

Port of Houston Authority
Restated Retirement Plan
Independent Auditor's Report and Financial Statements
July 31, 2025, and 2024

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Independent Auditor's Report

Port of Houston Authority of Harris County, Texas
Plan Sponsor of the Port of Houston Authority Restated Retirement Plan
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port of Houston Authority Restated Retirement Plan (Plan), as of and for the years ended July 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of July 31, 2025 and 2024 and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information, as listed in the table of contents. The other information comprises the schedule of direct and indirect fees, commission, and investment managers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Houston, Texas
January 27, 2026**

Port of Houston Authority Restated Retirement Plan

Management's Discussion and Analysis July 31, 2025, and 2024 (Unaudited)

As management of the Port of Houston Authority of Harris County, Texas (the "Authority"), we offer readers of the Port of Houston Authority Restated Retirement Plan's (the "Plan") financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended July 31, 2025, and 2024.

Financial highlights

The net position restricted for pensions (the "net position") of the Plan on July 31, 2025, 2024, and 2023, was \$233,137,483, \$222,161,151, and \$201,357,241, respectively. This net position is restricted for the payment of future employee pension benefits. Overall, the financial position of the Plan increased for the fiscal year ended July 31, 2025.

The Plan's net position increased by \$10,976,332 between fiscal years 2025 and 2024 ("FY2025", "FY2024"). The increase in net position for FY 2025 was primarily attributed to increased market performance. The increase in fair value of \$10,627,463 and \$18,091,154 for FY2025 and FY2024 respectively, was due to market appreciation.

Additions to the Plan are made primarily through contributions from the Authority. These contributions totaled \$5,535,500, \$8,445,500, and \$8,887,125, for the years ended July 31, 2025, 2024, and 2023, respectively. The decrease in contributions between 2025 and 2024 is attributed to the Milliman actuarial valuation.

Investment income/loss consists of interest earnings, dividend income, net appreciation, and net depreciation in fair value of investments.

The following table shows the actual asset allocation of Plan investments, by major asset category, for the fiscal years ended July 31, 2025, 2024, and 2023:

	2025	2024	2023
Asset allocation:			
Domestic and international equities	55 %	55 %	54 %
Fixed income investments	39	39	40
Mutual Funds	5	5	5
Cash and cash equivalents	1	1	1

Port of Houston Authority Restated Retirement Plan

Management's Discussion and Analysis
July 31, 2025, and 2024
(Unaudited)

Benefit payments are the primary expense of the Plan. Such payments totaled \$ 12,953,256, \$12,053,358, and \$19,930,751 for the years ended July 31, 2025, 2024, and 2023, respectively. Benefit payments increased in 2025 due to number of retirees and beneficiaries receiving payments. Benefit payments decreased from 2023 due to a one-time lump sum payout of \$8.3 million to eligible participants. Other expenses of the Plan include administrative expenses, which totaled \$304,115, \$338,030, and \$316,160, for the years ended July 31, 2025, 2024, and 2023, respectively. The fluctuations in administrative expenses across the periods presented result from the use of various service providers for consulting, actuarial and other services on an as-needed basis.

Statements of Fiduciary Net Position

	2025	2024	2023
Assets:			
Cash and cash equivalents	\$ 1,998,465	\$ 2,113,926	\$ 1,955,435
Investments	230,746,976	219,745,851	199,091,241
Accrued investment income	<u>430,793</u>	<u>365,454</u>	<u>348,133</u>
Total assets	233,176,234	222,225,231	201,394,809
Liabilities:			
Accrued administrative and investment expenses	<u>38,751</u>	<u>64,080</u>	<u>37,568</u>
Total liabilities	38,751	64,080	37,568
Net position restricted for pensions	<u>\$ 233,137,483</u>	<u>\$ 222,161,151</u>	<u>\$ 201,357,241</u>

Net position restricted for pensions, generally the excess of contributions and investment income over benefit payments and administrative and investment expenses, is accumulated by the Plan to meet future pension benefit obligations.

