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August 4, 2010

Sent via mail
Personal and Confidential

Ms. Melanie Sherman
Port of Houston Authority
Post Office Box 2562
Houston, Texas 77252-2562

Re: August 1, 2009 Experience Study - Port of Houston Authority Restated Retirement Plan (Plan)

Dear Melanie:

The enclosed report includes a summary of new recommended turnover, salary scale, mortality, and retirement rate assumptions, and the impact on the Port's contribution to the Plan. Please refer to our letter to you dated February 3, 2009. That letter outlines the procedures we followed in developing the new assumptions, based on experience from August 1, 2004 through August 1, 2009.

The contribution was determined in accordance with the funding policy discussed with the Pension Committee on September 15, 1997. Let me know if you would like to consider other payment schedules. In general, the enclosed report was performed as if all applicable "qualified plan" provisions of the Internal Revenue Code and Employee Retirement Income Security Act of 1974 as in effect in 2007 and earlier apply.

Please let us know if you have any questions or if we may be of additional help concerning the information presented in the report or any other matter regarding the operation of the Plan.

Sincerely,


Jake Pringle


Richard E. White, FSA

Enclosure

This work product was prepared solely for the Port of Houston Authority for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

August 4, 2010

Ms. Melanie Sherman
Port of Houston Authority
Post Office Box 2562
Houston, Texas 77252-2562

Dear Melanie:

Port of Houston Authority Restated Retirement Plan

As requested, we have performed an actuarial experience study of the Plan including experience from August 1, 2004 through August 1, 2009. Our findings are set forth in this actuary's report.

The experience study was performed using information (some verbally and some in writing) as of the valuation date, furnished by the Port of Houston Authority. This information includes, but is not limited to, plan documents and provisions, employee data, and financial information. This data was relied upon as submitted. Although we have not performed a detailed audit of the data provided, we have reviewed the data for reasonableness and consistency. Since the results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We further certify that all costs, liabilities, rates of interest, and other factors (except when determination is mandated directly by the Internal Revenue Code and its regulations) under the Plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial computations presented in this letter-report are for purposes of determining the recommended funding amount for the fiscal year beginning August 1, 2009. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Plan's funding goals and of the GASB Statements No. 25 and 27. Determinations for the purposes other than meeting those requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This report has been prepared for the internal use of and is only to be relied upon by the Port of Houston Authority and its auditors. No portion of this report may be disclosed to any other party without Milliman's prior written consent. In the event such consent is given, the report must be provided in its entirety, unless prior written consent is obtained from Milliman.

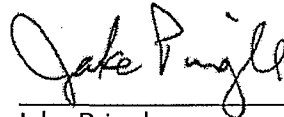
We respectfully submit the following report, and we look forward to discussing it with you.

Respectfully submitted,

MILLIMAN, INC.



Richard E. White
Joint Board Enrollment #08-00322



Jake Pringle
Joint Board Enrollment #08-07457

Port of Houston Authority

August 1, 2009 Valuation Date

| | Current Valuation | Scenario 1 | Scenario 2 |
|-------------------------------------|------------------------------|-------------------|-------------------|
| Accrued Liability | \$122,093,307 | \$123,315,848 | \$116,788,533 |
| Normal Cost | \$3,346,707 | \$3,843,558 | \$3,514,297 |
| Sfas 35 | \$101,046,061 | \$103,827,171 | \$98,518,082 |
| PVFB | \$151,506,912 | \$149,176,052 | \$139,053,291 |
| <u>2009 Contribution</u> | | | |
| Normal Cost | \$3,346,707 | \$3,843,558 | \$3,514,297 |
| Amtz of GASB Bases | \$6,104,644 | \$6,322,157 | \$4,884,967 |
| interest | \$405,957 | \$408,021 | \$360,768 |
| 2009 Contribution | \$9,857,308 | \$10,573,736 | \$8,760,032 |
| MV Assets | \$93,179,637 | | |
| interest | 7.5% | 7.0% | 7.5% |
| turnover | old | new blend | new blend |
| retirement | old | new blend | new blend |
| salary scale | old | new blend | new blend |
| mortality | 2000 W/B | 2000 W/B | 2000 W/B |
| expense load | none | \$750,000 | \$750,000 |

