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November 29, 2011

*Sent via mail*

***Personal and Confidential***

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

**Re: August 1, 2011 Actuarial Valuation of the Port of Houston Authority Restated Retirement Plan**

Dear Tom:

We are pleased to submit the enclosed report, which presents the results of the August 1, 2011 valuation of the Port of Houston Authority Restated Retirement Plan ("the Plan"). The report includes information relating to the Plan year ending July 31, 2012, and the Port's fiscal year ending December 31, 2011.

The contribution the Port should pay to the Plan for the year ending July 31, 2012 is \$8,132,756. The following payment schedule is consistent with payment schedules you have followed in the past:

|                   |             |
|-------------------|-------------|
| November 15, 2011 | \$2,033,189 |
| January 15, 2012  | \$2,033,189 |
| April 15, 2012    | \$2,033,189 |
| June 15, 2012     | \$2,033,189 |
| Total             | \$8,132,756 |

This 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. Appendix F documents these determinations.

The determination of annual pension cost is also documented in Appendix F.

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.



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. These rules were substantially revised in 2008 and the new rules could provide significantly different results if used. Finally, many of these rules continue to have no application to you because of the "governmental plan" exception. Appendix G of the enclosed report was prepared in accordance with the requirements of Statements 25 and 27 of the Governmental Accounting Standards Board.

The GASB amortization schedule is enclosed. Forbes Baker used to like to see a copy of this schedule.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Jake Pringle".

Jake Pringle, EA, MAAA

Enclosure

cc (with enclosure): Ms. Melanie Sherman (16 copies)

08/01/2011 PHP

7.25%

**Charges****Funding**

| <u>Date</u>            | <u>Type</u> | <u>Balance</u>    | <u>Term</u> | <u>Amtz</u>      |
|------------------------|-------------|-------------------|-------------|------------------|
| 08/01/2010 Loss        |             | 106,426           | 4           | 29,462           |
| 08/01/2009 Loss        |             | 6,662,823         | 3           | 2,378,074        |
| 08/01/2008 Loss        |             | 5,572,001         | 2           | 2,883,460        |
| 08/01/2006 Amendment   |             | 1,690,597         | 25          | 138,325          |
| 08/01/2006 Assumptions |             | 4,956,257         | 5           | 1,134,627        |
| 08/01/1997 Amendment   |             | 29,962            | 16          | 3,006            |
| 08/01/1995 Amendment   |             | 6,309,756         | 14          | 682,837          |
| 08/01/1994 Amendment   |             | 1,207,234         | 13          | 136,597          |
|                        |             | <b>26,535,056</b> |             | <b>7,386,388</b> |

**Credits**

| <u>Date</u>               | <u>Type</u> | <u>Balance</u>    | <u>Term</u> | <u>Amtz</u>      |
|---------------------------|-------------|-------------------|-------------|------------------|
| 08/01/2007 Gain           |             | 685,807           | 1           | 685,807          |
| 08/01/2010 Assumptions    |             | 1,787,496         | 9           | 258,537          |
| 08/01/2011 Gain           |             | 8,709,652         | 5           | 1,993,885        |
| 08/01/1994 Funding Method |             | 325,143           | 13          | 36,789           |
|                           |             | <b>11,508,098</b> |             | <b>2,975,019</b> |
|                           |             | 15,026,958        |             | 4,411,370        |
| Credit Balance            |             | 6,295,449         |             |                  |
| Recon Account             |             | 0                 |             |                  |
| UAL                       |             | <u>8,731,509</u>  |             |                  |
| UAL-check                 |             | 8,731,509         |             |                  |
|                           |             | 0                 |             |                  |

**GASB**

| <u>Balance</u>    | <u>Term</u> | <u>Amtz</u>      |
|-------------------|-------------|------------------|
| 103,239           | 4           | 28,580           |
| 6,674,506         | 3           | 2,382,244        |
| 5,574,432         | 2           | 2,884,718        |
| 1,690,597         | 25          | 138,325          |
| 4,956,257         | 5           | 1,134,627        |
| 29,962            | 16          | 3,006            |
| 0                 | 0           | 0                |
| 1,207,234         | 13          | 136,597          |
| <b>20,236,227</b> |             | <b>6,708,097</b> |
| 680,488           | 1           | 680,488          |
| 1,787,496         | 9           | 258,537          |
| 8,711,591         | 5           | 1,994,329        |
| 325,143           | 13          | 36,789           |
| <b>11,504,718</b> |             | <b>2,970,144</b> |
| 8,731,509         |             | 3,737,953        |
| 0                 |             | 30 yr Amtz       |
| 0                 |             | 672,628          |
| <u>8,731,509</u>  |             | OK               |

**Notes**

- \* The 8/1/95 Amd is the only one that is amortized over 5 years
- \* Credit Balance is 0 for GASB
- \* The net amtz must not be less than the 30yr amtz of the UAL
- \* If the net amtz is less than the 30yr amtz, the GASB base for the year must balance the UAL and the amtz of the UAL



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# Port of Houston Authority Restated Retirement Plan August 1, 2011 Actuarial Valuation

**Prepared by:**

Milliman, Inc.

**Jake Pringle**

EA, MAAA

**Richard E. White**

EA, MAAA

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Issued November 29, 2011

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## August 1, 2011 Actuarial Valuation Of Port of Houston Authority Restated Retirement Plan

As requested, we have performed an actuarial valuation of the Plan as of August 1, 2011, for the Plan Year ending July 31, 2012. Our findings are set forth in this actuary's report.

### Limited Distribution

Milliman's work is prepared solely for the internal business use of the Port of Houston Authority. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

### Reliance

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Port of Houston Authority of Harris County, Texas. This information includes, but is not limited to, plan documents and provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for 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 affecting the Plan.

### Limited Use

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan. Actuarial computations presented in this report 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 System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the Plan's funding goals and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

#### **Certification**

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully submitted,

Milliman, Inc.



Jake Pringle  
E.A., M.A.A.A.  
Enrollment Number 11-07457



Richard E. White  
E.A., M.A.A.A.  
Enrollment Number 11-00322

Issued November 29, 2011

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## Executive Summary



## A. Purposes of the Valuation

The annual actuarial valuations of the Plan are intended to accomplish several purposes including:

- In general, the determination of current levels of employer contributions which, considering prior funding, will accumulate monies sufficient to meet benefit payments when due under the terms of the Plan.
- More specifically, the determination of the minimum suggested contribution for the current Plan Year.
- Preparation of information pertaining to the operation of the Plan which is required either for inclusion in financial statements.
- Review of plan experience for the year ended on the day before the valuation date to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the Plan, i.e., through a comparison of plan assets and projected plan liabilities.

## B. Overview of the Report

Our objective in preparing this report is to disclose our findings in a full, clear and meaningful form. To this end we have divided the report into three major sections, a Report Summary, Exhibits, and Appendices.

The Report Summary presents the contribution alternatives, summarizes the valuation results, and discusses the current status of the Plan in light of past experience and future expectations.

The Exhibits provide detailed numerical information concerning the valuation results and the data upon which the results are based.

The Appendices provide a description of the actuarial cost method, summarize actuarial assumptions and valuation procedures, and detail the principal provisions of the Plan upon which the valuation is based. This section also includes other relevant information of a general nature.

## Summary of Results

|                                      | August 1, 2010 | August 1, 2011 |
|--------------------------------------|----------------|----------------|
| <b>Participant Data</b>              |                |                |
| Number of Participants               |                |                |
| Active participants                  | 545            | 546            |
| Terminated vested participants       | 191            | 183            |
| Retired participants                 | 322            | 324            |
| Disabled participants                | 7              | 6              |
| Beneficiaries                        | <u>99</u>      | <u>99</u>      |
| Total Participants                   | 1,164          | 1,158          |
| Total annual compensation            | \$34,938,502   | \$35,570,719   |
| Average annual compensation          | 64,107         | 65,148         |
| <b>Assets</b>                        |                |                |
| Market Value                         | \$105,870,699  | \$123,763,457  |
| Investment yield in prior year       | 10.4%          | 13.7%          |
| Book Value                           | 98,075,527     | 114,300,420    |
| Actuarial Value                      | 105,870,699    | 123,763,457    |
| Investment yield in prior year       | 10.4%          | 13.7%          |
| <b>Actuarial Present Values</b>      |                |                |
| Present Value of Benefits            | \$154,854,505  | \$159,699,562  |
| Actuarial Value of Assets            | 105,870,699    | 123,763,457    |
| Unfunded Present Value of Benefits   | 48,983,806     | 35,936,105     |
| Actuarial Accrued Liability          | 128,583,531    | 132,494,966    |
| Actuarial Value of Assets            | 105,870,699    | 123,763,457    |
| Unfunded Actuarial Accrued Liability | 22,712,832     | 8,731,509      |
| Current Liability                    | 111,120,063    | 116,636,508    |
| Actuarial Value of Assets            | 105,870,699    | 123,763,457    |
| Unfunded Current Liability           | 5,249,364      | (7,126,949)    |