Port of Houston Authority Restated Retirement Plan

Management's Discussion and Analysis
July 31, 2025, and 2024
(Unaudited)

Condensed Statements of Changes in Fiduciary Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Additions:			
Contributions	\$ 5,535,500	\$ 8,445,500	\$ 8,887,125
Net investment income (loss)	<u>18,698,203</u>	<u>24,749,798</u>	<u>13,563,323</u>
Total additions	24,233,703	33,195,298	22,450,448
Deductions:			
Benefit payments	12,953,256	12,053,358	19,930,751
Administrative expenses	<u>304,115</u>	<u>338,030</u>	<u>316,160</u>
Total deductions	<u>13,257,371</u>	<u>12,391,388</u>	<u>20,246,911</u>
Net increase (decrease) in net position	10,976,332	20,803,910	2,203,537
Net position restricted for pensions			
Beginning of year	<u>222,161,151</u>	<u>201,357,241</u>	<u>199,153,704</u>
End of year	<u>\$ 233,137,483</u>	<u>\$ 222,161,151</u>	<u>\$ 201,357,241</u>

Requests for Information

The financial report is designed to provide an overview of the Plan's finances for those with an interest in the Authority's pension-related activities. Questions concerning the information provided in this report, or requests for additional information, should be addressed to the Office of the Controller, Port of Houston Authority, 111 East Loop North, Houston, Texas 77029.

Port of Houston Authority Restated Retirement Plan

Statements of Fiduciary Net Position
As of July 31,

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents	\$ 1,998,465	\$ 2,113,926
Investments	230,746,976	219,745,851
Alternative investments	430,793	365,454
Total assets	<u>233,176,234</u>	<u>222,225,231</u>
Liabilities:		
Accrued administrative and investment expenses	<u>38,751</u>	<u>64,080</u>
Total liabilities	38,751	64,080
Net position restricted for pensions	<u>\$ 233,137,483</u>	<u>\$ 222,161,151</u>

The accompanying notes are an integral part of these financial statements.

Port of Houston Authority Restated Retirement Plan

Statements of Changes in Fiduciary Net Position
Years ended July 31,

	<u>2025</u>	<u>2024</u>
Additions:		
Employer contributions	\$ 5,535,500	\$ 8,445,500
Investment income (loss):		
Net appreciation in fair value	10,627,463	18,091,154
Interest	5,517,101	5,072,478
Dividends	3,010,652	2,181,162
Other	(208)	(132,948)
Total investment income	<u>19,155,008</u>	<u>25,211,846</u>
Investment expenses	<u>(456,805)</u>	<u>(462,048)</u>
Net investment income	<u>18,698,203</u>	<u>24,749,798</u>
Total additions	<u>24,233,703</u>	<u>33,195,298</u>
Deductions:		
Retirement benefits	12,953,256	12,053,358
Administrative expenses	304,115	338,030
Total deductions	<u>13,257,371</u>	<u>12,391,388</u>
Net increase in net position	10,976,332	20,803,910
Net position restricted for pensions		
Beginning of year	<u>222,161,151</u>	<u>201,357,241</u>
End of year	<u>\$ 233,137,483</u>	<u>\$ 222,161,151</u>

The accompanying notes are an integral part of these financial statements.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS July 31, 2025, and 2024

The following brief description of the Plan is provided for general informational purposes only. Reference should be made to the Plan document for more complete information.

General - The Plan is a single-employer noncontributory defined benefit pension plan sponsored and administered by the Port of Houston Authority of Harris County, Texas (the "Authority" or the "Plan Sponsor"). As a governmental plan, the Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Three members of the Port Commission of the Authority ("the Commission") serve as the Pension and Benefits Committee ("Committee") responsible for providing advice and recommendations to the Commission and assisting the Commission in performing its responsibilities for the Plan. The Authority controls and manages the operation and administration of the Plan. The seven-member Commission, appointed by the Harris County Commissioners Court; City of Houston, Texas; City of Pasadena, Texas; and the Harris County Mayors' and Councils' Association, maintains the authority to amend the Plan provisions and the investment policy as necessary. As fiduciaries, Commissioners and Authority staff shall act solely in the interest of the participants and beneficiaries of the Plan. PNC Bank serves as the Plan trustee.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Measurement focus refers to the definition of the resource flows measured.

The Plan is subject to the pronouncements of the Governmental Accounting Standards Board ("GASB"). The Plan is maintained on the full accrual basis of accounting and the economic resources measurement focus. All economic resources, including financial assets and related liabilities, both current and long term, and the changes therein are reported in the Plan's financial statements. Revenues, including contributions, are recognized when earned, and expenses are recognized when the underlying transaction or event occurs, regardless of the timing of related cash flows.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein. Actual results could differ from these estimates.