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New Salary Scale**Old Salary Scale****Proposed**

| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Blended</u> | <u>Blended</u> | <u>Blended</u> |
|--------------|-------------|---------------|----------------|----------------|----------------|
| 20 | 6.9% | 8.7% | 7.5% | 8.0% | 7.5% |
| 21 | 6.9% | 8.7% | 7.5% | 8.0% | 7.5% |
| 22 | 6.9% | 8.7% | 7.5% | 8.0% | 7.0% |
| 23 | 6.9% | 8.7% | 7.5% | 8.0% | 7.0% |
| 24 | 6.9% | 8.7% | 7.5% | 7.9% | 6.5% |
| 25 | 6.1% | 5.4% | 5.9% | 7.8% | 6.4% |
| 26 | 6.1% | 5.4% | 5.9% | 7.7% | 6.3% |
| 27 | 6.1% | 5.4% | 5.9% | 7.4% | 6.2% |
| 28 | 6.1% | 5.4% | 5.9% | 7.2% | 6.1% |
| 29 | 6.1% | 5.4% | 5.9% | 7.0% | 6.0% |
| 30 | 4.6% | 4.2% | 4.4% | 6.8% | 4.5% |
| 31 | 4.6% | 4.2% | 4.4% | 6.6% | 4.5% |
| 32 | 4.6% | 4.2% | 4.4% | 6.4% | 4.5% |
| 33 | 4.6% | 4.2% | 4.4% | 6.2% | 4.5% |
| 34 | 4.6% | 4.2% | 4.4% | 6.0% | 4.5% |
| 35 | 4.5% | 4.0% | 4.4% | 6.0% | 4.5% |
| 36 | 4.5% | 4.0% | 4.4% | 5.9% | 4.5% |
| 37 | 4.5% | 4.0% | 4.4% | 5.9% | 4.5% |
| 38 | 4.5% | 4.0% | 4.4% | 5.8% | 4.5% |
| 39 | 4.5% | 4.0% | 4.4% | 5.8% | 4.5% |
| 40 | 4.6% | 3.4% | 4.2% | 5.8% | 4.2% |
| 41 | 4.6% | 3.4% | 4.2% | 5.8% | 4.2% |
| 42 | 4.6% | 3.4% | 4.2% | 5.7% | 4.1% |
| 43 | 4.6% | 3.4% | 4.2% | 5.6% | 4.1% |
| 44 | 4.6% | 3.4% | 4.2% | 5.6% | 4.1% |
| 45 | 4.1% | 3.7% | 4.0% | 5.5% | 4.0% |
| 46 | 4.1% | 3.7% | 4.0% | 5.3% | 4.0% |
| 47 | 4.1% | 3.7% | 4.0% | 5.1% | 4.0% |
| 48 | 4.1% | 3.7% | 4.0% | 5.0% | 4.0% |
| 49 | 4.1% | 3.7% | 4.0% | 4.8% | 4.0% |
| 50 | 3.9% | 3.8% | 3.9% | 4.6% | 3.8% |
| 51 | 3.9% | 3.8% | 3.9% | 4.6% | 3.8% |
| 52 | 3.9% | 3.8% | 3.9% | 4.6% | 3.8% |
| 53 | 3.9% | 3.8% | 3.9% | 4.6% | 3.7% |
| 54 | 3.9% | 3.8% | 3.9% | 4.6% | 3.6% |
| 55 | 3.5% | 3.5% | 3.5% | 4.6% | 3.5% |
| 56 | 3.5% | 3.5% | 3.5% | 4.6% | 3.5% |
| 57 | 3.5% | 3.5% | 3.5% | 4.6% | 3.5% |
| 58 | 3.5% | 3.5% | 3.5% | 4.5% | 3.2% |
| 59 | 3.5% | 3.5% | 3.5% | 4.5% | 3.2% |
| 60 | 3.4% | 2.4% | 3.1% | 4.5% | 3.0% |
| 61 | 3.4% | 2.4% | 3.1% | 4.5% | 3.0% |
| 62 | 3.4% | 2.4% | 3.1% | 4.7% | 3.0% |
| 63 | 3.4% | 2.4% | 3.1% | 4.9% | 3.0% |
| 64 | 3.4% | 2.4% | 3.1% | 5.1% | 3.0% |
| 65 | 4.1% | 1.8% | 3.4% | 5.3% | 3.0% |
| 66 | 4.1% | 1.8% | 3.4% | 5.0% | 3.0% |
| 67 | 4.1% | 1.8% | 3.4% | 4.7% | 3.0% |
| 68 | 4.1% | 1.8% | 3.4% | 4.5% | 3.0% |
| 69 | 4.1% | 1.8% | 3.4% | 4.2% | 3.0% |
| 70 | 1.6% | 0.0% | 1.1% | 4.0% | 3.0% |
| <i>Blend</i> | 68% | 32% | | | |

