AUGUST 2015

ADVISOR

"Dedicated to Providing Retirement Security for Firefighters and Police Officers – Past, Present and Future."

From the Executive Director, *Warren J. Schott, CFA*

The dog days of summer are upon us and the heat has definitely arrived in full force. Things have slowed down a bit at the office due to vacations; however, there are several items of note that should be of interest to you.

The first item I want to make you aware of is the implementation of **MemberDirect** effective January 1, 2016. **MemberDirect** is our online portal that will provide active and retired members secured self-service access to their personal information and other capabilities via the Internet. Whether you are using a desktop, laptop, tablet, or mobile phone, **MemberDirect** will respond and optimize the way the information is displayed for your particular device. This system will allow both active and retired members to make changes online without the need for paper forms. **MemberDirect** will also allow members to view/receive their annual member statements and check receipts online instead of being mailed. It is important to note that effective January 1, 2016, retiree check receipts will no longer be mailed to you. However, if you still want to receive a paper copy in the mail, all you need to do is call the Pension Fund at 210-534-3262 to alert us of this choice. We are still in the planning stages of this conversion, but I want you to be aware of this upcoming enhancement. More details will follow.

As it relates to investment performance, the Pension Fund continues to fluctuate between 2% - 4% for the fiscal year. The stock market has been down slightly for the first seven months of the year, so getting any kind of growth in our investments has been a struggle; one month we are up and the next we are down. As a refresher, the stock market has averaged approximately 16% annually for the past five years, so a slowdown was not unexpected. Our CIO, Matt O'Reilly will provide more information on the Fund's investments in this Advisor newsletter.

The last legislative update you received informed you that the Pension Fund Board had decided to request our legislators file legislation in Austin that made slight improvements in benefits and also reduced the City's contributions. Unfortunately, subsequent to that decision, the City Council voted to oppose the changes. As a result, the Board made the decision to request that the legislation be pulled. As you are probably aware, if either the Pension Fund or the City Council is opposed to the legislation, chances are unlikely that it would pass in Austin. Due to the unlikely passage of the legislation, the Board rightly felt there was no reason to continue to spend money on this effort. We will try again in 2017 to work with the City to formulate a legislative package that is beneficial to all parties.

Pension Fund Trustee elections have been completed, and all three of the incumbents either won their election or ran un-opposed. The trustees that were up for re-election were active fire trustee, J.T. Trevino, active police trustee, Jim Smith, and retired police trustee, Harry Griffin. The term of their office begins on June 1, 2015 and expires on May 31, 2019. Congratulations to all three.

In addition, the Mayor has made new city council appointments to the Pension Board. Councilman Ray Lopez, Councilman Joe Krier and former Councilman Art Hall have been appointed to the Board. We look forward to working with all three to continue to make the fund successful. After completion of the elections and council appointments, the Board held officer elections. J.T. Trevino will be the new Chairman of the Board, Jim Smith will be Vice-Chairman and Councilman Ray Lopez will be Secretary.

In furtherance of the Board's commitment to de-risking the investment portfolio, it has once again lowered the Fund's investment return assumption. The assumption has been lowered from 7.50% to 7.25%. So what does this mean and why did we do it? It is a more realistic goal considering the outlook for the stock market in the coming years. On the downside, it also reduces the funding level of the Pension Fund. We expect this decision will cause our funding level to drop from 93% to 91%. The Board discussed the fact that the investment asset allocation is moving toward investments with less risk but less return as well. Also, the Fund's general investment consultant (NEPC) stated "Given our current outlook, assumptions, and projections, and with a focus on the return side of the equation, our opinion is that a change to the investment return target of 7.25% is justifiable." The Fund's Actuary (Segal Consulting) stated that "Moving to a 7.25% investment return assumption will improve the Fund's probability of meeting or exceeding the assumption by about 4%, based on the current investment policy, and in our opinion is a reasonable assumption for the Fund." So by making this decision, the Pension Fund is able to de-risk some of the portfolio, reduce the volatility of the investments, and increase the probability of meeting our goals.