## Summary of Results

|  | August 1, 2010 | August 1, 2011 |
|--|----------------|----------------|
| <b>Costs and Contributions</b>               |                |                |
| Normal Cost                                  | \$3,928,784    | \$4,070,401    |
| % of total annual compensation               | 11.2%          | 11.4%          |
| Current Annual Cost                          | 11,847,544     | 9,096,698      |
| % of total annual compensation               | 33.9%          | 25.6%          |
| Minimum Required Contribution                | 4,836,524      | 2,344,829      |
| % of total annual compensation               | 13.8%          | 6.6%           |
| Maximum Deductible Contribution (MDC)        | 69,108,286     | 58,280,401     |
| % of total annual compensation               | 197.8%         | 163.8%         |
| Full Funding Limitation (for MDC)            | 28,573,134     | 13,730,049     |
| % of total annual compensation               | 81.8%          | 38.6%          |
| <b>Funded Status of Accumulated Benefits</b> |                |                |
| FASB ASC Topic 960 basis                     |                |                |
| Present Value of Accumulated Benefits        | \$107,526,956  | \$112,301,645  |
| Funded Ratio (Market Value basis)            | 98.5%          | 110.2%         |
| Actuarial Equivalence basis                  |                |                |
| Present Value of Accumulated Benefits        | 127,133,084    | 132,339,331    |
| Funded Ratio (Market Value basis)            | 83.3%          | 93.5%          |



## Exhibits

## Exhibit 1

### Summary of Active Participants by Age and Service

#### Number of Participants by Age and Service Groups

| Age   | Years of Credited Service |     |     |       |       |       |       |       |       |       | Total |
|-------|---------------------------|-----|-----|-------|-------|-------|-------|-------|-------|-------|-------|
|       | <1                        | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40&Up |       |
| 0-24  | -                         | 3   | -   | -     | -     | -     | -     | -     | -     | -     | 3     |
| 25-29 | -                         | 22  | 8   | 1     | -     | -     | -     | -     | -     | -     | 31    |
| 30-34 | -                         | 20  | 18  | 4     | -     | -     | -     | -     | -     | -     | 42    |
| 35-39 | -                         | 25  | 19  | 15    | 5     | -     | -     | -     | -     | -     | 64    |
| 40-44 | -                         | 29  | 17  | 19    | 10    | 8     | -     | -     | -     | -     | 83    |
| 45-49 | -                         | 18  | 19  | 10    | 12    | 7     | 3     | 1     | -     | -     | 70    |
| 50-54 | -                         | 19  | 12  | 4     | 15    | 14    | 10    | 9     | -     | -     | 83    |
| 55-59 | -                         | 20  | 18  | 20    | 9     | 7     | 9     | 12    | 5     | -     | 100   |
| 60-64 | -                         | 12  | 12  | 5     | 10    | 3     | 3     | 7     | 3     | 1     | 56    |
| 65-69 | -                         | 2   | 4   | 1     | 2     | 1     | -     | 1     | 1     | 1     | 13    |
| 70&Up | -                         | 1   | -   | -     | -     | -     | -     | -     | -     | -     | 1     |
| Total | -                         | 171 | 127 | 79    | 63    | 40    | 25    | 30    | 9     | 2     | 546   |

#### Average Compensation by Age and Service Groups

| Age     | Years of Credited Service |         |        |        |        |         |        |        |         |         | Average |
|---------|---------------------------|---------|--------|--------|--------|---------|--------|--------|---------|---------|---------|
|         | <1                        | 1-4     | 5-9    | 10-14  | 15-19  | 20-24   | 25-29  | 30-34  | 35-39   | 40&Up   |         |
| 0-24    | -                         | 46,406  | -      | -      | -      | -       | -      | -      | -       | -       | 46,406  |
| 25-29   | -                         | 47,050  | 50,902 | 36,168 | -      | -       | -      | -      | -       | -       | 47,693  |
| 30-34   | -                         | 58,444  | 48,537 | 47,865 | -      | -       | -      | -      | -       | -       | 53,191  |
| 35-39   | -                         | 54,851  | 50,373 | 52,277 | 53,146 | -       | -      | -      | -       | -       | 52,785  |
| 40-44   | -                         | 62,014  | 58,564 | 61,214 | 56,916 | 60,463  | -      | -      | -       | -       | 60,361  |
| 45-49   | -                         | 82,836  | 66,855 | 53,276 | 58,640 | 72,065  | 52,360 | 41,892 | -       | -       | 67,159  |
| 50-54   | -                         | 82,620  | 67,290 | 69,852 | 60,904 | 74,696  | 77,507 | 60,775 | -       | -       | 71,542  |
| 55-59   | -                         | 74,802  | 79,220 | 62,632 | 76,528 | 79,948  | 65,979 | 55,970 | 57,642  | -       | 69,767  |
| 60-64   | -                         | 63,390  | 76,496 | 69,421 | 58,581 | 124,860 | 77,252 | 58,697 | 66,464  | 119,496 | 70,494  |
| 65-69   | -                         | 86,664  | 79,797 | 59,509 | 48,608 | 59,509  | -      | 62,629 | 155,256 | 63,086  | 76,132  |
| 70&Up   | -                         | 106,620 | -      | -      | -      | -       | -      | -      | -       | -       | 106,620 |
| Average | -                         | 64,973  | 62,791 | 58,814 | 60,697 | 75,691  | 70,309 | 57,800 | 71,429  | 91,291  | 63,919  |

## Exhibit 2

### Inactive Participants

#### Participants with Deferred Benefits

| Age     | Number of<br>Participants | Monthly<br>Benefit |
|---------|---------------------------|--------------------|
| < 30    | 3                         | \$765              |
| 30 - 34 | 1                         | 388                |
| 35 - 39 | 15                        | 7,069              |
| 40 - 44 | 10                        | 8,768              |
| 45 - 49 | 20                        | 14,735             |
| 50 - 54 | 29                        | 20,370             |
| 55 - 59 | 64                        | 60,938             |
| 60 - 64 | 41                        | 31,326             |
| 65 & Up | <u>0</u>                  | <u>0</u>           |
| Total   | 183                       | \$144,359          |

#### Participants in Pay Status

| Age     | Number of<br>Participants | Monthly<br>Benefit |
|---------|---------------------------|--------------------|
| < 55    | 6                         | \$6,424            |
| 55 - 59 | 20                        | 38,897             |
| 60 - 64 | 54                        | 94,838             |
| 65 - 69 | 95                        | 149,556            |
| 70 - 74 | 105                       | 139,260            |
| 75 - 79 | 56                        | 67,128             |
| 80 - 84 | 45                        | 55,650             |
| 85 - 89 | 39                        | 34,434             |
| 90 & Up | <u>9</u>                  | <u>7,818</u>       |
| Total   | 429                       | \$594,005          |

### Exhibit 3

#### Summary of Plan Assets

The summary of plan assets on a Market Value basis as of July 31, 2011 is shown below.

|                               |                  |
|-------------------------------|------------------|
| 1. Assets                     |                  |
| a. Interest bearing cash      | \$3,513,424      |
| b. U.S. Government securities | 29,211,368       |
| c. Corporate debt - other     | 17,609,875       |
| d. Corporate stocks - common  | 70,001,351       |
| e. Other general investments  | <u>3,495,084</u> |
| f. Total                      | 123,831,102      |
| 2. Liabilities                |                  |
| a. Operating payables         | <u>67,645</u>    |
| b. Total                      | 67,645           |
| 3. Total                      |                  |
| [(1f) - (2b)]                 | \$123,763,457    |

## Exhibit 4

### Summary of Income and Disbursements

The change in the Market Value of Assets from July 31, 2010 to July 31, 2011 is shown below.

|   |                  |
|---|------------------|
| 1. Market Value of Assets as of July 31, 2010 | \$105,870,699    |
| 2. Income                                     |                  |
| a. Employer contributions for plan year       | 10,808,796       |
| b. Net gain (loss) on sale of assets          | 10,565,334       |
| c. Unrealized appreciation (depreciation)     | 1,565,213        |
| d. Other income                               | 2,655,981        |
| e. Other changes in net assets                | <u>(113,437)</u> |
| f. Total                                      | 25,481,887       |
| 3. Disbursements                              |                  |
| a. Benefit payments to participants           | 6,745,879        |
| b. Investment management fees                 | 148,822          |
| c. Other expenses                             | <u>694,428</u>   |
| d. Total                                      | 7,589,129        |
| 4. Net increase / (decrease)                  |                  |
| [(2f) - (3d)]                                 | 17,892,758       |
| 5. Market Value of Assets as of July 31, 2011 |                  |
| [(1) + (4)]                                   | \$123,763,457    |