3. Risks and Uncertainties

The Plan utilizes various investment securities, including U.S. treasuries, U.S. government agencies, U.S. corporate obligations, mutual funds, international fixed income, and municipal obligations. Investment securities, in general, are exposed to various risks, including interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS July 31, 2025, and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Cash and Cash Equivalents

Cash and short-term investments with original maturities of three months or less when purchased are considered cash equivalents.

5. Investment Valuation and Income Recognition

Investments are stated at fair value. Quoted market prices are used in determining fair value of Plan assets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

6. Administrative and Investment Expenses

The Plan's expenses are paid by the Plan as provided in the Plan document.

7. Payment of Benefits

Cash payments to participants for benefits are recorded upon distribution.

NOTE B – PLAN DESCRIPTION

1. Contributions

Contributions to provide benefits under the Plan are made solely by the Authority. The Authority's funding policy originally adopted on September 14, 1997 prescribes a contribution equal to 100% of the cost of benefits earned by Plan members plus an additional amount to finance any unfunded accrued liability and may be amended by the Commission at its discretion. This method and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan. The policy was amended by the Commission on July 28, 2015, and again formally on December 11, 2020, to allow the Authority's staff the flexibility to fund the Plan throughout the year without seeking further authorization from the Commission, provided the aggregate contributions in a fiscal year do not exceed 105% of the actuarially determined contribution as calculated by the Authority's actuary. The Authority made contributions of \$5,535,500 and \$8,445,500 for FY2025 and FY2024, respectively.

2. Eligibility

All permanent, full-time employees hired prior to August 1, 2012 are eligible for the Plan. On December 16, 2014, the Port Commission approved a Third Amendment to the Plan which, among other things, modified the definition of eligible employee. The Plan was amended and restated effective as of October 24, 2017, to modify the periods of service credited to totally and permanently disabled participants, and to clarify the benefits, powers, authorities, duties, and responsibilities provided under the Plan. Employees become vested after five continuous years of service, as defined by the Plan. Fully vested employees are entitled to Plan benefits upon retirement. There is no partial vesting of benefits.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS July 31, 2025, and 2024

NOTE B – PLAN DESCRIPTION – Continued

Employees hired on or after August 1, 2012, are not eligible for the Plan. They participate in a defined contribution retirement benefit plan sponsored by the Authority, which is operated and administered separately from this Plan.

3. Benefit Payments

The Plan provides for normal retirement benefits upon reaching the age of 65 and has provisions for early retirement, death, and disability benefits. Benefits under the Plan are determined based on a final pay formula. Generally, the final pay formula is calculated as a percentage of earnings multiplied by years of credited service with certain adjustments, as provided in the Plan. Participants may elect to receive their pension benefits from various forms: a lump sum payment, a single life annuity, or a joint and survivor annuity. Cost-of-living adjustments are provided at the discretion of the Commission.

4. Plan Membership

The number of plan members consisted of the following on August 1, 2025 and 2024, the date of the two latest actuarial valuations:

	<u>2025</u>	<u>2024</u>
Retirees and beneficiaries receiving payments	572	561
Terminated vested participants not yet receiving benefits	56	56
Disabled participants	2	2
Active participants	<u>205</u>	<u>227</u>
Total	<u>835</u>	<u>846</u>

NOTE C – INVESTMENTS

The investment strategy of the Plan as administered by the Commission is to preserve principal while emphasizing relative total return versus the liability growth rate and to maintain sufficient income or liquidity to pay monthly benefits.

The Plan's investment policy may be amended by the Commission by a majority vote of its members. The investment policy is reviewed at least annually by the Port Commission. In fiscal 2025, the Plan's investment policy was amended to clarify certain Port Commission responsibilities, adding new investment manager selection criteria, and specifying specific five-to-10-year performance measurement periods for each sector of the entire portfolio. The policy also stipulates that investment manager performance should be reviewed over three-, five- and ten-year periods. A copy of the investment policy is available on the Authority's website (www.porthouston.com).

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

The Commission is responsible for approving the total asset allocation among stocks, bonds, and cash. The Commission adopted the following asset allocation parameters as a general guideline when investing the Plan's assets.

