

Port of Houston Authority Post-Retirement Medical Plan

GASB 74 and 75 Disclosure

Fiscal Year: January 1, 2025 to December 31, 2025

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Certification

Actuarial computations presented in this report under Statements No. 74 and 75 of the Governmental Accounting Standards Board are for purposes of assisting the Port in fulfilling its financial accounting requirements. This report is for fiscal year January 1, 2025 to December 31, 2025. The reporting date for determining plan assets and obligations is December 31, 2025. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In preparing this report, we relied, without audit, on information as of January 1, 2025 and December 31, 2025 furnished by the Port. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see the appendices of this report for more information on the plan's participant group as of January 1, 2025 as well as a summary of the plan provisions and a summary of the actuarial methods and assumptions used for funding purposes.

We performed a limited review of the census and financial information used directly in our analysis and have found them 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.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report are adopted by the Port. In compliance with GASB Statements No. 74 and 75, the individual entry age actuarial cost method is used. All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated future experience affecting the Plan and are expected to have no significant bias.

This valuation report is only an estimate of the plan's financial condition as of a single date. It can neither predict the plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of plan benefits, only the timing of plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, 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; and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of future measurements.

Certification

The valuation results were developed using models employing standard actuarial techniques. The intent of the models was to estimate retiree claim costs and trend used in this analysis. We have reviewed the models, including their inputs, calculations, and outputs, for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output may not be appropriate for any other purpose.

Milliman's work is prepared solely for the internal use and benefit 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 exceptions: (a) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor'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 Port; and (b) the Plan Sponsor 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 specific needs.

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

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. Assumptions related to the claims costs and healthcare trend (cost inflation) rates for the retiree healthcare program discussed in this report were determined by Milliman actuaries qualified in such matters.



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Overview of GASB 74 and 75

GASB 74 applies to financial reporting for public OPEB plans funded by OPEB trusts and is required to be implemented for plan fiscal years beginning after June 15, 2016. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74. Under GASB 74, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is January 1, 2025. This is the date as of which the actuarial valuation is performed. The Measurement Date is December 31, 2025. This is the date as of which the total OPEB liability is determined. The Reporting Date is December 31, 2025. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation and measurement dates.

Participant Data as of January 1, 2025

Actives	822
Retirees	332
Spouses of Retirees	202
Beneficiaries	<u>35</u>
Total	1,391

Summary of Key Results

The following are the key results for financial reporting. These amounts are developed in the financial reporting schedules that follow. A more detailed breakdown of the total OPEB liability as of the Valuation Date follows the financial reporting schedules.

	Total OPEB Liability December 31, 2024 Measurement Date	Total OPEB Liability December 31, 2025 Measurement Date
Total OPEB liability	\$51,495,052	\$71,745,673
Fiduciary net position	<u>\$109,257,711</u>	<u>\$120,601,305</u>
Net OPEB liability	(\$57,762,659)	(\$48,855,632)
	OPEB Expense for 2024 Financial Reporting	OPEB Expense for 2025 Financial Reporting
	(\$6,668,716)	\$3,802,475

Schedule of Employer Contributions

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2016	\$5,798,101	\$8,772,355	(\$2,974,254)	\$38,906,511	22.55%
2017	5,401,609	9,454,403	(4,052,794)	40,287,296	23.47%
2018	4,384,071	9,484,054	(5,099,983)	40,287,296	23.54%
2019	3,324,459	8,463,823	(5,139,364)	49,778,058	17.00%
2020	3,494,130	5,431,444	(1,937,314)	49,778,058	10.91%
2021	2,626,707	2,627,000	(293)	57,608,141	4.56%
2022	0	0	0	60,200,507	0.00%
2023	0	0	0	67,865,352	0.00%
2024	0	0	0	70,919,293	0.00%
2025	0	0	0	81,846,139	0.00%

Actuarial Methods and Assumptions Used for Funding Policy

The employer pre-funds benefits through contributions to the trust. The current funding policy is to contribute the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over an open 10 year period. Please see the appendices of this report for further details.