## Exhibit 5

### Estimated Investment Return on Market Value of Assets

The estimated investment return on the Market Value of Assets for the plan year ending July 31, 2011, assuming all cash flows of contributions, benefit payments, and administrative expenses are paid at mid-year, is determined below.

|  |               |
|--|---------------|
| 1. Market Value of Assets as of July 31, 2010  | \$105,870,699 |
| 2. Market Value of Assets as of July 31, 2011  | 123,763,457   |
| 3. Net non-investment cash flows for plan year ending July 31, 2011                                      | 3,219,667     |
| 4. Investment income for plan year ending July 31, 2011<br>[(2) - (1) - (3)]                             | \$14,673,091  |
| 5. Estimated investment return on Market Value of Assets<br>[ $\{2 \times (4)\} + \{(1) + (2) - (4)\}$ ] | 13.65%        |

## Exhibit 6

### Historical Rates of Return

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, 2011 was 13.65%:

| <b>Plan Year<br/>Ending</b> | <b>Total Investment<br/>Gain/(Loss)</b> | <b>Average<br/>Invested Fund</b> | <b>Yield</b> |
|-----------------------------|---|----------------------------------|--------------|
| 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%       |
| 07/31/2010                  | \$9,811,218                             | \$94,619,559                     | 10.37%       |
| 07/31/2011                  | \$14,673,091                            | \$107,480,533                    | 13.65%       |
| 1996-2011                   | \$72,662,805                            | \$1,226,423,811                  | 5.92%        |



## Exhibit 7

### Employer Contributions for Prior Plan Year

The employer contributions for the plan year ending July 31, 2011 were paid or are payable on the dates and in the amounts shown below.

| <b>Date of Contribution</b> | <b>Amount</b> |
|-----------------------------|---------------|
| November 15, 2010           | \$2,702,199   |
| January 15, 2011            | 2,702,199     |
| April 15, 2011              | 2,702,199     |
| June 15, 2011               | 2,702,199     |
| Total                       | \$10,808,796  |

## Exhibit 8

### Credit Balance / (Funding Deficiency) In Funding Standard Account for Prior Plan Year

The Credit Balance / (Funding Deficiency) in the Funding Standard Account as of July 31, 2011 is determined below.

|   |             |
|---|-------------|
| 1. Credit Balance / (Funding Deficiency) as of August 1, 2010                       | \$6,537,082 |
| 2. Charges for plan year  |             |
| a. Current Annual Cost  | 11,847,544  |
| b. Interest on late quarterly contributions   | <u>0</u>    |
| c. Total  | 11,847,544  |
| 3. Credits for plan year  |             |
| a. Interest on beginning Credit Balance   | 473,938     |
| b. Employer contributions   | 10,808,796  |
| c. Interest on employer contributions   | 323,177     |
| d. Full Funding Credit  | <u>0</u>    |
| e. Total  | 11,605,911  |
| 4. Credit Balance / (Funding Deficiency) as of July 31, 2011<br>[(1) - (2c) + (3e)] | \$6,295,449 |

## Exhibit 9

### Actuarial Balance Sheet

The total plan requirements compared to the total value of plan resources as of August 1, 2011 is shown below.

#### Plan Requirements

|   |                  |
|---|------------------|
| 1. Present value of active participant benefits   |                  |
| a. Withdrawal                                     | \$5,947,613      |
| b. Early Retirement                               | 9,768,396        |
| c. Unreduced Retirement                           | 65,052,717       |
| d. Death  | 1,418,538        |
| e. Disability                                     | <u>6,105,782</u> |
| f. Total  | 88,293,046       |
| 2. Present value of inactive participant benefits |                  |
| a. Terminated vested participants                 | 6,669,201        |
| b. Deferred disabled participants                 | 1,523,427        |
| c. Deferred beneficiaries                         | 798,643          |
| d. Retired participants                           | 54,337,879       |
| e. Disabled participants                          | 725,543          |
| f. Beneficiaries                                  | <u>7,351,823</u> |
| g. Total  | 71,406,516       |
| 3. Total plan requirements                        |                  |
| [(1f) + (2g)]                                     | 159,699,562      |

#### Plan Resources

|   |               |
|---|---------------|
| 4. Actuarial Value of Assets            | 123,763,457   |
| 5. Unfunded Actuarial Accrued Liability | 8,731,509     |
| 6. Present Value of Future Normal Costs | 27,204,596    |
| 7. Total plan resources                 |               |
| [(4) + (5) + (6)]                       | \$159,699,562 |

## Exhibit 10

### Actuarial (Gain) / Loss for Prior Plan Year

The Actuarial (Gain) / Loss for the prior plan year is the difference between the expected and actual Unfunded Actuarial Accrued Liability as of the beginning of the current plan year. The Actuarial (Gain) / Loss for the plan year ending July 31, 2011 is determined below.

|   |                  |
|---|------------------|
| 1. Unfunded Actuarial Accrued Liability as of August 1, 2010                                | \$22,712,832     |
| 2. Normal Cost as of August 1, 2010   | 3,928,784        |
| 3. Interest on (1) and (2) to end of plan year  | <u>1,931,517</u> |
| 4. Subtotal<br>[(1) + (2) + (3)]  | 28,573,133       |
| 5. Employer contributions for plan year   | 10,808,796       |
| 6. Interest on (5) to end of plan year  | <u>323,177</u>   |
| 7. Subtotal<br>[(5) + (6)]  | 11,131,973       |
| 8. Changes in Actuarial Accrued Liability   |                  |
| a. Plan amendments  | 0                |
| b. Changes in actuarial assumptions   | 0                |
| c. Changes in cost method   | <u>0</u>         |
| d. Total  | 0                |
| 9. Expected Unfunded Actuarial Accrued Liability as of August 1, 2011<br>[(4) - (7) + (8d)] | 17,441,160       |
| 10. Actual Unfunded Actuarial Accrued Liability as of August 1, 2011                        | 8,731,509        |
| 11. Actuarial (Gain) / Loss for prior plan year<br>[(10) - (9)]                             | (8,709,651)      |
| 12. Actuarial (Gain) / Loss subject to amortization, if any                                 | \$(8,709,651)    |

## Exhibit 11

### Full Funding Limitation

The Full Funding Limitation for the plan year ending July 31, 2012 and the tax year ending July 31, 2012 is determined below. The bracketed numbers are as of the beginning of the plan year. The other numbers are as of the end of the plan year.

|  |                 | Minimum<br>Required<br>Contribution | Maximum<br>Deductible<br>Contribution |
|--|-----------------|-------------------------------------|---------------------------------------|
| 1. ERISA Actuarial Accrued Liability               | 7.25%           |                                     |                                       |
| a. Actuarial Accrued Liability                     | [\$132,494,966] | \$142,100,851                       | \$142,100,851                         |
| b. Normal Cost                                     | [4,070,401]     | 4,365,505                           | 4,365,505                             |
| c. Expected distributions                          | [7,847,186]     | 8,416,107                           | 8,416,107                             |
| d. Subtotal [(a) + (b) - (c)]                      |                 | 138,050,249                         | 138,050,249                           |
| 2. Current Liability                               | 7.00%           |                                     |                                       |
| a. Current Liability                               | [116,636,508]   | 124,801,064                         | 124,801,064                           |
| b. Normal Cost                                     | [4,989,902]     | 5,339,195                           | 5,339,195                             |
| c. Expected distributions                          | [7,856,565]     | 8,406,525                           | 8,406,525                             |
| d. Subtotal [(a) + (b) - (c)]                      |                 | 121,733,734                         | 121,733,734                           |
| 3. Adjusted Plan Assets                            | 7.25%           |                                     |                                       |
| a. Actuarial Value of Assets                       | [123,763,457]   | 132,736,307                         | 132,736,307                           |
| b. Market Value of Assets                          | [123,763,457]   | 132,736,307                         | 132,736,307                           |
| c. Credit Balance                                  | [6,295,449]     | 6,751,869                           | n/a                                   |
| d. Undeducted employer contributions               | [0]             | n/a                                 | 0                                     |
| e. Expected distributions                          | [7,847,186]     | 8,416,107                           | 8,416,107                             |
| f. ERISA assets [min{(a), (b)} - (c) - (d) - (e)]  |                 | 117,568,331                         | 124,320,200                           |
| g. Current Liability assets [(a) - (d) - (e)]      |                 | 124,320,200                         | 124,320,200                           |
| 4. Full Funding Limitation                         |                 |                                     |                                       |
| a. ERISA [max{(1d) - (3f), \$0}]                   |                 | 20,481,918                          | 13,730,049                            |
| b. Current Liability [max{90% × (2d) - (3g), \$0}] |                 | 0                                   | 0                                     |
| c. Full Funding Limitation [max{(a), (b)}]         |                 | \$20,481,918                        | \$13,730,049                          |

## Exhibit 12

### Charges and Credits for Funding Standard Account

The amortization charges and credits for the Funding Standard Account for the plan year beginning August 1, 2011 are determined below.

