



Port of Houston Authority

Actuarial Valuation Of
Postretirement Benefits Under
GASB 45
As Of January 1, 2015

Prepared By

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January 14, 2016

Mr. Tom Heidt
Port of Houston Authority
Post Office Box 2562
Houston, Texas 77252-2562

**Re: Actuarial Valuation of Postretirement Benefits under GASB 45 for the
Port of Houston Authority – January 1, 2015**

Dear Tom:

Pursuant to your request, we have completed an actuarial valuation of the benefit cost and funded status relating to the future retiree medical benefits provided by the Port of Houston Authority (PHA) as of January 1, 2015. The results of our calculations are set forth in the following report, as are the actuarial assumptions, methods and brief summary of the retiree eligibility and benefits upon which our calculations have been made. Our determinations reflect the procedures and methods as prescribed in Statement 45 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("Statement").

Actuarial computations under the Statement are for purposes of fulfilling certain employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the Statement. Determinations for purposes other than meeting the employer financial accounting requirements of the Statement may differ significantly from the results reported herein.

In preparing our calculations for this report, we have relied without audit, on the employee data, plan provisions, and other plan financial information as provided by PHA. The data used in the valuation was provided by PHA. If any of this information, as summarized in this report, is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

This material assumes that the reader is familiar with PHA's post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to PHA in reviewing the impact of the proposed GASB Statement 45 on PHA's financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

This report is intended for the sole use of the addressee and is intended only to supply sufficient information for the Plan Sponsor to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purpose puts the relying entity at risk of being misled. Accordingly, no person or entity, including the addressee, should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Milliman.

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 applicable Actuarial Standards of Practice.

We further certify that, in our opinion, each actuarial assumption, method and technique used is individually reasonable taking into account the experience of the Plan and reasonable expectations. Nevertheless, the emerging liabilities and costs of the plan will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Please contact us if you have questions about our report or would like additional information. Please be aware GASB 74 (effective for fiscal years beginning 6/15/2016 and later) and GASB 75 (effective for fiscal years beginning 6/15/2017 and later) will replace GASB 43 and GASB 45, respectively.

We, Jake Pringle and Bryan Wilson, are consulting actuaries for Milliman, Inc. and are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

A handwritten signature in black ink that reads "Jake Pringle".

Jake Pringle, E.A., M.A.A.A.
Consulting Actuary

A handwritten signature in black ink that reads "Bryan Wilson".

Bryan Wilson, EA, M.A.A.A.
Consulting Actuary

cc (with enclosure): Ray Yi

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This material assumes that the reader is familiar with PHA’s post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to PHA in reviewing the impact of the proposed GASB Statement 45 on PHA’s financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Introduction and Purpose

Historically, governmental entities offering postretirement medical plans – especially those that are self-funded – have accounted for such plans on essentially a pay-as-you-go basis. Consequently, the cost for such plans is attributed to the period of time that an employee is retired and not performing substantial work for the employer. In 2004, the Governmental Accounting Standards Board issued Statement No. 45 entitled “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” (“GASB 45”) to address the accounting of these plans.

The major change under GASB 45 is to attribute the cost of postretirement benefits to the time during which the employee is working for the employer. Reasons provided by GASB for this change include:

- Recognize the cost of benefits in periods when the related services are received by the employer.
- Provide information about the actuarial liabilities for promised benefits associated with past services and to what extent those benefits are funded.
- Provide information that is useful to assess potential demands on the employer’s future cash flows.

While GASB 45 allocates the costs of a postretirement benefit plan onto the years of active employment (when the promise of future benefits is potentially motivating an employee), **it does not require the funding of such benefits**. There are two key points that need to be noted in this regard. First, the choice of the discount rate used in measuring the liabilities of the benefits is tied to the funding vehicle or lack thereof. GASB 45 requires the use of a discount rate that is related to the long-term investment yield on investments used to finance the payments of benefits. An unfunded plan must use a discount rate equal to what the sponsor earns on its general assets. Since a lower discount rate leads to higher liabilities, a funded plan will have lower liabilities than an unfunded plan with identical provisions and membership.