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Large Cap Domestic Equity	20.0%	25.0%	30.0%
Mid Cap Domestic Equity	2.5%	7.5%	12.5%
Small Cap Domestic Equity	5.0%	10.0%	15.0%
International Equity	2.5%	7.5%	12.5%
Fixed Income	25.0%	30.0%	35.0%
High Yield Fixed Income	0.0%	5.0%	10.0%
Bank Loans	0.0%	5.0%	10.0%
Real Estate	0.0%	5.0%	10.0%
Global Tactical Asset Allocation (GTAA)	0.0%	5.0%	10.0%
Cash and Equivalents	0.0%	0.0%	0.5%

As outlined above, the Plan is allowed to invest in fixed income securities, equity securities, real estate, bank loans and Global Tactical Asset Allocation. In addition, the Plan's fixed income assets may be held in cash and cash equivalents (e.g., commercial paper, money market mutual funds, etc.), U.S. treasuries, U.S. government agency bonds, and other short-term and long-term debt securities, provided such instruments comply with investment policy guidelines, especially those relating to credit quality and diversification.

The Plan's assets are rebalanced in line with the above asset allocation parameters from time to time.

The Plan's cash and cash equivalents and investments are held by a bank-administered trust fund. Fair values of these assets on July 31, 2025 and 2024, are as follows:

	2025	2024
Fixed income investments	\$ 89,935,068	\$ 85,905,528
Money market funds	1,998,465	2,113,926
Balance Fund	11,814,037	11,520,138
Equity investments:		
Domestic	104,331,985	98,377,319
International	24,665,886	23,942,866
Total equity investments	<u>128,997,871</u>	<u>122,320,185</u>
Total	<u>\$ 232,745,441</u>	<u>\$ 221,859,777</u>

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

For purposes of the Plan's financial statements, fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the Plan, such fair values are provided by third-party market pricing sources utilized by PNC as trustee and custodian of the Plan's assets and reflected on the monthly and annual custody statements provided to the Authority.

The Plan's investments during the years ended July 31, 2025, and 2024 included net realized gains/(losses) and net unrealized gains/(losses) on investments in total value are as follows:

	<u>2025</u>	<u>2024</u>
Fixed income investments	\$ (118,826)	\$ 2,038,997
Equity investments	<u>10,746,289</u>	<u>16,052,157</u>
Total	<u>\$ 10,627,463</u>	<u>\$ 18,091,154</u>

During the fiscal years ended July 31, 2025, and 2024, interest and dividends earned and other losses on the Plan's investments amounted to \$8,527,545 and \$7,120,692, respectively.

As of July 31, 2025, and 2024, the Plan had the following investments in its fixed income accounts:

<u>Investment Type</u>	<u>2025</u>		<u>2024</u>	
	<u>Fair value</u>	<u>Percentage of total</u>	<u>Fair value</u>	<u>Percentage of total</u>
U.S. treasuries	\$ 7,997,349	8.90 %	\$ 8,775,373	10.22 %
U.S. government agencies	4,498,766	5.00	3,094,095	3.60
U.S. corporate obligations	20,787,809	23.11	20,446,231	23.80
Mutual fund	56,651,143	62.99	53,565,328	62.35
International fixed income	-	-	24,501	0.03
	<u>\$ 89,935,068</u>	<u>100.00 %</u>	<u>\$ 85,905,528</u>	<u>100.00 %</u>

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, financial statements are required to address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk of investments.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Plan's investment policy does not allow any fixed income securities below the rating of B, and no more than 20% in bonds rated below investment grade. Securities are considered investment grade if they are rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's or Fitch Ratings. U.S. treasuries and U.S. government agency bonds are rated Aaa/AA+/AAA by Moody's, Standard and Poor's and Fitch, respectively. The Plan's investments in corporate obligations have credit ratings that range from B3/B/B up to Aaa/AAA/AAA.

2. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The Plan's investment policy limits the amount that may be invested in any one issuer.

As of July 31, 2025, and 2024, the Plan had the following investments in excess of 5% of total investments:

	2025	2024
Dodge & Cox Income Fund (Cusip 256210105)	\$ 33,763,555	\$ 32,496,976
Vanguard Inst Index (Cusip 922040100)	35,732,522	34,215,172
Causeway International Value-Institutional (Cusip 14949P208)	18,580,800	16,969,731
Fidelity L/C GR INDX-INS PRM (Cusip 31635V729)	12,376,625	-
Blackrock Multi-Asset Income Fund CL K (Cusip 09257E662)	11,814,037	11,520,138
Loomis Sayes Institutional High Income Fund (Cusip 54395600)	11,776,623	-
Total	\$ 124,044,161	\$ 95,202,017

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Plan's investments. Duration is a measure of interest rate risk and measures a bond's price sensitivity to a 100-basis-point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates. The value of a fixed income mutual fund investment is determined by its net asset value (NAV). Fair value approximates the total NAV based on market value or the total market value of the holdings. Because the NAV is based in part on the market value of the fund's assets, a rising, and declining interest rate environment can have a negative or positive impact on the NAV of a fixed income fund.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

The following table details the U.S. dollar bond holdings and their duration by fund manager as of July 31, 2025 and 2024.