1. Charges as of August 1, 2011

|    | <b>Date</b>        |                       | <b>Amortization</b> | <b>Remaining</b> | <b>Outstanding</b> |
|----|--------------------|-----------------------|---------------------|------------------|--------------------|
|    | <b>Established</b> | <b>Description</b>    | <b>Amount</b>       | <b>Years</b>     | <b>Balance</b>     |
| a. | 8/1/1994           | Plan amendment        | \$136,597           | 13.0             | \$1,207,234        |
| b. | 8/1/1995           | Plan amendment        | 682,837             | 14.0             | 6,309,756          |
| c. | 8/1/1997           | Plan amendment        | 3,006               | 16.0             | 29,962             |
| d. | 8/1/2006           | Plan amendment        | 138,325             | 25.0             | 1,690,597          |
| e. | 8/1/2006           | Change in assumptions | 1,134,627           | 5.0              | 4,956,257          |
| f. | 8/1/2008           | Actuarial loss        | 2,883,460           | 2.0              | 5,572,001          |
| g. | 8/1/2009           | Actuarial loss        | 2,378,074           | 3.0              | 6,662,823          |
| h. | 8/1/2010           | Actuarial loss        | 29,462              | 4.0              | 106,426            |
| i. | Total              |                       | 7,386,388           |                  | 26,535,056         |

2. Credits as of August 1, 2011

|    | <b>Date</b>        |                       | <b>Amortization</b> | <b>Remaining</b> | <b>Outstanding</b> |
|----|--------------------|-----------------------|---------------------|------------------|--------------------|
|    | <b>Established</b> | <b>Description</b>    | <b>Amount</b>       | <b>Years</b>     | <b>Balance</b>     |
| a. | 8/1/1994           | Change in cost method | \$36,790            | 13.0             | \$325,143          |
| b. | 8/1/2007           | Actuarial gain        | 685,807             | 1.0              | 685,807            |
| c. | 8/1/2010           | Change in assumptions | 258,537             | 9.0              | 1,787,496          |
| d. | 8/1/2011           | Actuarial gain        | 1,993,885           | 5.0              | 8,709,652          |
| e. | Total              |                       | 2,975,019           |                  | 11,508,098         |

3. Net outstanding balance [(1i) - (2e)] 15,026,958

4. Credit Balance as of August 1, 2011 6,295,449

5. Accumulated reconciliation account as of August 1, 2011

|    |                                    |   |
|----|------------------------------------|---|
| a. | Additional Funding Charges         | 0 |
| b. | Additional Interest Charges        | 0 |
| c. | Due to Waived Funding Deficiencies | 0 |
| d. | Total [(a) + (b) + (c)]            | 0 |

6. Balance test result [(3) - (4) - (5d)] 8,731,509

7. Unfunded Actuarial Accrued Liability as of August 1, 2011, minimum \$0 \$8,731,509

## Exhibit 13

### Charges and Credits for Maximum Deductible Contribution

The ten-year limitation bases for the preliminary Maximum Deductible Contribution as of August 1, 2011 are determined below.

1. Ten-year limitation bases

|    | <b>Date<br/>Established</b>                                  | <b>Amortization<br/>Amount</b> | <b>Remaining<br/>Years</b> | <b>Outstanding<br/>Balance</b> |
|----|--|--------------------------------|----------------------------|--------------------------------|
| a. | 8/1/2011   | \$1,172,565                    | 10.0                       | \$8,731,509                    |
| b. | Total  | 1,172,565                      |                            | 8,731,509                      |
| 2. | Net outstanding balance                                      |                                |                            | 8,731,509                      |
| 3. | Undeducted employer contributions                            |                                |                            | 0                              |
| 4. | Balance test [(2) - (3)]                                     |                                |                            | 8,731,509                      |
| 5. | Unfunded Actuarial Accrued Liability<br>as of August 1, 2011 |                                |                            | \$8,731,509                    |



## Exhibit 14

### Current Annual Cost and Minimum Required Contribution

The Current Annual Cost is the plan's cost under the minimum funding requirements prior to the recognition of the Full Funding Limitation and any Credit Balance. The Minimum Required Contribution is the amount needed to avoid a Funding Deficiency in the Funding Standard Account. These amounts for the plan year beginning August 1, 2011 are determined below.

|  |                |
|--|----------------|
| 1. Charges for plan year                             |                |
| a. Funding Deficiency as of August 1, 2011           | \$0            |
| b. Normal Cost                                       | 4,070,401      |
| c. Amortization charges (on \$26,535,056)            | 7,386,388      |
| d. Interest on (a), (b), and (c) to end of plan year | 830,617        |
| e. Additional Funding Charge                         | <u>0</u>       |
| f. Total   | 12,287,406     |
| 2. Credits for plan year                             |                |
| a. Amortization credits (on \$11,508,098)            | 2,975,019      |
| b. Other credits                                     | 0              |
| c. Interest on (a) and (b) to end of plan year       | <u>215,689</u> |
| d. Total   | 3,190,708      |
| 3. Current Annual Cost for plan year                 |                |
| [(1f) - (2d), but not less than \$0]                 | 9,096,698      |
| 4. Full Funding Credit for plan year                 |                |
| a. Full Funding Limitation                           | 20,481,918     |
| b. Full Funding Credit                               |                |
| [(3) - (4a), but not less than \$0]                  | 0              |
| 5. Credit Balance for plan year                      |                |
| a. Credit Balance as of August 1, 2011               | 6,295,449      |
| b. Interest on (a) to end of plan year               | <u>456,420</u> |
| c. Total   | 6,751,869      |
| 6. Minimum Required Contribution for plan year       |                |
| [(3) - (4b) - (5c), but not less than \$0]           | \$2,344,829    |

## Exhibit 15

### Maximum Deductible Contribution under IRC Section 404

The Maximum Deductible Contribution under IRC Section 404 for the tax year beginning August 1, 2011 is determined below.

|   |                |
|---|----------------|
| 1. Minimum Required Contribution for plan year beginning August 1, 2011   | \$2,344,829    |
| 2. Preliminary Maximum Deductible Contribution under IRC Section 404 for tax year   |                |
| a. Normal Cost  | 4,070,401      |
| b. Amortization payment on ten-year limitation bases  | 1,172,565      |
| c. Interest to earlier of tax year end or plan year end   | <u>380,115</u> |
| d. Total  | 5,623,081      |
| 3. Full Funding Limitation for tax year   | 13,730,049     |
| 4. Unfunded 150% of Current Liability as of July 31, 2012   |                |
| a. Current Liability (for IRC Section 404 purposes) projected to end of year  | 121,733,734    |
| b. Actuarial Value of Assets (for IRC Section 404 purposes) projected to end of year  | 124,320,200    |
| c. Unfunded 150% of Current Liability<br>[150% × (a) - (b), but not less than \$0]  | 58,280,401     |
| 5. Maximum Deductible Contribution under IRC Section 404 for tax year<br>[greater of (1) and (2d), but not more than (3), nor less than (4c)] | \$58,280,401   |

There are alternative calculations of the Maximum Deductible Contribution under IRC Section 404 that may produce a different amount than illustrated above. Additionally, deductibility of contributions to a defined contribution plan maintained for the same employees may be affected by the 25% of pay limitation for defined benefit and defined contribution plans combined. Please consult your tax advisors regarding the deductibility of cash contributions.