Valuation Timing	Actuarial valuations for funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2025.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Open
Amortization period at January 1, 2025	10 years
Amortization growth rate	0.00%
Asset Valuation Method	Market Value
Inflation	2.34%
Salary Increases	Varies by age; see appendices of this report for full table.
Discount Rate	6.00%
Healthcare Cost Trend Rates	Varies by year; see appendices of this report for full table.
Retirement Rates	Varies by age and service; see appendices of this report for full table.
Withdrawal Rates	Varies by service; see appendices of this report for full table.
Disability Rates	Varies by age and gender; see appendices of this report for sample rates.
Mortality	For Salaried participants, Pri-2012 White Collar Mortality Table projected with Scale MP-2021 for males and females. For Hourly participants, Pri-2012 Blue Collar Mortality Table projected with Scale MP-2021 for males and females.

Actuarially Determined Contribution

The following exhibit provides the detailed calculation of the Actuarially Determined Contribution for the January 1, 2025 plan year.

Plan Year Beginning	January 1, 2025
Normal Cost	\$3,777,356
Unfunded Actuarial Accrued Liability	
Actuarial Accrued Liability	51,495,052
Assets	<u>109,257,711</u>
Unfunded Actuarial Accrued Liability	<u>(57,762,659)</u>
Amortization	
Period (years)	10
Amount	0
Interest to December 31, 2025	226,641
Actuarially Determined Contribution Prior to Excess Asset Credit	\$4,003,997
Excess Asset Credit (up to 125% funded)	(\$4,003,997)
Actuarially Determined Contribution*	\$0
Sum of Normal Cost, Amortization, and Interest	

*Calculated using actuarial assumptions as of the beginning of the fiscal year.

Statement of Fiduciary Net Position

	December 31, 2024	December 31, 2025
Assets		
Cash and cash equivalents	\$1,323,942	\$1,165,818
Receivables and prepaid expenses:		
Receivable contributions	0	0
Receivable investment income	275,206	323,153
Receivables from brokers for unsettled trades	0	0
Prepaid expenses	<u>0</u>	<u>0</u>
Total receivables	275,206	323,153
Investments:		
Fixed income	44,702,933	52,087,671
Stocks	62,976,429	67,257,064
Short-term investments	0	0
Real estate	0	0
Alternative investments	<u>0</u>	<u>0</u>
Total investments	107,679,362	119,344,735
Invested securities lending cash collateral	0	0
Capital assets net of accumulated depreciation	<u>0</u>	<u>0</u>
Total assets	109,278,510	120,833,706
Liabilities		
Accrued expenses and benefits payable	0	0
Securities lending cash collateral	0	0
Payable to brokers for unsettled trades	<u>20,799</u>	<u>232,401</u>
Total liabilities	20,799	232,401
Net position restricted for postemployment benefits other than pensions	109,257,711	120,601,305

Statement of Changes in Fiduciary Net Position

December 31, 2025

Additions

Member contributions	\$0
Employer contributions	0
Total contributions	0
Investment income (loss):	
Interest	2,965,609
Dividends	1,635,424
Equity fund income, net	53,093
Net increase in fair value of investments	9,847,428
Securities lending income	0
Less investment expenses:	
Direct investment expense	387,557
Securities lending management fees	0
Securities lending borrower rebates	0
Net investment income	14,113,997
Other income	32,454
Total additions	14,146,451

Deductions

Service benefits	2,719,188
Disability benefits	N/A
Death benefits	N/A
Refunds of member contributions	N/A
Administrative expenses	83,669
Total deductions	2,802,857
Net increase (decrease)	11,343,594

Net position restricted for postemployment benefits other than pensions

Beginning of year (December 31, 2024)	109,257,711
End of year (December 31, 2025)	120,601,305