I hope by now you have had a chance to visit our website at www.safppf.org. We have finalized the new look and have made the information easier to access. Please visit it sometime and log-in to the Members-Only Site. The Members-Only Site requires you to give us your email address so we can send time-sensitive information to you. We also have a new Facebook Page. You can find it by searching "San Antonio Fire & Police Pension Fund". Please take the time to "Like" the page when you get a chance.

We have a new employee at the Fund. Savini Nanayakkara has joined the benefits department as a benefits specialist. She will be taking over the duties from the recently retired Sonia Martinez. More information is provided about Savini in the Benefits Article on the next several pages.

Thank you for support and please let us know if there is anything the Pension Fund can do for you. We stand ready to serve.

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www.facebook.com/SAFPPF

DB vs. DC Retirement Plans

By J. T. Trevino, Chairman

So it seems that the topic of DB retirement plans vs. DC retirement plans comes up whenever there is uncertainty about the fiscal stability of the plan sponsor. Heated discussion on this topic is a nationwide daily occurrence with "experts" on both sides chiming in with "The Answer". A brief 101 on Defined Benefit Plans (DB's) and Defined Contribution Plans (DC's) tells us that with a DB Plan, a retiree will receive a specific amount of money per month (which may include a lump sum payment), while a DC Plan does not pay a specific amount but allows the employee to save money in a tax deferred account (401k). As employees of the COSA Fire and Police Departments, we have the benefit of a DB Plan.

The way I look at it, in its simplistic form, I picture my employer wanting to hire an employee that would stay with my company for the long term. What does that mean for the employer? Simply, it brings workforce stability within the system and leadership from within, plus saving training and recruiting costs.

Years ago when I was hired, I had the opportunity to look at the pay structure and benefits and make a decision that would ensure that I could provide for my family during my employment and throughout retirement. The COSA Fire Department was the commitment that I made, primarily based on the points just mentioned. Twenty-seven years later, and no regrets, the decision that I made to join the Fire Department and provide for my family was indeed a smart move. The consensus is overwhelming: when I speak to my peers both in the Fire and Police Departments, it's clear that they feel the same way!

So where am I going with this? Our Retirement System has greatly improved the stability and experience levels in public safety in our city by ensuring *retirement security*. With the information that I just provided, what impact would a change in our retirement system from a DB Plan to a DC Plan have?

- I would certainly be concerned with the longevity of the employee, knowing that he could pick up his 401k at any time and leave for "greener pastures".
- With the possibility of an employee leaving for "greener pastures", the employer would be faced with the instability within the workforce and the loss of leaders from within, plus huge training costs.
- In many cases with a 401k, an employee can borrow against his/her plan therefore creating disastrous consequences upon retirement.
- In many cases the employee does not have the investment knowledge to manage risk in his/her portfolio, which can have disastrous consequences.
- A plunge in the market—like the 14% that occurred in the "Great Recession"—could cripple retirement expectations of an employee nearing retirement age, generating two important questions: 1) How long will it take to rebound? 2) Will you be healthy enough to stay employed for several years to recoup?

Understandably for employers, the advantage of DC Plans is that the long-term financial risk falls entirely on the employee. Once the employer makes its annual contribution, its responsibility for that year is over.

With this day and age of heated discussion on the viability of DB Plans and the affordability of DC Plans I ask myself a few questions.

- Does it mean anything that our Fund is the "model fund" that many experts refer to when in discussion on how a DB Plan should be managed?
- Does it mean anything that our Fund has not had an increase in contributions since 2001 and;
- Does it mean anything that our Fund contributes to the AAA credit rating that the COSA currently maintains?

"The Answer", pertaining to the heated DB Plan vs. DC Plan discussion in San Antonio is inherently different than most other cities. Our Fund was created with foresight years ago and managed extremely well throughout all financial markets while still providing stable benefits. Historically, the relationship amongst the parties that determine benefit adjustments worked together to determine what was affordable to the members yet sustainable to the COSA. Amidst all the rhetoric, our Fund will continue to be the leader in discussion on how DB's can be run successfully and remain an important factor in the hiring and retaining the best possible public safety employee. Our Fund is STRONG, STABLE and unequivocally SUSTAINABLE.

Can I DROP Back to a Maximum Monthly Pension?