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New Turnover

Old Turnover

Proposed

| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Blended</u> | <u>Blended</u> | <u>Blended</u> |
|--------------|-------------|---------------|----------------|----------------|----------------|
| 20 | 4.3% | 4.3% | 4.3% | 10.0% | 5.0% |
| 21 | 4.3% | 4.3% | 4.3% | 9.8% | 5.0% |
| 22 | 4.3% | 4.3% | 4.3% | 9.6% | 5.0% |
| 23 | 4.3% | 4.3% | 4.3% | 9.4% | 5.0% |
| 24 | 4.3% | 4.3% | 4.3% | 9.2% | 5.0% |
| 25 | 11.9% | 12.5% | 12.1% | 9.0% | 10.0% |
| 26 | 11.9% | 12.5% | 12.1% | 8.8% | 10.0% |
| 27 | 11.9% | 12.5% | 12.1% | 8.6% | 10.0% |
| 28 | 11.9% | 12.5% | 12.1% | 8.4% | 10.0% |
| 29 | 11.9% | 12.5% | 12.1% | 8.2% | 10.0% |
| 30 | 4.4% | 10.1% | 6.2% | 8.0% | 6.5% |
| 31 | 4.4% | 10.1% | 6.2% | 7.5% | 6.2% |
| 32 | 4.4% | 10.1% | 6.2% | 7.0% | 6.2% |
| 33 | 4.4% | 10.1% | 6.2% | 6.0% | 6.0% |
| 34 | 4.4% | 10.1% | 6.2% | 4.5% | 5.5% |
| 35 | 3.6% | 5.0% | 4.1% | 4.0% | 5.0% |
| 36 | 3.6% | 5.0% | 4.1% | 3.5% | 4.1% |
| 37 | 3.6% | 5.0% | 4.1% | 3.3% | 4.1% |
| 38 | 3.6% | 5.0% | 4.1% | 3.1% | 4.1% |
| 39 | 3.6% | 5.0% | 4.1% | 3.0% | 4.1% |
| 40 | 2.6% | 5.8% | 3.6% | 2.9% | 3.6% |
| 41 | 2.6% | 5.8% | 3.6% | 2.8% | 3.6% |
| 42 | 2.6% | 5.8% | 3.6% | 2.8% | 3.6% |
| 43 | 2.6% | 5.8% | 3.6% | 2.7% | 3.6% |
| 44 | 2.6% | 5.8% | 3.6% | 2.7% | 3.6% |
| 45 | 2.3% | 2.8% | 2.4% | 2.7% | 2.4% |
| 46 | 2.3% | 2.8% | 2.4% | 2.7% | 2.5% |
| 47 | 2.3% | 2.8% | 2.4% | 2.6% | 2.5% |
| 48 | 2.3% | 2.8% | 2.4% | 2.6% | 2.5% |
| 49 | 2.3% | 2.8% | 2.4% | 2.6% | 2.5% |
| 50 | 2.4% | 3.7% | 2.8% | 2.6% | 3.0% |
| 51 | 2.4% | 3.7% | 2.8% | 2.5% | 3.0% |
| 52 | 2.4% | 3.7% | 2.8% | 2.3% | 3.0% |
| 53 | 2.4% | 3.7% | 2.8% | 2.0% | 3.0% |
| 54 | 2.4% | 3.7% | 2.8% | 1.5% | 3.0% |
| 55 | 2.7% | 0.8% | 2.1% | 1.5% | 2.0% |
| 56 | 2.7% | 0.8% | 2.1% | 1.5% | 2.0% |
| 57 | 2.7% | 0.8% | 2.1% | 1.5% | 2.0% |
| 58 | 2.7% | 0.8% | 2.1% | 1.0% | 2.0% |
| 59 | 2.7% | 0.8% | 2.1% | 1.0% | 2.0% |
| 60 | 1.6% | 0.0% | 1.1% | 1.0% | 2.0% |
| 61 | 1.6% | 0.0% | 1.1% | 0.0% | 0.0% |
| 62 | 1.6% | 0.0% | 1.1% | 0.0% | 0.0% |
| 63 | 1.6% | 0.0% | 1.1% | 0.0% | 0.0% |
| 64 | 1.6% | 0.0% | 1.1% | 0.0% | 0.0% |
| 65 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| <i>Blend</i> | 68% | 32% | | | |