Money-Weighted Rate of Return

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2016	10.50%
2017	10.90%
2018	(5.80%)
2019	16.61%
2020	11.98%
2021	10.92%
2022	(14.54%)
2023	16.34%
2024	10.51%
2025	13.13%

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning Value - January 1, 2025	\$109,257,711	12.00	1.00	\$123,599,704
Monthly net external cash flows:				
January	(233,571)	12.00	1.00	(264,232)
February	(233,571)	11.00	0.92	(261,637)
March	(233,571)	10.00	0.83	(258,749)
April	(233,571)	9.00	0.75	(256,209)
May	(233,571)	8.00	0.67	(253,693)
June	(233,571)	7.00	0.58	(250,892)
July	(233,571)	6.00	0.50	(248,429)
August	(233,571)	5.00	0.42	(245,990)
September	(233,571)	4.00	0.33	(243,274)
October	(233,571)	3.00	0.25	(240,886)
November	(233,571)	2.00	0.17	(238,521)
December	(233,571)	1.00	0.08	(235,887)
Ending Value - December 31, 2025	120,601,305			120,601,305
Money-Weighted Rate of Return	13.13%			

Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2025.

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	30.00%	2.30%	2.15%
US High Yield Bonds	ICE BofA US High Yield TR USD	5.00%	3.85%	3.31%
US Bank/Leveraged Loans	S&P UBS Leveraged Loan Index	5.00%	3.77%	3.41%
US Large Cap Equity	S&P 500 TR USD	25.00%	5.20%	3.59%
US Mid Cap Equity	Russell Mid Cap TR USD	7.50%	5.58%	3.51%
US Small Cap Equity	Russell 2000 TR USD	10.00%	6.36%	3.77%
Foreign Developed Equity	MSCI EAFE NR USD	7.50%	6.17%	4.32%
US REITs	FTSE Nareit All Equity REITs TR USD	5.00%	6.57%	4.33%
Hedge Funds - Relative Value	HFRI Relative Value	5.00%	3.68%	3.35%
Assumed Inflation - Mean			2.34%	2.34%
Assumed Inflation - Standard Deviation			1.47%	1.47%
Portfolio Real Mean Return			4.40%	3.73%
Portfolio Nominal Mean Return			6.74%	6.19%
Portfolio Standard Deviation				11.13%
Long-Term Expected Rate of Return				6.00%

* As outlined in the Plan's investment policy dated November 2, 2022

Depletion Date Projection

GASB 74 and 75 generally require that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond yield or index rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 74 and 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 74 and 75 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the Port of Houston Authority:

- The Port of Houston Authority has at least a 5-year history of paying at least 100% of the Actuarially Determined Contribution.
- The Actuarially Determined Contribution is based on an open amortization period, which means that payment of the Actuarially Determined Contribution each year will pay for a portion of the unfunded OPEB liability over the amortization period.
- GASB 74 and 75 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our professional opinion that the detailed depletion date projections outlined in GASB 74 and 75 will show that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Net OPEB Liability

Measurement Date	December 31, 2024	December 31, 2025
Total OPEB liability	\$51,495,052	\$71,745,673
Fiduciary net position	<u>109,257,711</u>	<u>120,601,305</u>
Net OPEB liability	(57,762,659)	(48,855,632)
Fiduciary net position as a % of total OPEB liability	212.17%	168.10%
Covered payroll	70,919,293	81,846,139
Net OPEB liability as a % of covered payroll	(81.45%)	(59.69%)

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount rate	6.00%	6.00%
Long-term expected rate of return, net of investment expense	6.00%	6.00%
Municipal bond rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2025 were based on the results of the Pension Plan's actuarial experience study for the period August 1, 2019 - August 1, 2024.