Shawn Ury, Active Police Representative

As Trustees we are frequently approached by members asking about benefit calculations, upcoming legislative changes, and general questions about how the fund is performing. In a recent conversation I had with a Fire Battalion Chief, I realized there was a common misconception about how the DROP plan works and at what point in your career do you reach the maximum benefit. He was under the assumption that you could work for 38 years and DROP back to an 87.5% pension, which is the maximum percentage you can attain at 33 years of service. There is some truth to this statement but let me refer to the Pension Law for some clarification.

Section 5.015 Backward Deferred Retirement Option Plan is the section that addresses the DROP option. The intent of the Board has always been to offer members the option of taking a reduced monthly annuity (check) in exchange for a lump sum amount. On October 1, 2007 the pension multiplier was modified to allow members to reach a maximum pension of 87.5% with 33 years of service. Prior to this date, it would take 34 years to reach the same maximum pension. The DROP language, which I have partially quoted below, was not updated when this change took place.

"For purposes of the subsection, the member's service credit shall be the member's service credit determined in accordance with Section 5.01(g) of this Act less the amount of time for:

(1) any service credit in excess of 34 years of service, other than service credit for sick leave unused on the date of actual retirement;…"

The Board has discussed this oversight many times and the impact it has on our membership. The intention was always that you "gave up" some amount on your monthly check when you choose to take a DROP lump sum. This ensures that the DROP program is a close to cost neutral as possible (same cost to the pension fund irrelevant of which option you choose). This oversight has created a situation where a member can take a back DROP from 34 years to 33 years and still receive an 87.5% pension. This is essentially a "free" year since you can receive one year of DROP without giving up any percentage on your monthly check calculation.

The question posed to me was "can you work for 38 years, take a 5 year DROP and receive an 87.5% pension?" The answer to this question is no. The maximum monthly percentage that you can receive while choosing to take a DROP is at 34 years of service. This is worth repeating since it strikes at the heart of this article. YOU **CANNOT** IMPROVE THE PRECENTAGE USED IN YOUR RETIREMENT CALCULATION AFTER 34 YEARS OF SERVICE! Notice the language above that states ….**Less** the amount of time for any service credit in excess of 34 years of service. If a member wants to take the maximum back DROP of 5 years at any amount of service credit above 34 years of service, it will be calculated the exact same way. He or she would DROP back from 34 years to 29 years which is 84% of the high-three years from the last five. A member wanting to take a 5 year drop could not increase the percentage above 84% regardless of any additional service time. The same would be true for a shorter DROP. The maximum percentage with a four year DROP would be 86%, 3 year DROP-86.5%, 2 year DROP-87% and as I have already discussed, 1 year DROP- 87.5%.

A member can increase his or her high-three by staying beyond 34 years but this is based on raises received PRIOR to the back DROP period. Keep in mind that when a member selects the back DROP option, the high-three is calculated on the years prior to the DROP. If a member with 36 years selects a 5 year back DROP on October 1, 2015, the period from October 1, 2005 to September 30th, 2010 will be used to determine the monthly amount to apply the 84% multiplier. This monthly check amount will then be multiplied by 60 months (5 years) to get the back DROP lump sum amount. If the member stays another year, the period used for the high-three calculation will be October 2006 until September 2011 but the percentage will still be 84%.

I hope this clarifies some misconceptions regarding the back DROP option. I would highly suggest that you make an appointment with one of our benefits specialists if you are considering the DROP option at retirement. They can also elaborate on how excess sick leave is included in the calculation.

On a separate topic, I am not seeking re-election on the Retiree Health Care Fund at the end of my term on Oct 1st. Sergeant Chris Lutton will be running un-opposed for my position and I believe he is a great addition to the Board. One accomplishment that I am extremely proud of during my tenure is the completion of a health clinic for our retirees. This clinic will provide comprehensive primary health care at no cost to our members and with little waiting time at each visit. The clinic is the final stages of construction and will hopefully be open by the time this article is in print. The location is next door to Paesano's off Loop 1604 at Military Highway. The hope is that this facility will provide better preventative care which will translate into a better quality of life for our membership and their families. Healthcare by Design will be staffing the clinic and overseeing the operations for the Fund. Please take the time to go by and see this clinic during our open house in early September. If you are a retiree who already has a primary physician then I would encourage you to consider having one exam at the new clinic. I think you will quickly realize that quality of care and customer service will be superior to the typical doctor's office.