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New Retirement**Old Retirement****Proposed**

| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Blended</u> | <u>Blended</u> | <u>Blended</u> |
|--------------|-------------|---------------|----------------|----------------|----------------|
| 50 | 0.5% | 0.0% | 0.4% | 0.0% | 0.0% |
| 51 | 0.5% | 0.0% | 0.4% | 0.0% | 0.0% |
| 52 | 0.5% | 0.0% | 0.4% | 0.0% | 0.0% |
| 53 | 0.5% | 0.0% | 0.4% | 0.0% | 0.0% |
| 54 | 0.5% | 0.0% | 0.4% | 0.0% | 0.0% |
| 55 | 3.4% | 3.0% | 3.3% | 5.0% | 5.0% |
| 56 | 3.4% | 3.0% | 3.3% | 5.0% | 5.0% |
| 57 | 3.4% | 3.0% | 3.3% | 10.0% | 5.0% |
| 58 | 3.4% | 3.0% | 3.3% | 10.0% | 5.0% |
| 59 | 3.4% | 3.0% | 3.3% | 15.0% | 10.0% |
| 60 | 13.5% | 18.4% | 15.0% | 20.0% | 15.0% |
| 61 | 13.5% | 18.4% | 15.0% | 25.0% | 15.0% |
| 62 | 13.5% | 18.4% | 15.0% | 30.0% | 20.0% |
| 63 | 13.5% | 18.4% | 15.0% | 35.0% | 25.0% |
| 64 | 13.5% | 18.4% | 15.0% | 40.0% | 30.0% |
| 65 | 24.3% | 58.1% | 35.1% | 45.0% | 35.0% |
| 66 | 24.3% | 58.1% | 35.1% | 55.0% | 40.0% |
| 67 | 24.3% | 58.1% | 35.1% | 65.0% | 50.0% |
| 68 | 24.3% | 58.1% | 35.1% | 75.0% | 50.0% |
| 69 | 24.3% | 58.1% | 35.1% | 85.0% | 50.0% |
| 70 | 30.4% | 92.6% | 50.3% | 100.0% | 100.0% |
| <i>Blend</i> | 68% | 32% | | | |