	MacKay Shields, LLC	
	Fair value	Duration in years
<u>2025</u>		
U.S. treasuries	\$ 7,997,349	9.78
U.S. government agencies	4,498,766	5.23
U.S. corporate obligations	20,787,809	4.62
Total fair value	\$ 33,283,925	
Portfolio average duration		5.94
<u>2024</u>		
U.S. treasuries	\$ 8,775,373	8.39
U.S. government agencies	3,094,095	4.73
U.S. corporate obligations	20,446,231	5.27
International fixed income	24,501	1.42
Total fair value	\$ 32,340,200	
Portfolio average duration		6.06

4. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan had indirect exposure to foreign currency risk of \$24,665,886 and \$23,967,367 through its investments in international mutual funds, international equities, and international fixed income securities as of July 31, 2025 and 2024, respectively.

Annual Money-Weighted Rate of Return

For the year ended July 31, 2025, the annual money-weighted rate of return on Plan investments, net of investment expense, was 8.57%. For the year ended July 31, 2024, the annual money-weighted rate of return on Plan investments, net of investment expense, was 12.42%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

Fair Value of Investments

The Plan has estimated the fair value of financial instruments in accordance with the fair value guidance provided in accordance with GASB Statement No.72 – *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Plan’s significant financial instruments consist of cash and cash equivalents and investments. The carrying amounts for cash and cash equivalents and other liabilities approximate fair value due to the short-term nature of these items.

Determining the level at which an asset or liability falls within the hierarchy requires significant judgment considering the lowest level input that is significant to the fair value measurement. The hierarchy consists of three broad levels, as follows, with Level 1 being the most observable:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Quoted market prices in active or inactive markets for similar assets or liabilities and inputs other than quoted prices that are observable.

Level 3 - Unobservable inputs for an asset or liability, which reflect those that market participants would use.

The following tables represent information about the Plan’s long-term investments that are measured at fair value as of July 31, 2025 and 2024, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

<u>2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Domestic equity	\$ 45,353,777	\$ -	\$ 45,353,777
International equity	6,085,086	-	6,085,086
Mutual fund	146,024,188	-	146,024,188
U.S. corporate obligations	-	20,787,809	20,787,809
U.S. government agencies	-	4,498,766	4,498,766
U.S. treasuries	7,997,349	-	7,997,349
Total	<u>\$ 205,460,400</u>	<u>\$ 25,286,576</u>	<u>\$ 230,746,976</u>

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE C – INVESTMENTS – Continued

<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Domestic equity	\$ 42,597,415	\$ -	\$ 42,597,415
International equity	6,973,135	-	6,973,135
International fixed income	-	24,501	24,501
Mutual fund	137,835,101	-	137,835,101
U.S. corporate obligations	-	20,446,231	20,446,231
U.S. government agencies	-	3,094,095	3,094,095
U.S. treasuries	8,775,373	-	8,775,373
Total	<u>\$ 196,181,024</u>	<u>\$ 23,564,827</u>	<u>\$ 219,745,851</u>

PENSION LIABILITY

The net pension liability is to be measured as the total liability less the amount of the pension plan's fiduciary net position. The table below illustrates the calculation for the net pension liability.

<u>Net pension liability</u>	<u>July 31, 2025</u>	<u>July 31, 2024</u>
Total pension liability	\$239,681,248	\$224,600,201
Fiduciary net position	233,137,483	222,161,151
Net pension liability	6,543,765	2,439,050
Fiduciary net position as a % of total pension liability	97.27%	98.91%
Covered payroll	25,842,841	27,385,358
Net pension liability as a % of covered payroll	25.32%	8.91%

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE D – NET PENSION LIABILITY – Continued

1. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of August 1, 2024, and rolled forward to the measurement date of July 31, 2025, the Plan's fiscal year end, using the following actuarial assumptions applied to all periods included in the measurement. These actuarial assumptions were based on the results of an actuarial experience study for the period August 1, 2014, through August 1, 2019.