Adult Guardianships in Texas *By Erik Dahler, General Counsel*

In a previous Advisor Newsletter, we described types of powers-of-attorney and we indicated that use of powers-of-attorney may help eliminate, or at least postpone, the need for a guardianship. Generally speaking, a guardianship may be necessary when one reaches the point of not being able to make decisions for him or herself, due to the effects of aging, disease or injury. At that point, that person may be considered "incapacitated" under Texas law. If the incapacitated person had executed a valid durable power of attorney and medical power of attorney while they still possessed the mental faculties to do so, decisions could be made for that individual in most cases by the appointed agent, without the need for a guardianship.

We're concentrating on guardianships for adults in this article. We realize that we have some beneficiaries who have guardianships over their minor children to receive survivor benefits. Since there are some differences in how guardianships for minors are established and maintained, we'll have more information on those guardianships in a later newsletter.

A guardianship is a legal proceeding where a person or entity (the "guardian") is named by a court to make decisions for the incapacitated person who needs help (the "ward") who is ruled by the court to be *non-compos mentis*, or legally incompetent. There are two types of guardianship. One is guardian of the estate and the other is guardian of the person. Just as the names imply, the guardian of the estate may make decisions about the ward's money and other financial affairs. Guardians of the person make all personal decisions for the ward.

It is common for guardians to be appointed as both guardians of the estate and of the person but the distinction is important because it is not always necessary to have a guardian in both roles and sometimes there are different guardians appointed for each role.

Guardianships should only be sought as a last resort and all other options should be explored. The main reason is that wards often lose most of their basic rights in a guardianship. Further, guardianships are difficult and expensive to obtain and maintain. For example, a medical capacity assessment must be conducted and submitted to the court, and a hearing must be conducted by the court - during which sworn testimony is taken - prior to establishment of the guardianship. The proposed ward might not cooperate with obtaining the assessment or during the court hearing. And once the guardianship is obtained, the evidence of appointment of guardian, known as "letters of guardianship" must be renewed annually and a bond is required, along with the annual bond premium costs. As a condition of renewal, guardians must file annual reports and/or accountings with the court. And the guardian's ability to make decisions is largely subject to approval of the court, and this usually involves an attorney and related costs.

Sadly, although alternatives to guardianship do exist, in many cases the person with diminishing capacity simply doesn't realize their own condition and insists on making their own decisions even though they really shouldn't. Since persons are generally presumed legally competent unless declared otherwise by a court; under circumstances of diminishing capacity, the proposed ward may undo any and all best efforts to have alternatives in place. For example, the proposed ward may revoke powers-of-attorney and change joint bank accounts. At that point, there may be no other option.

TRUSTEE'S MESSAGE

Jim Smith, Active Police Representative/Legislative Committee Chairman

Dear Members,

During this past Legislative Session I had the opportunity to represent the Fund as a Legislative Committee member. I also served as Legislative Chairman of TEXPERS. I, along with other Fund members, traveled to Austin to both monitor and testify on several pension related issues.

Just like last session, our Board made the conscious effort to educate our local and State- elected officials about the factual information concerning the advantages of defined benefit pensions, and specifically how well our Fund is doing. There was a new Chairman of the House of Representative's Pensions Committee, Representative Dan Flynn. We were pleased how open he and his staff were regarding the many issues that were presented before his Committee this Session. Another great addition to the Pensions Committee was Representative Justin Rodriguez. Justin sat on our Pension Fund as a trustee when he was on City Council, and later as a Mayoral appointee. Representative Flynn was appreciative of Justin's knowledge of pension issues.