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Port of Houston Authority
Summary of Historical Results

| Valuation Date | Market Value of Assets | Unfunded Liability | Total Contribution | Total Payroll | % of Payroll |
|-------------------------|-------------------------------|---------------------------|---------------------------|----------------------|---------------------|
| 08/01/2009 | \$93,179,637 | \$28,913,670 | \$9,857,308 | \$32,695,393 | 30% |
| 08/01/2008 | \$96,724,229 | \$21,007,178 | \$7,357,368 | \$32,270,226 | 23% |
| 08/01/2007 | \$101,148,401 | \$8,770,574 | \$3,929,348 | \$28,620,863 | 14% |
| 08/01/2006 ¹ | \$89,737,077 | \$14,584,569 | \$6,509,928 | \$26,285,989 | 25% |
| 08/01/2005 | \$84,810,133 | \$5,101,860 | \$5,813,248 | \$24,113,184 | 24% |
| 08/01/2004 | \$74,867,530 | \$12,464,423 | \$7,131,380 | \$23,170,058 | 31% |
| 08/01/2003 | \$66,992,188 | \$16,569,880 | \$6,983,092 | \$21,968,773 | 32% |
| 08/01/2002 | \$59,637,491 | \$20,550,070 | \$6,915,752 | \$20,257,220 | 34% |
| 08/01/2001 | \$64,677,712 | \$12,355,793 | \$3,228,692 | \$18,778,969 | 17% |
| 08/01/2000 | \$70,309,053 | \$3,143,503 | \$2,136,112 | \$17,550,162 | 12% |
| 08/01/1999 | \$70,935,582 | \$4,232 | \$1,126,800 | \$16,388,149 | 7% |
| 08/01/1998 | \$70,763,045 | (\$1,918,152) | \$1,011,261 | \$16,825,447 | 6% |
| 08/01/1997 | \$67,829,173 | (\$441,449) | \$1,667,584 | \$16,174,442 | 10% |
| 08/01/1996 | \$58,642,876 | \$7,683,858 | \$3,129,838 | \$15,416,326 | 20% |
| 08/01/1995 ² | \$55,560,254 | \$8,387,313 | \$2,981,500 | \$14,499,135 | 21% |
| 08/01/1994 | \$52,889,104 | \$113,725 | \$815,480 | \$16,405,014 | 5% |

¹ includes COLA (\$1.8m) and assumption changes (\$8.4m)

² includes early retirement window (\$9m)

Exhibit 6
Port of Houston Authority Restated Retirement Plan
Historical Rates of Return
August 1, 2009

The dollar-weighted rate of return reflects the actual performance of the fund including the effect of the actual timing of receipts and disbursements. The elements entering into the determination of the rate of return are beginning market value, contributions to the trust and benefit payments, investment expenses paid from the trust, and ending market value. The net dollar-weighted rate of return based on the above elements for the Plan Year ending July 31, 2009 was -4.67%:

| Plan Year Ending | Total Investment Gain/(Loss) | Average Invested Fund | Yield |
|------------------------|---------------------------------|--------------------------|--------|
| 07/31/1996 | \$3,991,173 | \$54,926,789 | 7.27% |
| 07/31/1997 | \$8,961,037 | \$58,548,587 | 15.31% |
| 07/31/1998 | \$6,056,207 | \$66,046,547 | 9.17% |
| 07/31/1999 | \$4,033,354 | \$68,764,433 | 5.87% |
| 07/31/2000 | \$3,077,226 | \$68,882,625 | 4.47% |
| 07/31/2001 | -\$2,875,314 | \$68,661,797 | -4.19% |
| 07/31/2002 | -\$3,571,980 | \$63,547,846 | -5.62% |
| 07/31/2003 | \$5,272,970 | \$59,849,225 | 8.81% |
| 07/31/2004 | \$5,738,703 | \$67,448,868 | 8.51% |
| 07/31/2005 | \$8,002,232 | \$75,807,855 | 10.56% |
| 07/31/2006 | \$4,922,109 | \$84,805,462 | 5.80% |
| 07/31/2007 | \$11,080,734 | \$89,902,372 | 12.33% |
| 07/31/2008 | -\$1,973,771 | \$99,911,288 | -1.98% |
| 07/31/2009 | -\$4,536,184 | \$97,220,025 | -4.67% |
| 1996-2009 | \$48,178,496 | \$1,024,323,719 | 4.70% |