	2025	2024
Valuation date	August 1, 2024	August 1, 2023
Measurement date	July 31, 2025	July 31, 2024
Actuarial cost method	Entry age Normal	Entry age Normal
Amortization method	Level dollar method	Level dollar method
Equivalent single amortization period of the unfunded liabilities	30 years	30 years
Asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	6.00%	6.00%
Projected salary increases	4.75% to 8.50%	2.5% to 10.0%
Inflation	2.29%	2.31%
Cost-of-living adjustment	None	None
Mortality	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disable Annuitants with generational projection per MP-2021	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disable Annuitants with generational projection per MP-2021

2. Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

NOTE D – NET PENSION LIABILITY – Continued

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2025, and 2024 are summarized in the following table:

2025

Asset class	Index	Target Allocation	Long-term expected rate of return*
Large Cap U.S. Equity	S&P 500	25.0%	7.5%
Mid Cap U.S. Equity	Russell Mid Cap	7.5%	7.5%
Small Cap U.S. Equity	Russell 2000	10.0%	7.5%
Developed Foreign Equity	MSCI EAFE	7.5%	8.5%
Fixed Income	Bloomberg Barclays U.S. Aggregate	30.0%	2.5%
High Yield Fixed Income	Merrill Lynch High Yield Master II Constrained	5.0%	2.5%
Bank Loans	Merrill Lynch High Yield Master II Constrained	5.0%	2.5%
Real Estate	FTSE NAREIT All REITs Total Return	5.0%	4.5%
Global Tactical Asset Allocation	50% S&P 500/59% Bloomberg Barclays	5.0%	5.0%
	Long-term expected (weighted) rate of return:		5.30%
	Actuarial assumed long-term investment rate of return or discount rate:		6.00%

2024

Asset class	Index	Target Allocation	Long-term expected rate of return*
Large Cap U.S. Equity	S&P 500	25.0%	7.5%
Mid Cap U.S. Equity	Russell Mid Cap	7.5%	7.5%
Small Cap U.S. Equity	Russell 2000	10.0%	7.5%
Developed Foreign Equity	MSCI EAFE	7.5%	8.5%
Fixed Income	Bloomberg Barclays U.S. Aggregate	30.0%	2.5%
High Yield Fixed Income	Merrill Lynch High Yield Master II Constrained	5.0%	2.5%
Bank Loans	Merrill Lynch High Yield Master II Constrained	5.0%	2.5%
Real Estate	FTSE NAREIT All REITs Total Return	5.0%	4.5%
Global Tactical Asset Allocation	50% S&P 500/59% Bloomberg Barclays	5.0%	5.0%
	Long-term expected (weighted) rate of return:		5.30%
	Actuarial assumed long-term investment rate of return or discount rate:		6.00%

*Assumed rates of return utilized by the Plan's investment consultant for the current fiscal period's allocation.

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

3. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.00 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<u>July 31, 2025</u>	<u>July 31, 2024</u>
Discount rate	6.00%	6.00%
Long-term expected rate of return, net of investment expense	6.00%	6.00%

4. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Plan, calculated using the discount rates of 6.00%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

July 31, 2025

	<u>1% decrease 5.00%</u>	<u>Current discount rate 6.00%</u>	<u>1% increase 7.00%</u>
Net pension liability (asset)	32,729,253	6,543,765	(15,924,714)

July 31, 2024

	<u>1% decrease 5.00%</u>	<u>Current discount rate 6.00%</u>	<u>1% increase 7.00%</u>
Net pension liability (asset)	27,537,353	2,439,050	(19,002,709)

NOTE E – PLAN TERMINATION

Although it has not expressed any intention to do so, the Commission and the Authority have the right under the Plan, in certain circumstances, to discontinue its contributions at any time and to terminate the Plan subject to the Plan provisions. In the event the Plan is terminated, the net position of the Plan will be

Port of Houston Authority Restated Retirement Plan

NOTES TO THE FINANCIAL STATEMENTS
July 31, 2025, and 2024

allocated for payment of benefits to the participants in an order of priority determined in accordance with the Plan document and the Internal Revenue Code.