Valuation date	January 1, 2023	January 1, 2025
Measurement date	December 31, 2024	December 31, 2025
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.31%	2.34%
Salary increases including inflation	Age based	Age based

Please see the appendices of this report for more detail.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of December 31, 2024	\$51,495,052	\$109,257,711	(\$57,762,659)
Changes for the year:			
Service cost	3,777,356		3,777,356
Interest on total OPEB liability	3,235,957		3,235,957
Effect of plan changes	9,959,507		9,959,507
Effect of economic/demographic gains or losses	4,700,309		4,700,309
Effect of assumptions changes or inputs	1,296,680		1,296,680
Benefit payments	(2,719,188)	(2,719,188)	0
Employer contributions		0	0
Member contributions		0	0
Net investment income		14,146,451	(14,146,451)
Administrative expenses		(83,669)	83,669
Balances as of December 31, 2025	71,745,673	120,601,305	(48,855,632)

Sensitivity Analysis

The following presents the net OPEB liability of the Port, calculated using the discount rate of 6.00%, as well as what the Port's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate.

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Total OPEB liability	\$80,102,160	\$71,745,673	\$64,658,814
Fiduciary net position	120,601,305	120,601,305	120,601,305
Net OPEB liability	(40,499,145)	(48,855,632)	(55,942,491)

The following presents the net OPEB liability of the Port, calculated using the current healthcare cost trend rates as well as what the Port's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$62,992,211	\$71,745,673	\$82,569,864
Fiduciary net position	120,601,305	120,601,305	120,601,305
Net OPEB liability	(57,609,094)	(48,855,632)	(38,031,441)

Milliman GASB 74 and 75 Disclosure for Fiscal Year Ending December 31, 2025
Port of Houston Authority Post-Retirement Medical Plan

Schedule of Changes in Net OPEB Liability and Related Ratios
(in 1,000s)

Fiscal Year Ending December 31	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability										
Service cost	\$3,777	\$2,807	\$2,994	\$2,473	\$2,374	\$3,211	\$3,081	\$3,289	\$3,081	N/A
Interest on total OPEB liability	3,236	3,324	3,774	3,539	4,168	4,727	5,145	4,864	4,593	N/A
Effect of plan changes	9,960	0	0	0	0	0	0	0	0	N/A
Effect of economic/demographic (gains) or losses	4,700	(6,308)	(12,280)	0	(14,126)	0	(7,445)	0	0	N/A
Effect of assumption changes or inputs	1,297	0	0	1,754	(264)	(10,675)	(1,408)	0	0	N/A
Benefit payments	(2,719)	(1,802)	(1,820)	(2,199)	(2,414)	(2,519)	(3,464)	(4,084)	(3,654)	N/A
Net change in total OPEB liability	20,251	(1,980)	(7,332)	5,568	(10,263)	(5,256)	(4,091)	4,069	4,020	N/A
Total OPEB liability, beginning	51,495	53,475	60,807	55,239	65,502	70,758	74,849	70,779	66,759	N/A
Total OPEB liability, ending (a)	71,746	51,495	53,475	60,807	55,239	65,502	70,758	74,849	70,779	N/A
Fiduciary Net Position										
Employer contributions	\$0	\$0	\$0	\$0	\$2,627	\$5,431	\$8,464	\$9,484	\$9,454	N/A
Member contributions	0	0	0	0	0	0	0	0	0	N/A
Net Investment income	14,146	10,478	14,263	(15,130)	10,395	10,035	11,391	(3,915)	5,714	N/A
Benefit payments	(2,719)	(1,802)	(1,820)	(2,199)	(2,414)	(2,519)	(3,464)	(4,084)	(3,654)	N/A
Administrative expenses	(84)	(76)	(69)	(70)	(73)	(61)	(93)	(100)	0	N/A
Net change in plan fiduciary net position	11,344	8,600	12,373	(17,399)	10,535	12,886	16,298	1,385	11,514	N/A
Fiduciary net position, beginning	109,258	100,658	88,284	105,683	95,148	82,262	65,964	64,579	53,066	N/A
Fiduciary net position, ending (b)	120,601	109,258	100,658	88,284	105,683	95,148	82,262	65,964	64,579	N/A
Net OPEB liability, ending = (a) - (b)	(48,856)	(57,763)	(47,183)	(27,478)	(50,444)	(29,646)	(11,505)	8,884	6,200	N/A
Fiduciary net position as a % of total OPEB liability	168.10%	212.17%	188.23%	145.19%	191.32%	145.26%	116.26%	88.13%	91.24%	N/A
Covered payroll	\$81,846	\$70,919	\$67,865	\$60,201	\$57,608	\$49,778	\$49,778	\$40,287	\$40,287	\$38,907
Net OPEB liability as a % of covered payroll	(59.69%)	(81.45%)	(69.52%)	(45.64%)	(87.56%)	(59.56%)	(23.11%)	22.05%	15.39%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Notes to Schedule:

