

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2017 for each plan are as follows (in thousands):

	HFRRF		HMEPS		HPOPS		Total
	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	
Differences between expected actual experience	-	\$122,335	-	\$43,181	\$85,826	-	(\$79,690)
Changes of assumptions	474,843	-	470,190	-	962,271	437,986	1,469,318
Employers contribution subsequent to measurement date	-	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	200,761	-	147,524	100,799	409,736	313,616	343,606
Total	\$675,604	\$122,335	\$617,714	\$143,980	\$1,457,833	751,602	\$1,733,234

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows (in thousands):

	Houston Firefighters' Relief and Retirement	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Year ended June 30:			
2018	\$141,697	\$173,701	\$228,690
2019	141,697	179,284	228,690
2020	86,264	138,398	132,798
2021	11,694	(17,649)	(11,707)
2022	45,506	-	127,760
Thereafter	126,411	-	-
Total	\$553,269	\$473,734	\$706,231

A single discount rate of 7.00% was used to measure the total pension liability for the HMEPS and the HPOPS. This single discount rate was based on the expected rate of return on the respective pension plan's investments of 7.00% and the current municipal bond rate was not applicable. The projection of cash flows used to determine this single discount rate assumed that respective plan member contributions will be made at the current contribution rate and that City contributions will be made at the rate determined actuarially in the annual Risk Sharing Valuation Study (RSVS) which would become effective in the fiscal year beginning one year after the study date. Additionally, the first year of contributions includes an expected \$750 million in Pension Obligation Bonds (POB) for the HPOPS and \$250 million for the HMEPS. (See Note 17B) Based on these assumptions, the respective pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, a single discount rate of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2016 measurement date, the single discount rate used was 8.00% for each of the plans.

The discount rate used to measure the HFRRF total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years. Therefore, a single discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2016 measurement date, the single discount rate of 8.50% was used.