NOTE F – SUBSEQUENT EVENT

The investment policy is reviewed at least annually by the Port Commission. It was last amended on October 27, 2025, to document the annual review of the policy. There were no amendments made to the Plan's investment policy.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Port of Houston Authority Restated Retirement Plan

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years**

	July 31, 2025	July 31, 2024	July 31, 2023	July 31, 2022	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018	July 31, 2017	July 31, 2016
Total pension liability:										
Service cost	\$ 3,050,288	\$ 3,222,248	\$ 3,405,582	\$ 3,224,131	\$ 3,427,960	\$ 3,423,713	\$ 3,320,773	\$ 3,402,422	\$ 3,198,269	\$ 3,228,805
Interest on total pension liability	13,276,092	12,992,271	12,983,905	12,975,179	12,664,535	12,781,702	12,591,994	12,454,101	12,251,337	11,883,003
Effect of economic/demographic gains or (losses)	1,291,364	1,187,846	1,721,855	1,261,254	909,252	999,702	(1,325,175)	(1,207,309)	(116,722)	(694,543)
Effect of assumption changes or inputs	10,416,559	(3,302)	(17,281)	6,306,617	(908,811)	(289,074)	3,516,641	(2,203,375)	5,012,275	-
Benefit payments	(12,953,256)	(12,053,358)	(19,930,751)	(11,413,993)	(11,131,851)	(10,548,501)	(10,326,046)	(10,084,820)	(9,858,352)	(9,552,117)
Net change in total pension liability	15,081,047	5,345,705	(1,836,690)	12,353,188	4,961,085	6,367,542	7,778,187	2,361,019	10,486,807	4,865,148
Total pension liability, beginning	224,600,201	219,254,496	221,091,186	208,737,998	203,776,913	197,409,371	189,631,184	187,270,165	176,783,358	171,918,210
Total pension liability, ending (a)	239,681,248	224,600,201	219,254,496	221,091,186	208,737,998	203,776,913	197,409,371	189,631,184	187,270,165	176,783,358
Fiduciary net position:										
Employer contributions	5,535,500	8,445,500	8,887,125	4,050,500	5,834,000	10,625,000	4,658,000	5,256,900	9,600,000	4,500,000
Investment income (loss), net of investment expenses	18,698,203	24,749,798	13,563,323	(19,046,095)	40,210,196	7,024,168	6,031,094	12,377,573	14,220,462	1,740,670
Benefit payments	(12,953,256)	(12,053,358)	(19,930,751)	(11,413,993)	(11,131,851)	(10,548,501)	(10,326,046)	(10,084,820)	(9,858,352)	(9,552,117)
Administrative expenses	(304,115)	(338,030)	(316,160)	(331,442)	(268,881)	(257,083)	(243,143)	(255,300)	(279,696)	(234,464)
Net change in fiduciary net position	10,976,332	20,803,910	2,203,537	(26,741,030)	34,643,464	6,843,584	119,905	7,294,353	13,682,414	(3,545,911)
Fiduciary net position, beginning	222,161,151	201,357,241	199,153,704	225,894,734	191,251,270	184,407,686	184,287,781	176,993,428	163,311,014	166,856,925
Fiduciary net position, ending (b)	233,137,483	222,161,151	201,357,241	199,153,704	225,894,734	191,251,270	184,407,686	184,287,781	176,993,428	163,311,014
Net pension (asset) liability ending = (a) - (b)	6,543,765	2,439,050	17,897,255	21,937,482	(17,156,736)	12,525,643	13,001,685	5,343,403	10,276,737	13,472,344
Fiduciary net position as a % of total pension liability	97.27%	98.91%	91.84%	90.08%	108.22%	93.85%	93.41%	97.18%	94.51%	92.38%
Covered payroll	25,842,841	27,385,358	28,159,670	28,850,515	28,395,351	29,924,796	29,889,386	29,960,300	30,210,365	30,412,207
Net pension (asset) liability as a % of covered payroll	25.32%	8.91%	63.56%	76.04%	(60.42%)	41.86%	43.50%	17.83%	34.02%	44.30%