## Exhibit 16

### Present Value of Accumulated Plan Benefits on a FASB ASC Topic 960 Basis

Accumulated Plan Benefits are benefits earned to date, based on pay history and service rendered to date, expected to be paid in the future to retired, terminated vested, and active participants, and beneficiaries of active or former participants. The Present Value of Accumulated Plan Benefits (determined on a plan continuation basis in accordance with FASB ASC Topic 960) as of August 1, 2011 is shown below.

|   |                   |
|---|-------------------|
| 1. Present Value of vested Accumulated Plan Benefits              |                   |
| a. Retired participants   | \$54,337,879      |
| b. Disabled participants  | 725,543           |
| c. Beneficiaries  | 7,351,823         |
| d. Terminated vested participants                                 | 6,668,865         |
| e. Deferred disabled participants                                 | 1,523,427         |
| f. Deferred beneficiaries   | 798,643           |
| g. Active participants  | <u>35,134,997</u> |
| h. Total  | 106,541,177       |
| 2. Present Value of non-vested Accumulated Plan Benefits          | 5,760,468         |
| 3. Present Value of all Accumulated Plan Benefits<br>[(1h) + (2)] | 112,301,645       |
| 4. Market Value of Assets   | \$123,763,457     |
| 5. Funded ratio   |                   |
| a. Vested benefits<br>[(4) + (1h)]                                | 116.17%           |
| b. All benefits<br>[(4) + (3)]                                    | 110.21%           |

## Exhibit 17

### Change in Present Value of Accumulated Plan Benefits on a FASB ASC Topic 960 Basis

The change in the Present Value of Accumulated Plan Benefits (determined on a plan continuation basis in accordance with FASB ASC Topic 960) from August 1, 2010 to August 1, 2011 is shown below.

|  |               |
|--|---------------|
| 1. Present Value of all Accumulated Plan Benefits as of August 1, 2010                 | \$107,526,956 |
| 2. Changes   |               |
| a. Reduction in discount period  | 7,555,444     |
| b. Benefits accumulated  | 3,965,124     |
| c. Benefit payments  | 6,745,879     |
| d. Plan amendments   | 0             |
| e. Change in assumptions   | 0             |
| f. Total   |               |
| [(a) + (b) - (c) + (d) + (e)]  | 4,774,689     |
| 3. Present Value of all Accumulated Plan Benefits as of August 1, 2011<br>[(1) + (2f)] | \$112,301,645 |

# Appendix A

## Summary of Actuarial Assumptions and Methods

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August 1, 2011 Actuarial Valuation  
Port of Houston Authority Restated Retirement Plan

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.

The ultimate cost of a pension plan is the excess of actual benefits and administrative expenses paid over actual net investment return on plan assets during the plan's existence until the last payment has been made to the last participant. The plan's "actuarial cost method" determines the expected incidence of actuarial costs by allocating portions of the ultimate cost to each plan year. The cost method is thus a budgeting tool to help ensure that the plan will be adequately and systematically funded. There are several commonly-used cost methods which differ in how much of the ultimate cost is assigned to each prior and future year. Therefore, the pattern of annual contributions varies with the choice of cost method. Annual contributions are also affected by the "asset valuation method" (as well as the plan provisions, actuarial assumptions, and actual plan demographic and investment experience each year).

### **Actuarial Cost Method**

The actuarial cost method used in the valuation of this Plan is known as the entry age normal cost method. Under this method a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his projected retirement benefit. The normal cost for the plan is the total of the individually computed normal costs for all participants including the costs for any death or disability benefits under the plan.

The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income, the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. The unfunded accrued liability for the plan is the excess of the accrued liability over the assets which have been accumulated for the plan. This unfunded accrued liability may be liquidated over a period of between five and thirty years (forty years for plans in existence on January 1, 1974) at the convenience of the employer with fixed or variable payments, subject to certain minimum payments on a cumulative basis needed to satisfy the minimum contribution requirements for the plan.

It should be noted that the accrued liability as of any date is not the actuarially computed present value of accrued or accumulated plan benefits as of that date. The accrued liability is the portion of the ultimate cost assigned to prior years by the cost method being used. The actuarially computed present value of accrued or accumulated plan benefits is the present value of retirement benefits which have been accrued or earned to date based only upon service and earnings to date.

The funding 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 assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

### **Asset Valuation Method**

For purposes of applying the actuarial cost method, effective October 27, 1996, plan assets are valued at market value. Prior to October 27, 1996, plan assets were invested with American General and were valued at contract value.



## Changes in Actuarial Methods since Prior Valuation

None.

## Interest Rates

- **For funding purposes:** 7.25% per annum, compounded annually.
- **For current liability purposes:** 7.00% per annum, compounded annually.

## Earnings Progression

| Age   | Rate | Age   | Rate |
|-------|------|-------|------|
| 20-21 | 7.5% | 40-41 | 4.2  |
| 22-23 | 7.0  | 42-44 | 4.1  |
| 24    | 6.5  | 45-49 | 4.0  |
| 25    | 6.4  | 50-52 | 3.8  |
| 26    | 6.3  | 53    | 3.7  |
| 27    | 6.2  | 54    | 3.6  |
| 28    | 6.1  | 55-57 | 3.5  |
| 29    | 6.0  | 58-59 | 3.2  |
| 30-39 | 4.5  | 60-70 | 3.0  |

## Future Social Security Wage Base Increases

4.00% per annum, compounded annually.

## Inflation

3.50% per annum, compounded annually.

## Mortality

- **For healthy lives:** For Salaried participants, RP-2000 White Collar Mortality Table with Projection Scale AA for males and females. For Hourly participants, RP-2000 Blue Collar Mortality Table with Projection Scale AA for males and females.
- **For disabled lives:** Pragmatic Disabled Lives Continuance Table.



## Turnover

| Age   | Rate | Age   | Rate |
|-------|------|-------|------|
| 15-24 | 5.0% | 36-39 | 4.1% |
| 25-59 | 10.0 | 40-44 | 3.6  |
| 30    | 6.5  | 45    | 2.4  |
| 31-32 | 6.2  | 46-49 | 2.5  |
| 33    | 6.0  | 50-54 | 3.0  |
| 34    | 5.5  | 55-60 | 2.0  |
| 35    | 5.0  | 61+   | 0.0  |

## Retirement

| Age   | Rate | Age   | Rate  |
|-------|------|-------|-------|
| 50-54 | 0.0% | 64    | 30.0% |
| 55-58 | 5.0  | 65    | 35.0  |
| 59    | 10.0 | 66    | 40.0  |
| 60-61 | 15.0 | 67-69 | 50.0  |
| 62    | 20.0 | 70+   | 100.0 |
| 63    | 25.0 |       |       |

## Disability

Selected rates are as follows:

| Age | Rate for Males | Rate for Females |
|-----|----------------|------------------|
| 20  | .097%          | .156%            |
| 25  | .112           | .179             |
| 30  | .120           | .192             |
| 35  | .127           | .204             |
| 40  | .147           | .235             |
| 45  | .197           | .316             |
| 50  | .356           | .570             |
| 55  | .681           | 1.089            |
| 60  | 1.380          | 2.208            |

### Marital Characteristics

- **For participants not in pay status:** 100% of participants are assumed to be married, with males 3 years older than females.
- **For participants in pay status:** Actual birth dates of spouses are included in the census data, where relevant.

### Expenses

Normal Cost is loaded by \$750,000 for administrative expenses.

### Benefits Not Valued

All benefits are valued.

### Special Data Adjustments

None.

## Appendix B

### Summary of Principal Plan Provisions

This summary of plan provisions is intended to only describe the essential features of the plan. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself.

## Definitions

**Accrued Benefit:** Determined under the fractional rule, equal to that amount which is in the same proportion to the Participant's Normal Retirement Benefit as the Participant's Years of Accrual Service completed as of the date of determination bear to the total Years of Accrual Service the Participant would complete if he were to continue to participate until his Normal Retirement Date.

**Actuarially Equivalent:** Equality in value such that the present value of the amount under any form of payment is essentially the same as the present value of the amount under the normal form of annuity payment for single participants. Actuarially Equivalent factors are based on the 2011 Applicable Mortality Table blended for Males and Females and an interest rate of 6%.

**Average Monthly Compensation:** Determined by dividing the total Compensation received during the 5 consecutive Compensation Periods (during the last 10 years of employment) for which Compensation was highest by the number of months during such period. All fractional Compensation Periods will be taken into account.

**Compensation:** That compensation which is treated as FICA wages without regard to the Social Security taxable wage base, excluding overtime and bonuses. In the case of hourly employees, Compensation as of any date is based on the straight time rate per hour assuming they work 2080 hours per year. Compensation also includes any amounts which are treated as salary reduction contributions and used to purchase non-taxable benefits under Section 125 or 401(k) of the Internal Revenue Code.

Compensation in excess of the Statutory Compensation Limit will be disregarded. Statutory Compensation Limit means \$245,000 for the Plan Year beginning August 1, 2011, as adjusted in accordance with Code Section 401(a)(17)(B). For purposes of applying this compensation limit, a family member of a Highly Compensated Employee is subject to the single aggregate compensation limit imposed on the Highly Compensated Employee if the family member is either the Employee's spouse or is a lineal descendant who has not attained the age of 19 by the end of the Plan Year.

