, "time". What are you planning to do with all of that time? With life expectancy steadily increasing, you may have three more decades at your disposal. Soon-to-be retirees talk about "taking it to the house and relaxing." That's great, but then what? My research indicates that retirees really need more of a plan than that. An important part of the retirement planning process is to identify ways to use all of that time in pursuit of things that are fulfilling and meaningful. Granted, this is a subject outside the financial realm, but I address it for one simple reason; no one else does.

One of the most commonly avoided taboos relating to retirement is the psychological affect it has on people. We touched on this in "Are You Really Prepared For Retirement?" Men in particular are reluctant to talk about these things. If you ask a retiree how things are going, the response is usually the same. The retiree tells you that relaxing beats work hands down, and everything is just wonderful. After all, how could retirement not be perfect, right? If a retiree is having problems (boredom, depression), he is not likely to admit it.

One of my favorite Wall Street Journal writers, Jonathan Clements talked about this in a recent article titled "Off Your Rocker: For a Happy Retirement, Don't Swap Work for the Front Porch." He says studies have shown that we are creatures of habit in ways we don't fully recognize. After 35 or 40 years of reporting to work, our brain is accustomed to a certain routine. That routine is typically altered once we retire, and the brain is likely to object to that. According to Clements, **"work gives a structure to your day, lets you exert influence and garner praise, offers friendships with colleagues, and provides a sense of purpose and identity."** Psychologists have concluded that if we think we'll no longer need those things while in retirement, we are sadly mistaken (literally). We need to spend some time well in advance, figuring out how we will maintain some structure in our day, develop new friendships, and enjoy some sense of purpose once we have retired. I wonder how many retirees are out there right now

Continued

## Houston Police Officers' Pension System

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feeling out of sorts, not knowing why they feel that way or how to change it. It's unfortunate that educational material on this subject is not more widely publicized. But, as mentioned earlier, people don't like talking about these things.

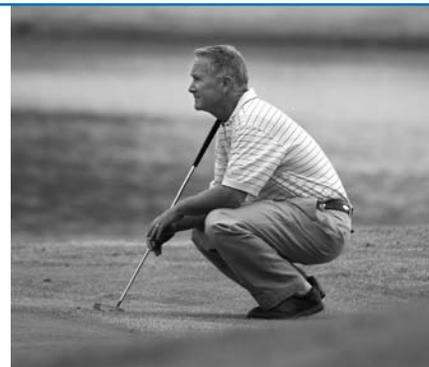
Experts insist that retirees must find a new purpose in life. They need to have a passion for something that gives them a reason to jump out of bed in the morning. When soon-to-be retirees are asked what they plan to do with their free time, golf and fishing are often high on their list of activities. That's not a bad start, since they do provide year-round exercise and can give a retiree's week some structure. They might even garner some praise (as mentioned earlier), and can certainly encourage new friendships. I've never met a fisherman I didn't like. As for passion, a round of golf can definitely pro

purpose, and identity your job has provided through the years? They say that until you have a plan for addressing this question, don't retire (at least not completely). People who are at least aware of these challenges, and think about them years in advance are more likely to have a smooth transition out of full time employment.

With the baby boomer generation beginning to reach their 50's and 60's, the awareness of these issues may begin to improve. Small advisory services such as My Next Phase ([mynextphase.com](http://mynextphase.com)) are trying to satisfy a growing demand for information. They typically use some type of personality test, designed to determine how you are likely to handle the retirement transition. They attempt to identify what aspects of retirement you are well equipped for, and point out potential vulnerabilities. For example, if the results indicate you're an intro

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vide that. Throwing an uncooperative titanium driver into the woods is unquestionable evidence of passion. But, apparently a happy and contented retiree will eventually need a little more than golf, and fishing. We will also need to discover a renewed sense of purpose.

Psychologists explain it this way. Playing golf every day can provide enjoyment, but teaching kids how to play can give you a sense of purpose. Sharing and passing along something you have passion for, can deliver that sense of purpose. According to best selling author and former psychology professor, Tom Morris, "The happy person is engaged in life as a participant, not just as a spectator. If you want to be happy, find something you love and do it with people you love. That seems to be a nearly universal prescription for happiness." Inactivity and solitude on the other hand, can be key ingredients for the blues.

If you are planning to retire in 5, 10, or 15 years, how will you replace the structure, the camaraderie, sense of

vert (like me), you're reminded to make a special effort to develop a new group of friends. They will also try to help you identify things that bring the most satisfaction, and reveal activities you truly have a passion for. Services like this tend to offer different levels of assistance. You can try a fill in the blank, do it yourself version for around \$30. Or if you are willing to pay a little more, the service may include multiple sessions with a coach. This allows you to discuss your thoughts with a real live person, who has some training in these matters. Since I have had no personal experience with these services, I'm not endorsing them. But I think it's very interesting to see this non-financial type guidance finally being offered. When we stop and think about it, it makes sense that preparing for retirement should involve more than finances.