While the discount rate issue provides some encouragement for funding plans, there is a second key point. GASB 45 requires that assets can only be considered if they are paid as benefit payments or insurance premiums or are: (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. This restriction may limit what can be funded, depending upon legal restraints and tax issues.

In order to illustrate how the results are impacted if the Plan is funded, results are often shown using two different discount rates. Since the Plan is funded and PHA is expected to earn a higher rate of return, we have determined the liabilities using a 7.00% discount rate, to reflect the potential effect of funding these liabilities using a trust fund. Without funding, the discount rate would be 4.00%, which represents a conservative estimate of short-term pooled funds.

Milliman, Inc. prepared this report at the request of the Port of Houston Authority to estimate the cost of the Port's current retiree health program and the potential impact of GASB 45. The intended purpose of this information is to provide actuarial cost information to the Port to help with financial and benefit planning. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. The report should only be used in its entirety to assure complete understanding of the estimates and the methodology and assumptions underlying the estimates.

In preparing this report, we relied on the overall employee census and benefit information provided by the Port. We reviewed the information for reasonableness, but we did not audit the information. To the extent that any of this data or information is incorrect, the results of this report may need to be revised. Experience data for the population was obtained from Aetna, CIGNA, and BCBS. This claims experience along with Milliman's 2015 *Health Cost Guidelines (HCG)*, was used to develop an estimate of the expected net claim costs under the medical plans offered by the Port.

For purposes of this valuation we assumed that the Port's existing Plan will continue unchanged in the future; however this assumption does not necessarily imply that an obligation to continue the Plan actually exists.

A number of assumptions have been made in projecting retiree health costs that should be reviewed prior to interpreting the results shown in this report. These assumptions, as well as the actuarial methodology, are described in this report. The projections in this report are estimates and, as such, the Port's actual liability will vary from these estimates. The actual liability will not be known until such time that all eligibility is exhausted and all benefits are paid. The projections and assumptions should be updated as actual costs under this program develop.

The Medicare Modernization Act (MMA) provides for a federal subsidy to sponsors of a postretirement benefit plan that provides prescription drug coverage, provided the coverage is at least actuarially equivalent to the prescription drug benefits provided by Medicare Part D. GASB has released a Proposed Technical Bulletin that indicates this future subsidy should not be reflected. We have not reflected any effect of this future subsidy in the calculations shown in this report.



EXHIBITS

This material assumes that the reader is familiar with PHA’s post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to PHA in reviewing the impact of the proposed GASB Statement 45 on PHA’s financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Exhibit 1 — Summary of Participant Data as of January 1, 2015

Number of Active Members by Age and Service Groups											
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	7	3	-	-	-	-	-	-	-	-	10
25-29	23	11	6	-	-	-	-	-	-	-	40
30-34	20	21	18	3	-	-	-	-	-	-	62
35-39	11	21	16	9	4	1	-	-	-	-	62
40-44	7	18	32	10	9	5	-	-	-	-	81
45-49	9	14	23	6	13	15	2	-	-	-	82
50-54	5	13	15	10	12	11	4	6	1	-	77
55-59	5	13	14	10	16	8	3	5	4	-	78
60-64	1	8	18	9	4	5	1	-	1	-	47
65-69	-	-	1	2	1	-	-	-	-	-	4
70&Up	-	-	-	1	-	-	-	-	-	-	1
Total	88	122	143	60	59	45	10	11	6	-	544

Age	Retirees	Spouses	Total
< 55	1	13	14
55-59	26	25	51
60-64	45	41	86
65-69	76	52	128
70-74	70	47	117
75-79	51	21	72
80&Up	60	18	78
Total	329	217	546