The Compensation Period is the 12 month period which begins each August 1 and ends each July 31.

**Effective Date:** August 1, 1988.

The plan was last amended effective August 1, 2008.

**Eligible Employee Classification:** A classification of employees, the members of which are eligible to participate in the Plan. The Plan covers all employee classifications except leased employees and casual employees.

**One Year Break-in-Service:** Occurs in any 365-day period following a Participant's date of termination in which an employee does not complete at least one hour of service.

**Plan Sponsor:** Port of Houston Authority of Harris County, Texas. The Plan Administrator is the Personnel Manager.

**Plan Year:** 12 month period beginning August 1 and ending July 31.

## Years of Service

**For Eligibility purposes:** Determined using the Hours of Service Method. A Year of Eligibility Service is credited for each Computation Period during which an Employee is credited with at least 1,000 hours of



service. The Computation Period is the 12 consecutive month period beginning with the employee's employment commencement date and anniversaries thereof. All of an employee's Years of Eligibility Service are taken into account in determining his eligibility to participate.

**For Benefit purposes:** Determined using the Elapsed Time Method. All of an employee's Years of Benefit Service are taken into account in determining the monthly benefit except:

- service for which the employee was not entitled to receive Compensation; and
- service while the employee was not in an Eligible Employee Classification.

**For Accrual purposes:** Determined using the Elapsed Time Method. All of an Employee's Years of Accrual Service are taken into account in determining the monthly benefit except:

- service for which the employee was not entitled to receive Compensation; and
- service while the employee was not in an Eligible Employee Classification.

**For Vesting purposes:** Determined using the Elapsed Time Method. All of an employee's Years of Vesting Service are taken into account in determining Vested Percentage.

## Eligibility for Participation

An Employee who is a member of an Eligible Employee Classification will become a participant in the Plan on the August 1st which coincides with or next follows the completion of one Year of Eligibility Service.

## Normal Retirement

**Normal Retirement Date:** The first day of the month coincident with or next following the later of attainment of age 65.

**Normal Retirement Benefit:** A monthly retirement pension benefit commencing on the Participant's Normal Retirement Date payable in the Normal Benefit Form in an amount equal to 2.3% of Average Monthly Compensation multiplied by Years of Benefit Service not in excess of 30.435 years

**Normal Benefit Form:** Lifetime Pension, 5 Years Certain, a monthly pension benefit payable for the lifetime of the Participant with payments guaranteed for a minimum of 5 years. In the event of the Participant's death prior to the expiration of 5 years, the same monthly pension benefit will be continued to the Participant's Beneficiary for the remainder of the 5 year period.

## Early Retirement

**Early Retirement Date:** The first day of the month so elected by the Participant which coincides with or next follows the date upon which the Participant satisfies one of the following requirements:

- Attainment of age 62; or
- Completion of 30 Years of Vesting Service; or
- The sum of the Participant's age and Years of Vesting Service equals 85 or more, provided the Participant has attained age 55 or more

**Early Retirement Benefit:** Equal to the Actuarial Equivalent of the Participant's Accrued Benefit determined as of his Early Retirement Date. A Participant may retire on the first day of any month following the satisfaction of (3) above and receive his Accrued Benefit without any Actuarial Equivalent reduction.

## Late Retirement

**Late Retirement Date:** The first day of the month coincident with or next following the date of termination of employment if it occurs after the Normal Retirement Date.

**Late Retirement Benefit:** At actual retirement, the benefit will be equal to the monthly benefit which is based on the Normal Retirement Benefit formula using the Participants' Years of Benefit Service and Compensation through his Late Retirement Date.

## Termination

**Termination Date:** The date of termination of service other than for reasons of retirement, disability, or death.

**Termination Benefit:** The Accrued Benefit multiplied by the Vested Percentage below, payable at the Normal Retirement Date.

| Years of Vesting Service | Vested Percentage |
|--------------------------|-------------------|
| Less than 5              | 0%                |
| 5 or more                | 100               |

## Preretirement Death

In the event of the death of a Participant prior to the date that he begins to receive a monthly pension benefit under the Plan, the Participant's surviving spouse, if any, will be entitled to receive a preretirement death benefit.

If the Participant has completed 15 Years of Vesting Service, the Participant's surviving spouse, if any, will be entitled to receive a monthly pension benefit equal to 50% of the Participant's Accrued Benefit determined as of his date of death.

The spouses of Participants with less than 15 Years of Vesting Service at the date of death will receive a Qualified Pre-retirement Survivor Annuity, equal to 50% of the monthly pension benefit which would have been payable had the Participant retired on the day before his death and elected a Joint and 50% Contingent Survivor Pension. A Joint and 50% Contingent Pension provides a monthly pension benefit payable for the lifetime of the Participant and, upon the Participant's death, if the Participant's spouse survives the Participant, a monthly pension benefit will continue for the remaining lifetime of the surviving spouse equal to 50% of the monthly pension benefit which was payable during the joint lifetime of the Participant and the Participant's surviving spouse.

## Disability Retirement

**Disability Retirement Date:** The first day of the month coincident with or next following the date of termination of his employment due to disability provided such Participant has been found to be eligible for a Disability Retirement Benefit.

An Active Participant will be eligible for a Disability Retirement Benefit under the Plan upon the occurrence of permanent disability coincident with or following the Participant's completion of 5 Years of Vesting Service.

**Disability Retirement Benefit:** Equal to the Normal Retirement Benefit to which the Participant would have been entitled if he had continued to be an employee until his Normal Retirement Date with such benefit calculated on the basis of his Average Monthly Compensation as of his Disability Retirement Date. Such benefit will begin on his Normal Retirement Date.



If a Participant satisfies the requirements for a Disability Retirement Benefit and also satisfies the requirements for a Vested Accrued Benefit, the portion of his Disability Retirement Benefit which is the Actuarial Equivalent of his Vested Accrued Benefit will be payable in the Normal Benefit Form (or any optional benefit form) and will be subject to the joint and survivor annuity distribution requirements. The remaining portion, if any, of the Actuarial Equivalent of the Participant's Disability Retirement Benefit will be payable as a Lifetime Pension with a monthly benefit payable for the Participant's lifetime with payments terminating upon his death.

**Permanent Disability:** A Participant will be considered permanently disabled if he becomes eligible for disability benefits under the Social Security Program and, in the opinion of the Plan Administrator,

- he is prevented from performing the usual duties of his employment or any other employment for which he is reasonably suited as a result of his education, training and experience;
- such disability is likely to be both continuous and permanent;
- such disability occurs on or after the Effective Date of the Plan but prior to the Participant's Normal Retirement Date; and
- such disability is not, in the opinion of the Plan Administrator, the result of injury or disease sustained by the Participant which was diagnosed or discovered subsequent to the date his employment has terminated.

## Forms of Payment

Optional benefit forms are available and equal to the Actuarial Equivalent of the Normal Benefit Form and may be in an amount more than or less than that provided by the Normal Benefit Form depending on the option selected. Such distribution may be in one or more of the following forms:

**Lifetime Pension, 10 Years Certain:** Monthly pension benefit payable for the lifetime of the Participant with payments guaranteed for a minimum of 10 years.

**Lifetime Pension, 15 Years Certain:** Monthly pension benefit payable for the lifetime of the Participant with payments guaranteed for a minimum of 15 years.

**Lifetime Pension, 20 Years Certain:** Monthly pension benefit payable for the lifetime of the Participant with payments guaranteed for a minimum of 20 years.

**Joint & 50% Survivor Pension:** Monthly pension benefit payable during the joint lifetime of the Participant and the Participant's spouse; reduces to 50% of the original amount upon the first death.

**Joint & 75% Survivor Pension:** Monthly pension benefit payable during the joint lifetime of the Participant and the Participant's spouse; reduces to 75% of the original amount upon the first death.

**Joint & 100% Survivor Pension:** Monthly pension benefit payable for as long as either the Participant or the Participant's spouse is alive.

## Changes in Plan Provisions since Prior Valuation

None.

## Appendix C

### General Rules



## General Rules

The Employee Retirement Income Security Act of 1974 (ERISA) requires that an accounting procedure be established and maintained for each retirement plan covered under the Act to determine the minimum funding requirements. This accounting procedure involves the establishment of a "Funding Standard Account." The purpose of this account is to keep track of the funding status of the Plan on a cumulative basis with regard to the minimum required contributions to the Plan. Each Plan Year the account is charged with certain amounts such as the normal cost for the year and the amounts (if any) which are required to amortize the unfunded accrued liability or the unfunded frozen actuarial liability over a specified period of years. Each Plan Year the account is credited with a certain amount such as the plan sponsor's contributions for the year and any amortization payments. At the end of each Plan Year, the cumulative credits to the account must be sufficient to offset the cumulative charges to the account such that the balance is zero, or that a net credit balance exists. A net credit balance represents a margin resulting from contributions made to the Plan in excess of the minimum amounts required. A funding deficiency exists for a Plan Year if, as of the end of the Plan Year, the Funding Standard Account has a net debit balance.