I look forward to your feedback. Feel free to email responses to [rgable@hpops.org](mailto:rgable@hpops.org), so I can track how many people are tuning in.

# HIRING AN ATTORNEY

Let's say you are, unhappily, involved in a divorce. Who do you hire to represent you in this matter? Well, most people want to employ the least expensive attorney they can find, without regard to whether or not the attorney is competent to handle the matter. After all, if the lawyer has hung out his shingle, then he ought to be competent to handle any legal matter at all!

One question I would ask you then is, "If you needed a tumor removed from your brain, would you hire a pediatrician to do the job, or would you hire a bona fide neurosurgeon? After all, they are both physicians aren't they?" I am sure I know what your answer is to this question. Why not hire a "Board Certified" family law attorney to represent you in a divorce?

Two of the biggest problems for most parties in a Texas divorce are: (1) what constitutes "community property" and, (2) what is a fair and equitable measure of child support. Generally, at the time of a divorce every asset you and your spouse acquired during the marriage is "community property" and subject to division at divorce. There are some exceptions – property you inherit is not community property. If, however, you "co-mingle" your inherited property with community assets it may become community property, for example if you inherited the house you live in, but you use community assets to make repairs or remodel, that house may become community property. Inherited cash would lose its separate property identity if it is deposited in a joint bank account with your spouse.

Retirement plan assets can constitute an extremely complex problem. Although an attorney who is Board Certified in family law may not know everything, he or she has a much better chance of being aware of the alphabet soup of laws, regulations and even court cases pertaining to retirement plans. For example: What is ERISA? Does ERISA apply to governmental plans? Is HPOPS a governmental plan? What is a QDRO? What is a DRO? What is the PPA of 2006? What is The Texas Government Code? If an attorney does not work in the

family law field very often, he/she can easily get lost in all of the complexities. For the average family, besides a home, the largest single asset to be divided between the parties is the retirement plan or plans of the parties.

Child support is an area of the law that has gained a lot of publicity lately, and especially since the Texas Attorney General has launched a huge campaign to search for and collect payments from so-called "Dead-Beat-Dads." If a father who is ordered to pay child support loses a lucrative job, and is forced to take a lesser paying one, it is sometimes extremely difficult and expensive for him to have his child support liability reduced. Some times a father may be "laid-off" from work, and cannot find any sort of job – throwing this man in jail on a contempt of court charge only puts him further in debt! An inequity that is possible at HPOPS and other plans can occur if a male member is in DROP and he has a sizeable DROP balance, and he decides to retire. Upon divorce, the man's spouse may be awarded half of his DROP balance and half of his monthly retirement benefit as her share of the "community" assets. On top of that, if there are minor children involved, the man will probably be required to make child support payments. Often, these child support payments may be assessed without any consideration that half of the man's income and assets have been paid to the spouse when the community assets were divided. Shouldn't the spouse share in the expense of raising the children? Many spouses work outside the home and can earn more money than the HPOPS member. Is this properly brought out at divorce? Sometimes, I fear that it is not, and the father is required to pay a disproportionate share of the expenses of raising the child or children.

Too often, when you hire the least expensive attorney you can find, you get exactly what you pay for! If you do not know whom to hire, ask your local bar association for a referral. The Houston Bar Association has an excellent lawyer referral program. ([www.hba.org](http://www.hba.org))



# Naming a Beneficiary

While discussing the eventual death of members is uncomfortable, it is an important topic, particularly for a pension plan. This article discusses what happens to a benefit “earned” but unpaid at the death of a member with no statutory survivor (spouse, dependent child; or dependent parent), or upon the death of a statutory survivor.

As most of you know, pension checks are paid at the end of every month. In the event a member dies with no statutory survivors, or the statutory survivor dies, for example, on the 10th day of the month, HPOPS will stop payment for that month’s benefit. While the member or statutory survivor was entitled to receive the benefit for the first 10 days of the month, absent a valid Designation of Beneficiary Form, HPOPS would pay this unpaid benefit to the decedent’s estate. In order to pay an estate, HPOPS requires the estate be probated in the appropriate court. Many times the attorneys’ fees and court costs exceed the amount of money due the estate. This circumstance is frustrating for both the member’s or survivor’s family and HPOPS.

