
City of Houston Retired Employees Obligations

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Categories of Obligations

- Pension Plans Underfunding
- Pension Bonds
- Retiree Health Benefits

Pension Plans

- Three Plans
 - Police
 - Fire
 - All other Municipal Employees

- Contributions to trust fund
 - City
 - Employee

- Trust fund administration

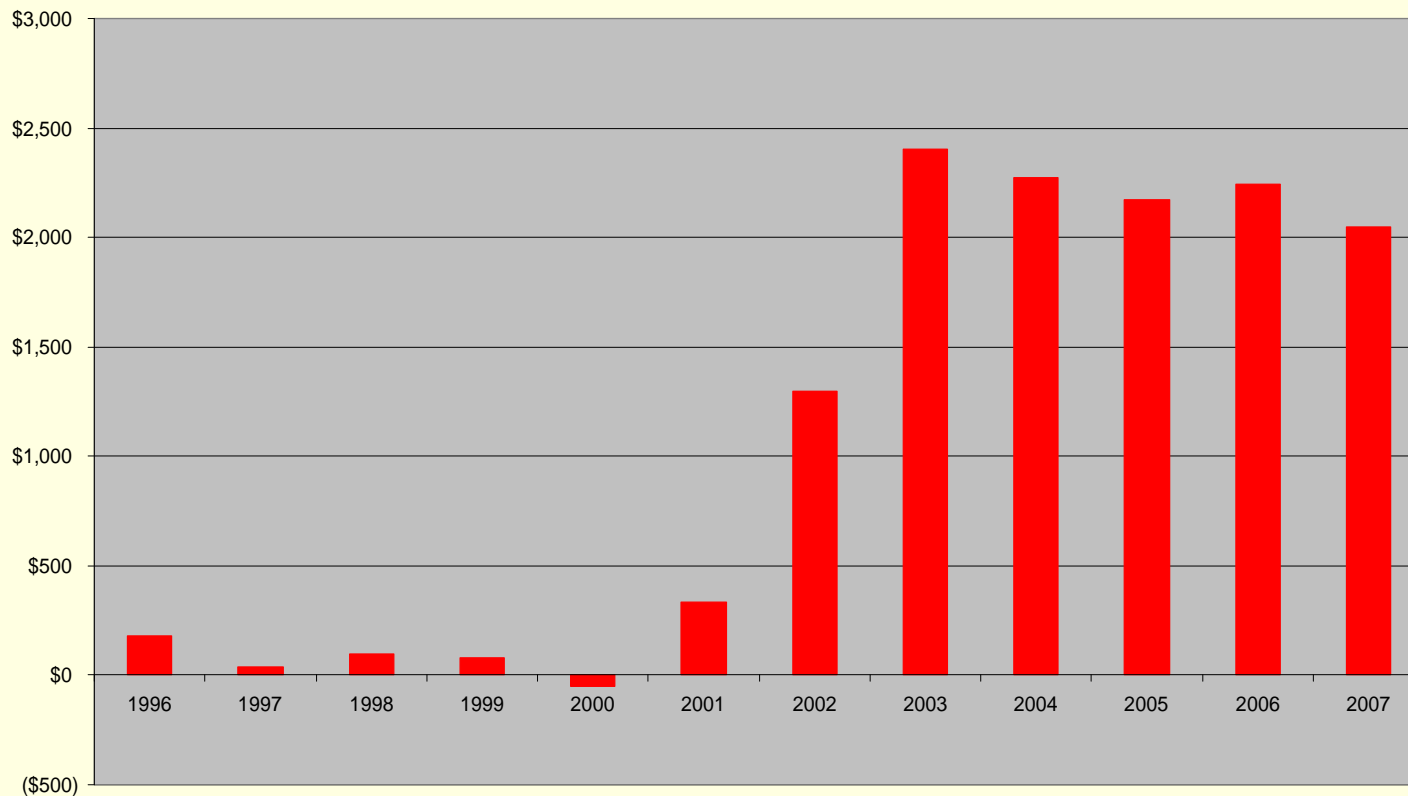
Pension Plans

- Measuring adequacy of funding
 - Variables – actuarial & investment return assumptions

- Actuarial Studies
 - Every two years or so
 - June 30, 2007 Report
 - Underfunding = \$2 billion
 - Investment rate assumption = 8.5%

Underfunding of Pension Plans without pension bonds

City of Houston Unfunded Pension Liability
All Pension Plans (Firefighters', Municipal Employees', and Police Officers')
(in 000's)



Dates are the Actuarial Valuation Date as of July 1st of the Year Indicated
Info not available for Municipal Plan for 1997, Firefighters Plan for 2003, or Police Plan for 2006, so those amounts were interpolated