Exhibit 2 — Actuarial Present Value of Total Projected Benefits

Prefunded – 7.00%

	Pre-65 Medical	Post-65 Medical	Life Insurance	Total
Active Participants	13,583,143	13,844,097	663,949	28,091,189
Spouse-Active	13,948,432	11,297,870	0	25,246,302
Retired	4,690,938	11,277,995	1,946,496	17,915,429
Spouse-Retired	6,513,171	7,858,984	0	14,372,155
TOTAL	38,735,684	44,278,946	2,610,445	85,625,075

Exhibit 3 — Actuarial Liability

Prefunded – 7.00%

	Pre-65 Medical	Post-65 Medical	Life Insurance	Total
Active Participants	6,887,863	6,897,076	400,499	14,185,438
Spouse-Active	6,922,940	5,632,921	0	12,555,861
Retired	4,690,938	11,277,995	1,946,496	17,915,429
Spouse-Retired	6,513,171	7,858,984	0	14,372,155
TOTAL	25,014,912	31,666,976	2,346,995	59,028,883

Unfunded Actuarial Accrued Liability (UAAL)			
	AAL	MV Assets	UAAL
As of January 1, 2015	\$59,028,883	\$36,559,519	\$22,469,364

Exhibit 4 — Annual Required Contribution – Current Plan

	2014 7.00%	2015 7.00%
A. Normal Costs		
(1) Current Year Normal Cost as of January 1	\$	\$ 2,767,748
(2) Assumed Interest to the End of the Year		193,742
(3) Current Year Normal Cost as of Dec. 31 [(1) + (2)]	\$ 3,028,774	\$ 2,961,490
B. Determination of Current Year Amortization Payment		
(1) Outstanding Balance - Unfunded Actuarial Liability Bases		\$ 38,655,258
(2) Remaining Amortization Period		22-28 years
(3) Amortization Amount as of January 1		3,625,938
(4) Balance of Unfunded Actuarial Liability as of January 1		(16,185,894)
(5) Maximum Permissible Amortization Period		30 years
(6) Amortization Amount as of January 1		(1,219,031)
(7) Assumed Interest to the End of the Year		<u>\$ 168,483</u>
(8) Amortization Amount as of December 31 [(3)+(6)+(7)]	\$ 3,539,716	\$ 2,575,390
C. Determination of Annual Required Contribution		
(1) Normal Cost for Benefits Attributable to Service in the Year	\$ 3,028,774	\$ 2,961,490
(2) Amortization of Unfunded Actuarial Liability	3,539,716	2,575,390
(3) Annual Required Contribution (ARC) [(1) + (2)]	\$ 6,568,490	\$ 5,536,880

The amortization of the Unfunded Actuarial Liability is calculated here assuming 30 level annual payments. GASB 45 allows for these payments to be calculated as a level percent of payroll. If this were done, the 2015 ARC would be lower, but future years would be higher as payroll increases.

Exhibit 4.1 — Unfunded Actuarial Accrued Liability Bases

Date Established	Discount Rate	Initial UAAL	Initial Term	Remain Term	Annual Amortization	Outstanding Balance
01/01/2007	7.00%	\$107,291,548	30	22	\$7,893,329	\$93,421,705
01/01/2009	7.00%	\$14,493,845	28	24	\$1,117,209	\$13,710,603
01/01/2011	7.00%	(\$57,785,557)	30	26	(\$4,356,271)	(\$55,122,439)
01/01/2013	7.00%	(\$13,653,819)	30	28	(\$1,028,329)	(\$13,354,611)
01/01/2015	7.00%	(\$16,185,894)	30	30	(\$1,219,031)	(\$16,185,894)
				TOTAL	\$2,406,907	\$22,469,364