To avoid this problem members and statutory survivors should designate a beneficiary to receive this benefit. Retired members have always had the ability to file a beneficiary designation with HPOPS, but statutory survivors have not. In its January 2007 meeting, the Board approved a new policy, the “Survivor’s Final Payment Policy,” which allows statutory survivor’s to name a beneficiary to receive any monthly pension benefits earned but unpaid upon the statutory survivor’s death.

The new “Survivor’s Final Payment Policy” allows HPOPS to accept a Designation of Beneficiary Form from a statutory survivor naming the survivor’s beneficiary to receive the unpaid monthly benefit. (Please note: Surviving spouses still cannot name a beneficiary to receive any DROP/PROP balance. HPOPS will pay these accounts to the Estate of the

Surviving Spouse only). If a Designation of Beneficiary Form is on file upon the death of the statutory survivor, HPOPS will verify the beneficiary and forward any monthly pension benefit to him/her without court involvement. The policy provides additional options for those who do not have a Designation of Beneficiary Form on file in lieu of the standard Letters Testamentary or Letters of Administration, which are received through the normal probate process. These other options include:

1. *A Small Estate Affidavit;*
2. *Probate for Muniment of title or;*
3. *A certified copy of the final judgment of a court of competent jurisdiction resulting from a proceeding to declare heirship to the estate.*

For more details on these documents, please consult your legal counsel.

All of the options above require legal documents and possible attorneys’ fees and court costs. However, these costs can be avoided by simply completing a Designation of Beneficiary Form with HPOPS.

Current surviving spouses should have received a letter and form in the mail. If you have not already done so please complete, sign, date and return the form to HPOPS as soon as possible. If you are a retired member you might need to complete, sign, date and return a regular monthly Designation of Beneficiary Form.

Important: The Designation of Beneficiary Form is not valid until HPOPS receives it. A form not received by HPOPS is not a valid designation.

If you have any questions concerning any of the above or to inquire about your current beneficiary designation, please contact the HPOPS’ office for assistance.



**D**uring the quarter we have been able to out-perform our benchmark return on a total fund basis with the help of both a good team of active investment managers and significant exposure to a wide range of investment opportunities within individual asset classes. The first quarter of 2007 ended with a gain in our portfolio of approximately 3.24% versus a benchmark return of 2.06% for the same period.

**Stock Market Investments**

After the markets surged to start the year, late February saw the Asian

market plummet. This precipitated a downturn in the U.S. markets, which was quickly exacerbated by a spate of bankruptcies among mortgage lenders specializing in sub-prime loans. Stocks have since rallied off their lows with the Russell 3000 Index recovering for a 1.27% gain for the quarter. HPOPS' U.S. equity portfolio out-performed the Russell 3000 in the first quarter with a return of 2.73%. Our domestic equity allocation benefited from the value tilt among large caps, a large allocation to utilities and a small allocation to software. Our non-U.S. equity portfolio returned 4.61% for the quarter, beating the MSCI AW ex U.S. Index return of 3.22%. After a strong start, emerging markets also fell sharply in late February. Recovering almost 4% in March, emerging markets ended the quarter back in positive territory

with a 2.35% gain. HPOPS started building a position in emerging markets in January and has returns through March of 2.97%. Year-to-date U.S. stock performance by sector, as reported by Morningstar.com, can be seen in the table below.

**Fixed Income Market Investments**

As the quarter progressed, economic data started to trend weaker. Notably, the initial fourth quarter 2006 estimate of 3.5% GDP growth was revised downward to 2.5%. This and similar reports seemed to confirm suspicions that a good deal of surprising earlier strength had been more related to unusually warm winter weather than fundamentals. Meanwhile, oil prices, which had dropped to around \$50 per barrel, moved back above \$60 contributing to a downturn in stock prices. As often happens when

**Stock Performance by Sector**

Morningstar Stock Sector	Aggregated Returns ( % )				
	1st Qtr Return	6-Month	1-Year	3-Year	5-Year
Industrial Materials	6.97	18.96	17.32	18.58	13.67
Utilities	6.28	19.89	35.95	25.08	16.72
Consumer Goods	3.78	13.64	22.13	13.03	10.73
Business Services	3.14	14.14	10.17	15.48	11.01
Telecommunication	2.74	18.51	30.64	14.07	9.38
Consumer Services	2.23	9.98	8.34	8.89	7.72
Media	1.7	15.17	22.97	5.97	3.26
Healthcare	1.65	3.13	6.36	7.55	5.45
Hardware	0.61	7.65	1.97	2.11	2.92
Energy	-0.28	12.14	12.18	26.06	19.59
Financial Services	-0.98	7.53	14.06	13.27	12.07
Software	-2.08	4.47	6.81	8.55	5.64