I would like to take this opportunity to thank Justin for sponsoring our pension proposal in the House. Justin, through his leadership, was able to obtain support from all of our local delegation, and they all agreed to be co-sponsors on our legislative package. I also want to publically thank Senator Jose Menendez for his efforts in sponsoring our pension proposal in the Senate. Jose had barely been in office a few days after his election when we approached him. Jose stepped up to support this legislation immediately once he saw it was a win/win proposition for the City and the membership. (***Article continues on Page 5)***

TRUSTEE'S MESSAGE (*Continued from Page 4)*

Unfortunately, in a very close vote of 6 to 5, City Council voted to oppose this legislative package. We felt this was a fair package where we would have saved taxpayers millions while giving moderate benefit increases to both active and retired members. In the end, we kept our promise and pulled our legislative package since all of the stakeholders were not in agreement. We believe if this package was not presented while contract negotiations were taking place, City Council probably would have supported this plan.

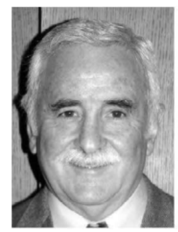
Lastly, I want to remind all members that there are still attacks being waged to eliminate defined benefit pensions and replace them with defined contribution plans. Representative Murphy, from the Houston area, filed a bill which would have removed funds like ours from state oversight to local control. Fortunately, through the efforts of many in the State, this bill was not passed. Fortunately, the Chairman along with other Pensions Committee members, continued to defend defined benefit pensions for first responders, and also for all Texas public employees.

While we were disappointed that our legislative package was not successful, we were grateful that a lot of bad legislation was not passed. I would like to stress again the importance of all parties to unite as one who have a vested interest in maintaining our DB plan. There is no real time to rest. So, once again, I would encourage everyone to keep informed on issues at the Legislature. Your retirement security requires due diligence.

If you have any issues, concerns, or rumors that need to be addressed, please do not hesitate to contact any trustee or staff member so we can take care of your needs. Please be careful out there. God Bless, Jim Smith.

San Antonio Fire and Police Pensioners' Association

Chartered 1970



by Henry Trevino

In my many years of association with Police and Fire Fighters I have found that a very common bond exists with these two public safety groups. It is a camaraderie that transcends simple and common friendships. Neither group tries to outdo the other in their respective professions. Sometimes relationships are strained but we always come out on the other side as true friends.

The bond that holds these two groups together is the basic premise of saving lives. Many times we are not appreciated and sometimes not even accepted as friends in our neighborhoods. We dare not make mistakes because mistakes are mountains to those that we have been sworn to protect. In spite of these slights and sometimes insults we continue to do our jobs of saving lives and protecting homes and property.

We will always stand as brothers ever ready to help our friends and our neighbors. The Retiree's Association serves as an extension of our long association. The Association always stands ready to help and fight for all our retirees. The members meet once a month at the Fire and Police Pension Office. Our retirees meet with old friends and continue fighting long past fires and catching up with the bad guys that almost got away.

We invite all of the fire and police retirees to join our Association and our PAC fund. We use the money to help our friends that are running for office. The Association meets on the second Tuesday of every month at 1:30 pm at the Pension Office.

The Association is having a luncheon on **October 14** at the Alzafar Shrine Temple on Hwy. 1604 about 2 miles west of Hwy. 281. The doors will open at 11 am and will close at 2pm. Lunch will be served at 12 noon.

A spring picnic is being planned for the spring of 2016. The date and more information will be published at a later date.

We need all retirees to join the Association and stand strong as one group, ready to fight for our benefits and the welfare of all the retirees.