Exhibit 5 — Projected Benefit Payments

Year	Medical Plan	Retiree Contributions	Life Insurance	Total Plan
1	3,083,928	(22,232)	141,151	3,202,847
2	3,349,176	(23,343)	146,522	3,472,355
3	3,527,287	(24,403)	151,519	3,654,403
4	3,693,389	(25,528)	156,446	3,824,307
5	3,898,637	(26,547)	161,053	4,033,143
6	4,199,370	(27,487)	165,442	4,337,325
7	4,119,901	(28,415)	169,701	4,261,187
8	4,422,859	(29,192)	173,700	4,567,367
9	4,437,002	(30,011)	177,791	4,584,782
10	4,569,280	(31,001)	182,306	4,720,585
11	4,898,381	(31,925)	187,042	5,053,498
12	5,187,039	(32,932)	192,086	5,346,193
13	5,658,421	(33,762)	196,817	5,821,476
14	5,930,893	(34,362)	201,169	6,097,700
15	6,328,552	(34,737)	205,196	6,499,011
16	6,576,012	(35,019)	209,042	6,750,035
17	6,962,671	(35,200)	212,650	7,140,121
18	7,384,952	(35,326)	215,981	7,565,607
19	7,575,459	(35,399)	218,953	7,759,013
20	7,956,704	(35,364)	221,490	8,142,830

Note: Benefit Payments include administrative expenses and administration loads.

Exhibit 6 — Financial Statement Disclosures – Current Plan

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	Plan Year Ending December 31	
	2014	2015
<i>Determination of Annual Required Contribution</i>		
Normal Cost at year end	\$ 3,028,774	\$ 2,961,490
Amortization of UAAL	<u>3,539,716</u>	<u>2,575,390</u>
Annual Required Contribution (ARC)	\$ 6,568,490	\$ 5,536,880
<i>Determination of Net OPEB Obligation</i>		
Annual Required Contribution	\$ 6,568,490	\$ 5,536,880
Interest on prior year Net OPEB Obligation	2,278,940	1,931,192
Adjustment to ARC	(2,451,957)	(2,077,808)
Annual OPEB Cost	6,395,473	5,390,264
Contributions made	(11,363,303)	(11,202,847)
Increase in Net OPEB Obligation	\$ (4,967,830)	\$ (5,812,583)
Net OPEB Obligation – beginning of year	\$ 32,556,289	\$ 27,588,459
Net OPEB Obligation – end of year	\$ 27,588,459	\$ 21,775,876

The following table shows the annual OPEB cost and net OPEB obligation for the prior 3 years assuming the plan is prefunded.

Plan Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	7.00%	\$6,711,517	167.3%	\$32,556,289
12/31/2014	7.00%	\$6,395,473	177.7%	\$27,588,459
12/31/2015	7.00%	\$5,390,264	207.8%	\$21,775,876

Exhibit 7 — Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)⁽¹⁾	Unfunded Actuarial Accrued Liabilities (UAAL)⁽²⁾	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	16,274,031	57,051,664	40,777,633	28.5%	34,615,344	117.8%
January 1, 2014	27,151,045	60,736,606 ⁽³⁾	33,585,561	44.7%	33,689,999	99.7%
January 1, 2015	36,559,519	59,028,883	22,469,364	61.9%	38,906,511	57.8%

- (1) Actuarial liability determined under the projected unit credit cost method.
- (2) Actuarial accrued liability less actuarial value of assets.
- (3) Actuarial accrued liability estimated based on roll-forward of prior year January 1st valuation results.



APPENDICES

This material assumes that the reader is familiar with PHA’s post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to PHA in reviewing the impact of the proposed GASB Statement 45 on PHA’s financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Appendix A — Actuarial Cost Method

Unit Credit Actuarial Cost Method

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in pension costs. These gains and losses result from the difference between the actual experience under the plan and the experience by the actuarial assumptions.

The cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

Actuarial liabilities and comparative costs shown in this Report were computed using the **Unit Credit Actuarial Cost Method**, which consists of the following cost components:

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.
2. **The Actuarial Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.
4. **Unfunded Actuarial Liability** is the difference between the Actuarial Liability and the Valuation Assets. The initial Unfunded Actuarial Liability is amortized over the maximum permissible period under GASB 45 of 30 years (closed). Gains and losses at subsequent valuations are amortized over 30 years (closed). The single equivalent amortization period is approximately 14 years.

It should be noted that GASB 45 allows a variety of cost methods to be used. We elected this method because it is generally easy to understand and is widely used for the valuation of postemployment benefits other than pensions. Other methods used do not change the ultimate liability, but do allocate it differently between what has been earned in the past and what will be earned in the future. If a different method was used, either the normal cost would decrease and the unfunded amortization would increase, or the normal cost would increase and the amortization decrease. Please note that the net effect of the change may result in an increase or decrease in the annual required contribution (ARC). If desired, we can provide more details.

Appendix B — Actuarial Assumptions

In addition to the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. In the current valuation, the actuarial assumptions used for the calculation of costs and liabilities are as follows:

1. **Discount Rate:** 7.00% per annum, compounded annually (funded)

2. **Mortality (Actives & Retirees):**
 - **For healthy lives:** For Salaried participants, the RP-2014 White Collar Mortality Table adjusted backward to 2006 with MP-2014 and projected with Scale MP-2015, and the MP-2015 Projection for males and females. For Hourly participants, the RP-2014 Blue Collar Mortality Table adjusted backward to 2006 with MP-2014 and projected with Scale MP-2015, and the MP-2015 Projection for males and females.
 - **For disabled lives:** the RP-2014 Disabled Mortality Table adjusted backward to 2006 with MP-2014 and projected with Scale MP-2015, and the MP-2015 Projection for males and females.

3. **Withdrawal Rates:** Experience from the Port of Houston Authority (sample rates below):

Age	Rate	Age	Rate	Age	Rate
20-24	5.00%	35	5.60%	48	3.00%
25	12.00%	36	5.40%	49	2.60%
26	11.50%	37	5.20%	50	2.20%
27	10.50%	38	5.00%	51-55	3.60%
28	9.00%	39	4.80%	56	3.10%
29	8.00%	40	4.50%	57	2.60%
30	6.80%	41-43	4.40%	58	2.10%
31	6.60%	44	4.30%	59	1.60%
32	6.30%	45	4.20%	60	1.10%
33	6.10%	46	3.80%	61+	0.00%
34	5.90%	47	3.40%		

4. Disability Rates: Experience from the Port of Houston Authority (sample rates below):

Age	Rate for Males	Rate for Females
20	0.10%	0.17%
25	0.11%	0.18%
30	0.12%	0.19%
35	0.13%	0.21%
40	0.16%	0.26%
45	0.25%	0.39%
50	0.47%	0.77%
55	0.94%	1.46%
60	1.38%	2.24%

5. Salary Scale: N/A

6. Retirement Rates: Rates of retirement are shown below:

Age	Rate	Age	Rate
under 55	0%	61-64	25%
55-56	10%	65-69	50%
57-58	15%	70+	100%
59-60	20%		

7. Marriage Assumption: For Actives it is assumed that wives are three years younger than husbands. 80% of men and 80% of women are assumed to have spouses who will elect coverage.

8. Health Care Cost Trend Rate: Claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features and Medicare coordination.

Please note that there is some political uncertainty that affects the trend assumptions used to project costs under the Medicare Advantage (MA) plans. MA premium rates depend on the level of CMS (Centers for Medicare and Medicaid Services) payments for each year. As a result, there can be significant swings in net premium cost estimates from one year to the next under an MA program. While we have included approximately one percentage point of additional trend in the projection trends to account for the current trend of CMS decreasing funding, it is beyond our expertise to estimate the impact of future political decisions regarding the funding of the MA program.