For any Plan Year which is less than a full twelve months in length, the normal cost, amortization charges and amortization credits are reduced on a pro rata basis to reflect the length of the short Plan Year.

The current annual cost for a given Plan Year is equal to the minimum required contribution for the Plan Year before recognition of any credits which may have accumulated from having contributed more than the minimum required contribution for prior Plan Years. If no credits have been accumulated, the minimum required contribution for the Plan Year is equal to the current annual cost.

## Timing of Contribution

To avoid a funding deficiency, a contribution sufficient to meet the minimum funding requirements must be made to the trust fund not later than eight and one-half months after the end of the Plan Year. A portion of the minimum required contribution must be contributed prior to the end of each plan quarter. This portion is equal to 6.25% for Plan Years beginning in 1989, 12.50% for Plan Years beginning in 1990, 18.75% for Plan Years beginning in 1991, and 25.00% for Plan Years beginning in 1992 and later. Failure to meet the quarterly contribution schedule will subject the Plan to additional interest charges to its Funding Standard Account.

The Internal Revenue Service will impose a 10% excise tax on any funding deficiency existing as of the end of a Plan Year. If a funding deficiency is not corrected within a specified period determined by the Internal Revenue Service (but not less than 90 days), an excise tax of 100% of the amount of the deficiency will be imposed. This excise tax is non-deductible. Application can be made to the Internal Revenue Service to waive or defer such minimum payment in the event it can be shown to the satisfaction of the Internal Revenue Service that such payment will result in hardship.

## Appendix D

### Description of the Maximum Deductible Contribution Limit

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August 1, 2011 Actuarial Valuation  
Port of Houston Authority Restated Retirement Plan

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.

## General Rules

A plan sponsor can deduct for income tax purposes only such amounts that fall within the permissible limits set forth in Section 404(a) of the Internal Revenue Code as amended. Any contributions in excess of such limits will be subject to a nondeductible 10% excise tax. This excise tax will be imposed annually on any accumulated undeducted contributions until such contributions are deducted.

The general rule on the deductibility of employer contributions is that the amount required to meet minimum funding standards may be deducted.

A second rule permits the employer to deduct annually the amount necessary to fund, with respect to each participant, the unfunded present value of the participant's future benefits over the participant's remaining future service. However, if the remaining unfunded present value with respect to any three participants is more than 50% of the total remaining unfunded cost, the amount of remaining unfunded cost attributable to these participants must be distributed over a period of at least five years.

A third rule permits the employer to deduct annually an amount equal to the normal cost of the Plan plus an amount necessary to amortize any initial accrued liability or any increase or decrease in such accrued liability over a period of ten years.

A fourth rule provides that the tax deduction for any particular year cannot exceed the amount needed to bring the Plan to a fully funded status. (This amount is called the full funding limitation). That is, no deductions can be taken for contributions that would raise the plan assets to a level above the greater of (1) the Plan's accrued liability, or (2) 90% of the current liability of the Plan as of the end of the Plan Year, less Plan assets as of the end of the Plan Year.

A fifth rule permits employers with more than 100 plan participants to deduct annually an amount equal to 150% of the current liability of the Plan as of the end of the Plan Year less plan assets as of the end of the Plan Year, even if such amount exceeds the full funding limitation.

## Maintenance of Stock Bonus or Profit Sharing Plan

An additional limitation is imposed if (1) the plan sponsor maintains a stock bonus or a profit-sharing trust for any employees who are also participants of the defined benefit plan and (2) any contributions paid into such a trust are deductible in the current fiscal year. The total amount that is otherwise deductible cannot exceed the greater of (1) 25% of covered payroll or (2) the amount required to meet the minimum funding standards.

## Fiscal Year versus Plan Year

Although the deductible limit applies for an employer's fiscal year, the deductible limit is determined on the basis of a Plan Year. If the employer's fiscal year coincides with the Plan Year, the deductible limit on the fiscal year is the deductible limit for the Plan Year that coincides with that year.

If the employer's fiscal year does not coincide with the Plan Year, the deductible limit for a given fiscal year of the employer is one of the following alternatives:

- The deductible limit determined for the Plan Year commencing within the fiscal year.
- The deductible limit determined for the Plan Year ending within the fiscal year.
- A weighted average of alternatives (1) and (2). Such an average may be based, for example, upon the number of months of each Plan Year falling within the fiscal year.



The employer must use the same alternatives for each fiscal year unless consent to change is obtained from the Commissioner of the Internal Revenue Service.

For any fiscal year which is less than a full twelve months in length, the normal cost and any amortization charges or credits are generally reduced on a pro rata basis to reflect the length of the short fiscal year

### **Timing of Contribution**

For purposes of making a tax-deductible contribution for a given fiscal year, the contribution must be paid over to the trustee not later than the due date for the tax return. If an extension for the tax return is received, the extension will also apply to the latest date that a deductible contribution may be made.

## Appendix E

### Glossary

## Glossary

**Accrued Liability:** That portion, as determined by a particular actuarial cost method, of the actuarial present value of plan benefits and expenses which is not provided by future normal costs. The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income, the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. Also referred to as Actuarial Accrued Liability.

**Accumulated Plan Benefit:** The amount of an individual's pension benefit (whether or not vested) which has been earned as of a specified date based upon service and compensation to that date. Also referred to as Accrued Benefit.

**Actuarial Assumptions:** Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

**Actuarial Cost Method:** A particular technique used to establish the amount and incidence of the annual actuarial cost of plan benefits.

**Actuarial Equivalent:** Of equal actuarial present value, determined as of a given date with each value based upon the same set of actuarial assumptions.

**Actuarial Gain or Loss:** A measure of the difference between actual experience and that which is expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

**Actuarial Value of Assets:** The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.

**Additional Funding Charge:** Amount which is required to be contributed for the Plan Year to amortize a portion of the unfunded Current Liability existing as of the beginning of the Plan Year for employers with more than 100 plan participants.

**Amortization Payments:** That portion of the pension plan contribution which is designated to pay interest on and to amortize the unfunded accrued liability or the unfunded frozen actuarial liability.

**Current Annual Cost:** The minimum required contribution for a plan year before recognition of any credits which may have accumulated from having contributed more than the minimum required contribution for prior plan years and before the application of any full funding limitation. If no credits have been accumulated, the minimum required contribution for a plan year is equal to the current annual cost.

**Current Liability:** The present value of all Accumulated Plan Benefits, determined using a restricted interest rate which must be within a range of 90% to 100% of the average rate on the composite corporate bond index during the previous four years.

**ERISA:** The Employee Retirement Income Security Act of 1974.

**Frozen Actuarial Liability:** That portion of the present value of future benefits which is separated as of a valuation date and frozen under certain actuarial cost methods. Generally this separated portion is the sum of an initial unfunded accrued liability and any increments or decrements in the accrued liability subsequently established as a result of changes in plan benefits or actuarial assumptions.

**Full Funding Limitation:** The amount of contribution needed to bring the plan to a fully funded status. The full funding limitation is equal to the excess of the greater of:

- the Accrued Liability under the plan (including the Normal Cost) over the lesser of the market value of assets or the actuarial value of assets as of the end of the Plan Year, or
- 90% of the Current Liability under the plan, over the actuarial value of assets as of the end of the Plan Year.

**Funded Ratio:** The ratio, as of a given date, of the market value of plan assets to the present value of accumulated plan benefits. When the market value of plan assets is equal to the present value of accumulated plan benefits, the funded ratio is equal to 100%. When the funded ratio is less than 100%, there may be sufficient assets to cover the vested accumulated plan benefits but not sufficient assets to cover all of the additional nonvested accumulated plan benefits. At the time that a retirement plan is adopted, the funded ratio is usually substantially less than 100% but usually exceeds 100% after the plan has been funded on an ongoing basis for a period of years (such as ten). The funded ratio may decline from one year to the next, however, as a result of benefit improvements or a relative decline in the amount of assets when measured against the usual increase in the value of accumulated plan benefits from year to year.

**Funding Standard Account:** An account which must be maintained by pension plan sponsors to measure compliance with the minimum funding provisions of ERISA. The account is charged annually with the normal cost for the year and, if applicable, required amortizations of the unfunded accrued liability or the unfunded frozen actuarial liability. It is credited with the plan sponsor's contributions. A deficiency in the account may indicate a failure to meet the funding requirements while a credit balance indicates a funding surplus which can be used to reduce future contributions. (A zero balance indicates that the minimum requirements have been precisely met.)