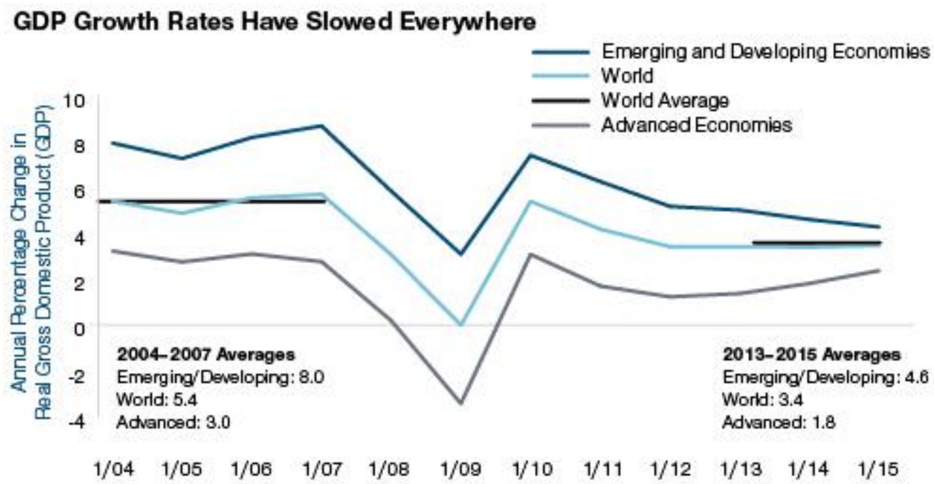
Market News

Matthew O'Reilly, CFA, Chief Investment Officer

The U.S. equity market over the past 6 years has been as hot as the Texas summer but things seem to be cooling down over the past 9 months. We have anticipated the U.S. equity markets would be slowing down partially because the past five years have generated a return of 16.3% and valuations are edging slightly higher than historical norms. The pension fund carefully reviews the asset classes and assesses the risk of the portfolio. We have sophisticated risk management tools and rebalance to help minimize losses in volatile economic markets.

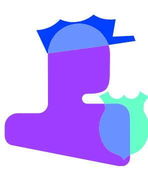
Even though the global financial crisis was more than six years ago, economies around the world are still kicking the dust off their boots. The latest projection for 2015 by the International Monetary Fund (IMF) forecasts 3.5% growth in the world's gross domestic product (GDP), slightly higher than in 2014. The U.S. led the recovery but is still afflicted with slow growth along with other economies around the world. Though headwinds still remain, the U.S. cyclical expansion is intact. 2015 GDP estimates for the U.S. are in the range of 2.0% to 2.25%.

The good news is inflation is stable, easy monetary policy remains, households are paying down debt, gas prices continue to be low, and job growth remains strong. U.S. job growth may be lower this year than last, but it's still strong enough to bring the unemployment rate down to approximately 5.0% by the end of the year. Job growth has been driving income growth, but as unemployment falls, wage growth will become more important.



Sources: IMF World Economic Outlook October 2013, Haver Analytics, and T. Rowe Price.

Our asset size of over $2.7 billion allows us to invest in many strategies not available to individuals. Many of these strategies help us create a more efficient portfolio with higher returns per each unit of risk. Some of these strategies include private debt, real estate, hedge funds, and infrastructure. An example of a private debt deal we participated in was Nephron Pharmaceuticals Corporation. Nephron Pharmaceuticals Corporation is a privately owned manufacturer of generic inhalation solutions headquartered in Orlando, FL. Nephron specializes in blow-fill-seal (BFS) manufacturing, a technology that allows a vial of medication to be formed, filled and sealed in a continuous process without human intervention in a sterile, enclosed area. Even though they have over 500 employees they are still considered small. Often, smaller firms need loans to buy equipment or fund growth and will pay a favorable rate. In partnership with our investment manager, Kayne Anderson, we collect a loan rate of 12% including another 2% that is accumulated and paid at the end of the loan life which is 5 years. Generating a 14% return with lower risk is something of great benefit for all the members of the police and fire departments ensuring a good retirement.



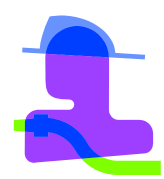
PRE-RETIREMENT SEMINAR

Friday, November 6, 2015

Fire & Police Pension Fund
11603 W. Coker Loop, Suite 201

8:00 a.m. - 3:30 p.m.

SPACE IS LIMITED
Register now by calling the Pension Fund @ (210) 534-3262.