Pension Bonds

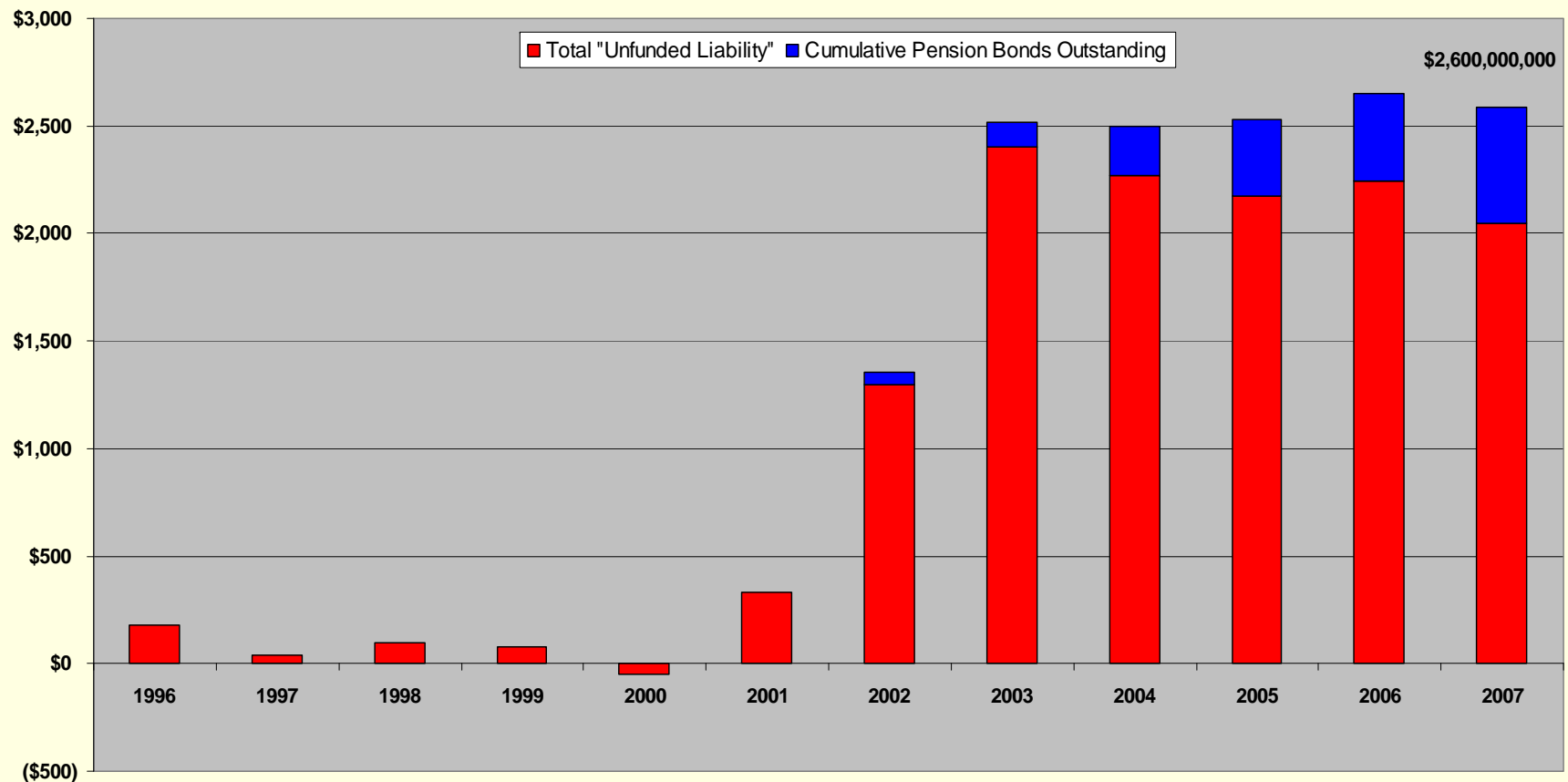
- Allowed by State Law
 - Enacted in 2003
 - City council can authorize if actuarial study shows deficit
 - Any amount
 - No voter approval
 - Not exempt from federal income tax
 - Last rate = 6.3%

- 2003-2007
 - \$225 Million
 - \$300 Million Hotel Note
 - \$400 Million borrowed December, 2008

- Now Owe = \$600 Million +

Pension Underfunding + Pension Bonds = \$2.6 Billion

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Retiree Health Benefits

- Estimated Liability as of *June 30, 2006*
\$3.2 Billion
- Annual Cost
 - 2002 - \$21 Million**
 - 2007 - \$54 Million**

Liability Acknowledged by City

Pension Underfunding per June, 2007 Report	\$2.0 Billion
Pension Bonds	\$.6 Billion
Retiree Health per June, 2006 Report	\$3.2 Billion
Total	\$5.8 Billion

How Bad Might It Be?

Liability acknowledged by City	\$5.8 Billion
Losses on investments since June, 2007	\$2.0 Billion
Use realistic investment rate assumption	\$.5 Billion
15% increase in health insurance cost since 2006	\$.6 Billion
Total	\$8.9 Billion

Perspective

Liability acknowledged by City	Factor per City's acknowledged numbers	Factor per worst case
Per Capita	\$2,521	\$3,826
City's Net Assets (\$3.4 Billion)	1.7X	2.8X
City's Annual Budget (\$3 Billion)	1.9X	3.1X
City's Total Bonded Debt (\$13 Billion)	45%	68%
City's Annual Property Tax Collections (\$830 Million)	7.2X	11.2X

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