Duration	< 65	>65
1	6.90%	7.60%
2	6.20%	3.90%
3	5.80%	9.50%
4	5.20%	5.50%
5	5.20%	5.40%
6	5.20%	5.50%
7	5.20%	5.50%
8	5.20%	5.50%
9	5.20%	5.50%
10	5.20%	5.40%
11	5.20%	5.50%
12	5.20%	5.50%
13	5.80%	5.50%
14	5.90%	5.50%
15	5.90%	5.50%
16	5.90%	5.50%
...
85+	4.40%	4.70%

9. Participation:

One-hundred percent (100%) of all active employees are assumed to elect coverage at retirement. Pre-65 retirees are assumed to be covered in the BCBS Basic PPO and post-65 retirees are covered in the AETNA Medicare Choice PPO 20/20 Plan.

10. Annual Retiree Claim Costs:

Age	Medical Plan	
	Participant	Spouse
Male- Under 65	\$21,576	\$18,742
Male - Over 65	\$1,839	\$1,839
Female - Under 65	\$18,913	\$17,645
Female - Over 65	\$1,798	\$1,798

11. Per Capita Medical Benefit Costs for Plan Year Ending December 31, 2015

The assumed annual per capita cost of medical benefits is shown below. Premium history for the population was obtained from Aetna, CIGNA, and BCBS, along with Medicare Advantage Rates. This history along with Milliman's 2015 *Health Cost Guidelines (HCG)*, was used to develop an estimate of the expected net claim costs under the medical plans offered by the Port. These amounts are GROSS of retiree cost-sharing amounts, and are projected to increase with age as shown below:

Age	Retiree		Spouse	
	Male	Female	Male	Female
45	\$14,043	\$16,006	\$9,031	\$10,902
50	\$12,341	\$14,009	\$10,326	\$11,931
55	\$13,151	\$13,811	\$12,012	\$13,141
60	\$16,122	\$15,708	\$14,421	\$14,968
64	\$20,212	\$18,207	\$17,654	\$17,042
65	\$1,839	\$1,798	\$1,839	\$1,798
70	\$2,230	\$2,108	\$2,230	\$2,108
75	\$2,668	\$2,459	\$2,668	\$2,459
80	\$3,100	\$2,833	\$3,100	\$2,833
85	\$3,546	\$3,242	\$3,546	\$3,242

12. Administrative Expenses: Included in annual retiree claim costs.

13. Retiree Premiums: All retirees are assumed to choose the BCBS Basic PPO Plan (see Appendix C for retiree contribution schedule). 88% of retirees elect the basic AETNA Medicare Choice PPO 20/20, with an annual cost of \$0 for single coverage and \$120 for family coverage. The retiree premiums are not indexed for inflation.

14. Changes since last valuation: New assumptions for Earnings Progression, Mortality, turnover, Retirement, and Disability were adopted for this valuation (and the August 1, 2015 pension valuation), based on an experience study completed in 2015.

Appendix C — Retiree Eligibility and Benefits

Eligibility

Employees who have reached age 62, or employees who have reached age 55 with 85 points, or employees who have 30 years of service at the time service terminates with the Port of Houston Authority, may continue coverage in the Port of Houston Authority Group Health Plan as a retiree. An eligible employee or may elect coverage for his or her dependents.

Disabled participants are covered in the Port of Houston Authority Group Health Plan from the date of disability.

The widow/widower of a retiree who has coverage as a retiree under the Port of Houston Authority Group Health Plan may continue coverage upon the death of the retiree.