BENEFITS SPOTLIGHT: Benefits Staff

Rick Matye, Payroll & Benefits Supervisor

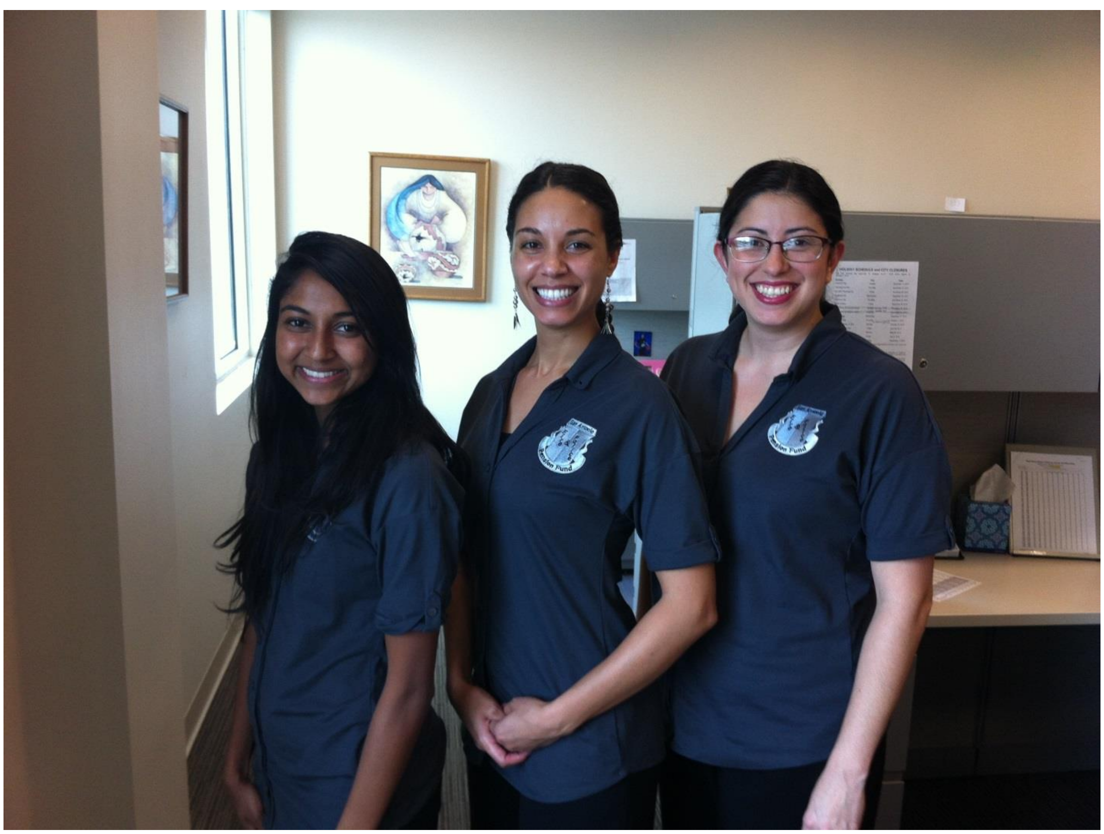
If you have come by the office recently, you may have noticed some new faces in the Benefits Department. With the retirement of Dora Barrientos in January of 2014 and Sonia Martinez in March of 2015, we have added two new Benefits Specialists in the last year and a half. I thought this would be a good time for you to get to know a little about the Staff who will help you when you have benefits questions.

Cinzia (pronounced CHIN-see-ya) Davenport first joined the Pension Fund in May of 2001. She started as a temporary employee with the task of getting hard copy files onto the imaging system. She became full time as the Fund Receptionist in August of 2003. She has been a Benefits Specialist since October of 2005. Cinzia has become my “right hand man”, especially when it comes to payroll processing and our monthly Financial Planning Seminars. She has a Bachelor’s Degree in Human Resources from Park University. With her experience and knowledge, Cinzia is well qualified to provide assistance to members and beneficiaries needing help from the Benefits Department.

Jessica Pelaez was hired as Benefits Specialist in March of 2014. She had over six years of experience in Human Resources before joining the Pension Fund. She is a San Antonio native with a Bachelor of Science in Business Management from Barry University in Miami, Florida. Definitely a people person, Jessica is easy to talk to and enjoys meeting members and dealing with all the different situations that arise.

Savini Nanayakkara is our newest Benefits Specialist. She started in May of 2015. She was raised in Austin, Texas and has a Bachelor’s Degree in Human Resource Management from the University of Texas at San Antonio. Savini has two years of experience as a Human Resource intern, most recently with Rackspace. While she is training, Savini will sit in with Cinzia or Jessica when members come to the office. Savini looks forward to working with members on her own in the near future.