**Future Benefits:** Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of actuarial assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. Also referred to as Projected Benefits.

**Normal Cost:** That portion of the present value of future pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

**One-year Term Cost:** The actuarial present value of all benefits expected to become payable in the future as a result of an event or events expected to occur during a given valuation year.

**Present Value:** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions. Also referred to as Actuarial Present Value.

**Quarterly Installments:** That portion of the Minimum Required Contribution which must be contributed by the 15th day of the month following the end of each Plan Year quarter.

**Unfunded Accrued Liability:** The excess of the accrued liability over the actuarial value of assets.

**Unfunded Frozen Actuarial Liability:** The portion of the frozen actuarial liability remaining after the addition of interest and the deduction of the amortization payments.

**Vested Accumulated Plan Benefit:** The portion of an individual's accumulated plan benefit which is vested. Also referred to as Vested Accrued Benefit.

**Vested Funded Ratio:** The ratio, as of a given date, of the market value of the plan assets to the present value of vested accumulated plan benefits.



## Appendix F

### **GASB 25/27 Documentation**

## GASB 25/27 Documentation

Statements No.25 and 27 of the Governmental Accounting Standards Boards (GASB 25/27), Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Accounting for Pensions by State and Local Governmental Employers, apply to the financial statements issued by the Plan for years beginning on and after 8/1/96, and by the Employer for years beginning on and after 1/1/98, respectively. This Appendix F contains documentation of the actuarial determinations required by GASB 25/27 with respect to the Port of Houston Authority Restated Retirement Plan (Plan). These determinations rely on information contained in this report for the year ending 7/31/12, and/or comparable reports issued for prior years. Additional GASB 25/27 determinations may be required with respect to other plans you maintain.

Appendix F determinations should be used only for the purpose of complying with the requirements of GASB 25/27. Additional determinations may be necessary for other purposes. The determinations contained in Appendix F were made in accordance with the provisions of GASB 25/27.

### GASB 25 Annual Required Contribution for Plan Year ended 7/31/12

|                                   |             |
|-----------------------------------|-------------|
| a. Normal Cost                    | \$4,070,401 |
| b. Amortization                   | 3,737,953   |
| c. Interest                       | 324,402     |
| d. Contribution Excess/Deficiency | 0           |
| e. Total (a)+(b)+(c)+(d)          | \$8,132,756 |

|                                       |                  |
|---------------------------------------|------------------|
| Actuarial Valuation Date              | 8/1/11           |
| Actuarial Cost Method                 | Entry Age Normal |
| Unfunded Actuarial Accrued Liability  | \$8,731,509      |
| Equivalent Single Amortization Period | 3 years          |
| Asset Valuation Method                | Market Value     |
| Investment Rate of Return             | 7.25%            |
| Projected Salary Increases            | 3.0% to 7.5%     |
| Inflation                             | 3.5%             |
| Cost of Living Adjustment             | None             |

### GASB 25 Schedule of Amortization Bases

Components of the unfunded actuarial liability are amortized as level dollar amounts using the closed basis. Components consisting of actuarial gains and losses are amortized over 5 years. Components consisting of amendments are amortized over 30 years, except the 8/95 amendment that is amortized over 5 years. Components consisting of revised assumptions are amortized over 10 years. Components consisting of

revised actuarial methods are amortized over 30 years. The resulting equivalent single amortization base is amortized over a maximum period of 30 years.

### **GASB 25 Schedule of Funding Progress for Plan Years Ending 7/31/11 and earlier**

See Appendix F-1

### **GASB 25 Schedule of Employer Contributions for Plan Years Ending 7/31/11 and earlier**

See Appendix F-2

### **GASB 25 Schedule of Employer Contributions for the Plan Year Ended 7/31/12**

|          |             |
|----------|-------------|
| 11/15/11 | \$2,033,189 |
| 1/15/12  | \$2,033,189 |
| 4/15/12  | \$2,033,189 |
| 6/15/12  | \$2,033,189 |
| Total    | \$8,132,756 |

## Appendix F-1

### Port of Houston Authority Retirement Plan

#### Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability - Entry Age<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 08/01/1992                     | 46,713,020                             | 47,253,923   | 540,903                            | 98.9%                    | 14,876,560                | 3.6%   |
| 08/01/1993                     | 49,758,151                             | 49,725,289   | (32,862)                           | 100.1%                   | 15,433,126                | (0.2%)   |
| 08/01/1994                     | 52,889,104                             | 53,002,829   | 113,725                            | 99.8%                    | 16,405,014                | 0.7%   |
| 08/01/1995*                    | 55,560,254                             | 63,947,567   | 8,387,313                          | 86.9%                    | 14,499,135                | 57.8%  |
| 08/01/1996                     | 58,642,876                             | 66,326,734   | 7,683,858                          | 88.4%                    | 15,416,326                | 49.8%  |
| 08/01/1997                     | 67,829,173                             | 67,387,724   | (441,449)                          | 100.7%                   | 16,174,442                | (2.7%)   |
| 08/01/1998                     | 70,763,045                             | 68,844,893   | (1,918,152)                        | 102.8%                   | 16,825,447                | (11.4%)  |
| 08/01/1999                     | 70,935,582                             | 70,939,814   | 4,232                              | 100.0%                   | 16,388,149                | 0.0%   |
| 08/01/2000                     | 70,309,053                             | 73,452,556   | 3,143,503                          | 95.7%                    | 17,550,162                | 17.9%  |
| 08/01/2001                     | 64,677,712                             | 77,033,505   | 12,355,793                         | 84.0%                    | 18,778,969                | 65.8%  |
| 08/01/2002                     | 59,637,491                             | 80,187,561   | 20,550,070                         | 74.4%                    | 20,257,220                | 101.4%   |
| 08/01/2003                     | 66,992,188                             | 83,562,068   | 16,569,880                         | 80.2%                    | 21,968,773                | 75.4%  |
| 08/01/2004                     | 74,867,530                             | 87,331,953   | 12,464,423                         | 85.7%                    | 23,170,058                | 53.8%  |
| 08/01/2005                     | 84,810,133                             | 89,911,993   | 5,101,860                          | 94.3%                    | 24,113,184                | 21.2%  |
| 08/01/2006**                   | 89,737,077                             | 104,321,646  | 14,584,569                         | 86.0%                    | 26,285,989                | 55.5%  |
| 08/01/2007                     | 101,148,401                            | 109,918,975  | 8,770,574                          | 92.0%                    | 28,620,863                | 30.6%  |
| 08/01/2008                     | 96,724,229                             | 117,731,407  | 21,007,178                         | 82.2%                    | 32,270,226                | 65.1%  |
| 08/01/2009                     | 93,179,637                             | 122,093,307  | 28,913,670                         | 76.3%                    | 32,695,393                | 88.4%  |
| 08/01/2010***                  | 105,870,699                            | 128,583,531  | 22,712,832                         | 82.3%                    | 34,938,502                | 65.0%  |
| 08/01/2011                     | 123,763,457                            | 132,494,966  | 8,731,509                          | 93.4%                    | 35,570,719                | 24.5%  |

\* Includes effect of October 1995 early retirement window

\*\* Includes effect of April 2006 COLA and August 2006 assumptions changes

\*\*\* Includes effect of August 2010 assumption changes

## Appendix F-2

# Port of Houston Authority Retirement Plan

### Schedule of Employer Contributions

| Year<br>Ended<br>July 31 | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|--------------------------|------------------------------------|---------------------------|
| 1996                     | 2,981,500                          | 100.0%                    |
| 1997                     | 3,129,838                          | 100.0%                    |
| 1998                     | 1,667,584                          | 100.0%                    |
| 1999                     | 1,011,261                          | 100.0%                    |
| 2000                     | 1,126,800                          | 100.0%                    |
| 2001                     | 2,136,112                          | 100.0%                    |
| 2002                     | 3,228,692                          | 100.0%                    |
| 2003                     | 6,915,752                          | 100.0%                    |
| 2004                     | 6,983,092                          | 100.0%                    |
| 2005                     | 7,131,380                          | 100.0%                    |
| 2006                     | 5,813,248                          | 100.0%                    |
| 2007                     | 6,509,928                          | 100.0%                    |
| 2008                     | 3,929,348                          | 100.0%                    |
| 2009                     | 7,357,368                          | 100.0%                    |
| 2010                     | 9,857,308                          | 100.0%                    |
| 2011                     | 10,808,796                         | 100.0%                    |

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