Annual Contributions Required by Retirees – Current Plan

2015 Contribution rates for retirees. Contributions in future years will NOT be adjusted for cost trends:

Medical Plan	Medical Plan	
	Single	Family
BCBS Plan A Basic PPO	\$ 0	\$ 120
BCBS Plan B Premium PPO	\$1,969	\$6,224
AETNA Medicare Special 10 HMO	\$ 0	\$ 120
AETNA Medicare Choice 20/20 PPO	\$ 0	\$ 120

Base Plan Summary (BCBS Plan A Basic PPO)

1. Annual Deductible

None

2. Out of Pocket Max

\$1,500 Individual / \$3,000 Family

3. Maximum Benefit

Unlimited

4. Co-pays

Service	Co-Pay
PCP Office Visit	\$20
Specialist Office Visit	\$40
Preventive Care	\$0
Urgent Care	\$35
Hospital Urgent Care	\$75
Mental Health Outpatient	\$20
Skilled Nursing Facility	\$0
Home Health	\$0

5. Prescription Drug Copay

	Retail	Mail Order
Generic	\$20	\$50
Preferred	\$30	\$75
Non-Preferred	\$60	\$150

Post-65 Plan Summary (AETNA Medicare Choice PPO 20/20)

1. Annual Deductible

None

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2. Out of Pocket Maximum

\$6,700

3. Maximum Benefit

Unlimited

4. Co-pays

Service	Co-Pay
PCP Office Visit	\$20
Inpatient Hospital Services	\$250
Emergency Care	\$50
Annual Physical	\$0
Well Woman	\$0
Mental Health	\$250
Ambulance	\$20
Home Health	\$0
Cardiac Rehab Services	\$20
Chiropractic Services	\$15

5. Prescription Drug Copay

	Retail	Mail Order
Tier 1 (Generic)	\$5	\$10
Tier 2 (Non-Preferred Generic)	\$20	\$40
Tier 3 (Preferred Brand)	\$45	\$90
Tier 4 (Non-Preferred Brand)	\$75	\$150
Tier 5 (Specialty)	33%	33%
Tier 6 (Select Care Generics)	\$2	\$4

Life Insurance

\$15,000 payable at death of retiree.



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Appendix D — Glossary

The following is an explanation of many of the terms referenced by the Proposed Statement of the Governmental Accounting Standards Board, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”.

1. **Actuarial Cost Method.** This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost. The Statement assumes a closed group of employees and other participants unless otherwise stated; that is, no new entrants are assumed. Six methods are permitted – Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age.
2. **Actuarial Liability.** This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).
3. **Actuarial Present Value of Benefits.** This is the value, as of the applicable date, of future payments for benefits and expenses under the Plan, where each payment is:
 - (a) Multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and
 - (b) Discounted at the assumed discount rate.
4. **Actuarial Value of Assets.** This is the value of cash, investments and other property belonging to the Plan, as used by the actuary for the purpose of an Actuarial Valuation.
5. **Amortization Payment.** This is the amount of the contribution required to pay interest on and to amortize over a given period the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability. A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each actuarial valuation date.

6. **Annual Required Contributions (“ARC”).** This is the employer’s periodic required contribution to a defined benefit OPEB plan, calculated in accordance with the set of requirements for calculating actuarially determined OPEB information included in financial reports.
7. **Attribution Period.** The period of an employee’s service to which the expected postretirement benefit obligation for that employee is assigned. The beginning of the attribution period is the employee’s date of hire. The end of the attribution period is the full retirement eligibility date. For disability retirement, the end of the attribution period is the date of disability.
8. **Benefit Payments.** The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a post employment benefit plan, including health care benefits and life insurance not provided through a pension plan.
9. **Funding Excess.** This is the excess of the Actuarial Value of Assets over the actuarial accrued liability.
10. **Normal Cost.** This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.
11. **Net OPEB obligation.** This is the cumulative difference since the effective date of this statement between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Other Postemployment Benefits (“OPEB”).** This refers to postemployment benefits other than pension benefits, including healthcare benefits regardless of the type of plan that provides them, and all other postemployment benefits provided separately from a pension plan, excluding benefits defined as termination benefits or offers.
13. **Return on Plan Assets.** This is the actual investment return on plan assets during the fiscal year.
14. **Substantive Plan.** The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for the plan.
15. **Unfunded Actuarial Accrued Liability.** This is the excess of the actuarial accrued liability over the Actuarial Value of Assets.