The Benefits Department may look a little different than it once did, but we are here to provide first class support to all members and beneficiaries concerning your pension benefits.



Savini Cinzia Jessica

Dental, Optical or Legal Insurance Plan Options

Harry Griffin, Retired Police Representative

Police and Fire retirees enjoy knowing they have a solid pension system which is 93% funded and recognized as one of the strongest in the nation. Also, most retired firefighters and police officers paid into the pre-funded retiree health plan and are covered by the plan. We enjoyed dental and optical insurance, while we were still active members of our departments, and upon retirement this coverage ceased.

Several options exist for retired police officers and firefighters to obtain dental, optical, and even legal insurance. For those interested in this coverage, please reach out to any of the following:

- **San Antonio Fire & Police Retirees Association**
- **San Antonio Police Officers Association**
- **CLEAT**
- **Independent Providers- some affiliated with fire and police organizations**

Coverage and premiums will vary from plan to plan. Please evaluate your options if you are considering purchasing dental, optical or legal insurance.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO

FREE HEALTHCARE IS HERE!

The Fire and Police Retiree Health Care Fund Board of Trustees is proud to announce the opening of a primary care clinic for our members.

3602 Paesano's Parkway
Suite 108

In keeping with our goal of providing our members with quality care, the Board has selected Health By Design as the provider. Members will see a physician (not just an assistant), and will be seen in a timely manner. All services rendered will be provided at no charge to you.

The clinic will open to our members on September 14, with an Open House on Saturday September 12 from 12:00 pm – 3:00 pm. Please take this opportunity to stop by and meet the Health By Design staff, tour the clinic, and receive a free flu shot.

To ensure adequate supplies of the flu vaccine will be available, please call us toll-free at 1-866-652-4237 to RSVP, or for any other questions.

Pensioners Association Meeting August 11, 2015

Guest Senator José Menéndez

Senator Menéndez acknowledged Retirees for their hard work and dedication and also provided a legislative update.

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THE ADVISOR

401(k)s: "A lousy idea, a financial flop, a rotten repository of our retirement reserves"

There's a growing body of evidence that 401(k)s are not the best retirement choice for America's hard working private sector middle class. After decades of experience the facts are coming home to roost, so to say.

That, at least, is the summation of Forbes journalist Stephen Gandel who has been studying the issue for quite some time. The headline to this story is a quote from one of his articles.

Gandel is a good journalist in that he takes critical looks at the spin that is machined by the 401(k) industry and pushed by various media. He recently called to task various reports and studies coming from Fidelity Investments, one of the largest mutual fund and financial services groups in the world.

At issue was Fidelity's study of 5,500 plan participants who made less than $150,000 a year and yet had over $1 million in 401(k) assets at the end of 2012. Gandel looked at the study, and came up with this conclusion: "If you want to end up with $1 million dollars in your 401(k), all you have to do is work for the same employer for more than three decades, save about 40% more than most financial planners dare to recommend, land a job at of the rare companies generous enough to match 5% of your contributions, and totally crush the market, while you go about your normal day job, avoiding all the sudden financial traumas that lead people to borrow against their retirement funds."

Gandel's tongue-in-cheek criticism describes the difficulty which those people in the private sector will experience in saving enough for retirement through 401(k)s. We would add that, out of the millions of 401(k) holders, Fidelity could only come up with 5,500 individuals worthy of case studies.

Now the sad part: there are an increasing number of public policy groups and politicians who want public employees with defined benefit plans to forfeit and replace them with 401(k)s. They are peddling the line that cities won't be able to afford DB plans and that employees themselves should encourage their city employers to adopt 401(k)s.

Thankfully, organizations like Texans for Secure Retirement and the Texas Association of Public Employees Retirement Systems are standing against these bad policy ideas. But the anti-DB groups are gaining momentum and joining themselves together in coalitions. If only they would read the analysis of intellectually honest journalists like Gandel and have the courage to support your defined benefit plans. The real improvements need to be made for those people in the private sector who have 401(k)s.