*Data as of 03/30/2007. Three and five-year returns are annualized.*

stocks sink, investors piled into bonds, raising their prices and lowering their yield. Former Fed Reserve Chairman Alan Greenspan also contributed to the bond rally by wondering out loud about the possibility of a recession. Current Fed Reserve Chairman Ben Bernanke hasn't made it clear whether he fears recession and will lower interest rates or whether he fears inflation and will raise them. Although bond rallies generally reflect pessimism and the anticipation of lower rates, not everyone fears that the sub-prime debacle will spur recession. Additionally, employment remains robust, and energy prices appear stable for the moment. Fixed income, as measured by the Lehman Brothers U.S. Aggregate Index returned 1.50% for the quarter, was out-performed by HPOPS' fixed income portfolio's return of

2.20%. The rally continued in the high yield bond market as the Citigroup High Yield Index returned 2.50% for the quarter, on par with HPOPS' 2.57% high yield return for the quarter.

### Alternative Investments

Our Alternative Investment program is a work in progress as we are currently building positions in real estate, hedge funds and commodities, and we are actively working on becoming fully invested in these areas. Overall, our Alternative Investment program was disappointing this quarter producing returns of approximately .59 percent. If you look at the returns from where we were not yet fully invested, namely real estate, which returned something on the order of 3.00 percent, you can see one of the reasons that we are not satisfied with our re-

sults. The bright spot in our Alternative Investment portfolio is our private equity, which had an approximate return of 10.3 percent through March. Our commodities fund under-performed its index, the Dow Jones AIG Commodities Index 3.71% to 4.59% for the quarter and our only hedge fund had a negative return of 0.80.

*Morningstar. 26 March 2007.*

*Coumarios, John. "First Quarter in Stocks: Market Sees Bear's Shadow."*

*Hartford. 22 March 2007. 16 April 2007.*

*Bentley, Thomasin. "Market Update: Fixed Income Outlook."*

## IN REMEMBRANCE

*We wish to remember the following members who passed away.*

Beverly J. Holcomb	9/30/06	Survivor	Opal Edith Hooper	11/23/06	Survivor	Ina Kay Spurlock	3/8/07	Survivor
Jimmie M. Clark	9/30/06	Survivor	Jerry W. Ellis	12/1/06	Retiree	Tony Colca	3/11/07	Retiree
Marie Bennett	10/7/06	Survivor	Madge Combs	12/3/06	Survivor	Patrick W. McGill	3/16/07	Retiree
Jerry R. Bench	10/12/06	Retiree	Billy M. Ledsinger	12/31/06	Retiree	Cecelia Yarbrough	3/24/07	Survivor
Aroby Leon Mauldin	10/17/06	Retiree	Eveleen B. German	1/14/07	Survivor	Michael L. Howard	3/30/07	Retiree
Joseph R. Johansen	10/21/06	Retiree	Douglas L. Smith	1/30/07	Retiree	Jerry L. Pratt	4/7/07	Retiree
Michael A. Hamilton	10/21/06	Retiree	Lillian E. Goff	2/2/07	Survivor	Hazel M. Tucker	4/9/07	Survivor
Blanche W. Fulbright	10/21/06	Survivor	James Elmer Harrell	2/13/07	Retiree	Harold C. Jordan	4/12/07	Retiree
William Hill	10/26/06	Retiree	Floyd E. McDonald	2/17/07	Retiree	Tommye Utey	4/12/07	Survivor
Mitchell Crenshaw	11/8/06	Retiree	Vivian A. Zoch	2/26/07	Survivor	Glen D. Cheek	4/26/07	Retiree
Ruby G. Mauldin	11/9/06	Survivor	Frankie J. Sembera	3/2/07	Retiree	Gary N. Box	5/15/07	Active
Ilitia S. Stanley	11/15/06	Retiree	Charles E. Mcrae	3/2/07	Retiree	Max "Sonny" Wright	5/17/07	Active
George L. Butler	11/20/06	Retiree	Donald E. Dyches	3/5/07	Retiree			



# HPOPS

FOR TODAY & TOMORROW

JUNE 2007

## GET THE MOST "UP TO DATE" INFORMATION

### Interested in hearing more from HPOPS?

**Do you want to be the first to receive new articles and updates from HPOPS' Financial or Estate Planners?**

**Do you want to know the latest pension news?**

Those that are registered on the HPOPS Web site get updates as they happen. HPOPS would like to use email and the HPOPS Web site as two of the primary communication methods. Why, you ask?

- 1. It's FREE! No printing or postage.**
- 2. It's instant. No waiting for the mailman.**

If you are already registered on the HPOPS Web site make sure we have your current email address. The email address you logon the site with is the one we use to communicate with you.. You can change the email address after logging in under "My Profile".

**[www.hpops.org](http://www.hpops.org)**