Port of Houston Authority Restated Retirement Plan

**SCHEDULE OF PORT AUTHORITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 5,535,312	\$ 8,445,132	\$ 8,887,032	\$ 3,857,832	\$ 5,833,536	\$ 5,373,772	\$ 4,436,764	\$ 5,006,628	\$ 5,152,984	\$ 4,480,580
Contributions in relation to the actuarially determined contribution	5,535,500	8,445,500	8,887,125	4,050,500	5,834,000	10,625,000	4,658,000	5,256,900	9,600,000	4,500,000
Contribution deficiency (excess)	<u>\$ (188)</u>	<u>\$ (368)</u>	<u>\$ (93)</u>	<u>\$ (192,668)</u>	<u>\$ (464)</u>	<u>\$ (5,251,228)</u>	<u>\$ (221,236)</u>	<u>\$ (250,272)</u>	<u>\$ (4,447,016)</u>	<u>\$ (19,420)</u>
Covered payroll	\$ 25,842,841	\$ 27,385,358	\$ 28,159,670	\$ 28,850,515	\$ 28,395,351	\$ 29,924,796	\$ 29,889,386	\$ 29,960,300	\$ 30,210,365	\$ 30,412,207
Contributions as a percentage of covered payroll	20.91%	30.84%	31.56%	14.04%	20.55%	35.51%	15.58%	17.55%	31.78%	14.80%

Notes to Schedule

Valuation timing	Actuarially determined contribution rates are calculated as of July 31 of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	1 year at July 31, 2025, resulting from a net pension liability of \$6,543,765
Asset valuation method	Market value
Inflation	2.29%
Salary increases	4.75% to 8.50%
Investment rate of return	6.00%
Cost of living adjustments	None
Retirement age	Ranging from 5% at age 55 to 100% at age 70
Turnover	Rates from most recent assumption study performed in 2025
Mortality	Pri-2012 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per Scale MP-2021

Port of Houston Authority Restated Retirement Plan

SCHEDULE OF INVESTMENT RETURNS
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return net of investment expenses	8.57%	12.42%	7.04%	-10.52%	19.71%	1.66%	1.30%	5.60%	8.40%	-0.65%

OTHER INFORMATION

(Unaudited)

Port of Houston Authority Restated Retirement Plan

Schedule of Direct and Indirect Fees, Commissions, and Investment Managers

Information for management fees paid from the trust is provided using data from the Plan's custodian, PNC. Management fees netted from returns are provided by the Plan's investment consultant, Mariner Institutional, LLC using an average of each manager's month-end market value and the manager's respective net expense ratio. Per Texas Government Code, Chapter 802, as amended by Texas Senate Bill 332, the table below outlines investment and administrative expenses for the fiscal year ended July 31, 2025.

Shown below are the investment and administrative expenses for the fiscal year ending July 31, 2025:

Direct and Indirect Fees and Commissions

ASSET CLASS	MANAGEMENT FEES PAID FROM TRUST	MANAGEMENT FEES NETTED FROM RETURNS	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	BROKERAGE FEES/COMMISSIONS	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Equity	\$ 335,934	\$ 278,553	\$ 614,487	\$ 23,556	\$ -	\$ 638,044
Fixed Income	\$ 146,199	\$ 324,595	\$ 470,795	\$ -	\$ -	\$ 470,795
Real Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Alternative/Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 482,134	\$ 603,148	\$ 1,085,282	\$ 23,556	\$ -	\$ 1,108,838
Alternative/Other	Investment Managers				Total Investment Expenses	
List of Alternative/Other Investments*	List of Investment Manager Names*			Total Direct and Indirect Fees and Commissions	\$ 1,108,838	
	<i>Aristotle Floating Rate Income Fund Cl I</i>	<i>Fiduciary Management, Inc.</i>		Investment Services		
	<i>Barrow Hanley, Mewhinney & Strauss</i>	<i>Loomis Sayles High Income Fund</i>		Custodial	\$ 124,473	
	<i>BlackRock Multi-Asset Income Fund</i>	<i>MacKay Shields LLC</i>		Actuarial	\$ 52,142	
	<i>Causeway International Value Fund</i>	<i>Stephens Investment Management Group</i>		Audit	\$ 35,000	
	<i>Cohen & Steers Realty Shares</i>	<i>Vanguard Institutional Index Fd</i>		Advisory	\$ 92,500	
	<i>Dodge & Cox Income Fund</i>			Total	\$ 304,115	
	<i>Fidelity LCG Index Fund</i>					
				Total Investment	\$ 1,412,953	
				(Total Direct and Indirect Fees and Commissions + Investment Services)		

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Port of Houston Authority of Harris County, Texas
Plan Sponsor of the Port of Houston Authority Restated Retirement Plan
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Port of Houston Authority Restated Retirement Plan (the Plan), which comprise the Plan's statements of fiduciary net position as of July 31, 2025 and 2024 and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, and have issued our report thereon dated January 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Houston, Texas
January 27, 2026**