Changes of benefit terms: Effective 2025, the retiree life insurance amount increased from \$15,000 to \$25,000 (beginning 2026) and retiree dental and vision benefits were approved (beginning 2027).

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each applicable period.

This work product was prepared solely for the Port 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman GASB 74 and 75 Disclosure for Fiscal Year Ending December 31, 2025
Port of Houston Authority Post-Retirement Medical Plan

Schedule of Port of Houston Authority Contributions
(in 1,000s)

Fiscal Year Ending December 31	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution*	\$0	\$0	\$0	\$0	\$2,627	\$3,494	\$3,324	\$4,384	\$5,402	\$5,798
Contributions in relation to the										
Actuarially Determined Contribution	0	0	0	0	2,627	5,431	8,464	9,484	9,454	8,772
Contribution deficiency/(excess)	0	0	0	0	(0)	(1,937)	(5,139)	(5,100)	(4,053)	(2,974)
Covered payroll	81,846	70,919	67,865	60,201	57,608	49,778	49,778	40,287	40,287	38,907
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	4.56%	10.91%	17.00%	23.54%	23.47%	22.55%

*Annual Required Contribution (ARC) under GASB 45 for 2017 and prior.

Milliman GASB 74 and 75 Disclosure for Fiscal Year Ending December 31, 2025
Port of Houston Authority Post-Retirement Medical Plan

OPEB Expense

Fiscal Year	January 1, 2024 to December 31, 2024	January 1, 2025 to December 31, 2025
Service cost	\$2,806,708	\$3,777,356
Interest on total OPEB liability	3,323,628	3,235,957
Effect of plan changes	0	9,959,507
Administrative expenses	76,002	83,669
Member contributions	0	0
Expected investment return net of investment expenses	(5,983,941)	(6,469,414)
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	(4,973,076)	(4,406,773)
Recognition of assumption changes or inputs	(1,687,532)	(1,531,303)
Recognition of investment gains or losses	(230,505)	(846,524)
OPEB Expense	(6,668,716)	3,802,475

As of December 31, 2025, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$18,282,410)	\$4,134,007
Changes of assumptions	(770,389)	2,038,689
Net difference between projected and actual earnings	(8,165,763)	0
Contributions made subsequent to measurement date	N/A	0
Total	(27,218,562)	6,172,696

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended December 31:	
2026	(\$3,630,219)
2027	(7,243,884)
2028	(5,439,604)
2029	(3,136,850)
2030	(1,421,548)
Thereafter*	(173,761)

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in 12/31/2025 Expense	Balance of Deferred Inflows 12/31/2025	Balance of Deferred Outflows 12/31/2025
Economic/demographic (gains)/losses	\$4,700,309	12/31/2025	8.3	\$566,302	\$0	\$4,134,007
	(6,308,293)	12/31/2024	8.5	(742,152)	(4,823,989)	0
	(12,279,955)	12/31/2023	8.5	(1,444,701)	(7,945,852)	0
	(14,125,964)	12/31/2021	8.2	(1,722,679)	(5,512,569)	0
	(7,444,807)	12/31/2019	7.0	(1,063,543)	0	0
		Total		(4,406,773)	(18,282,410)	4,134,007
Assumption changes or inputs	\$1,296,680	12/31/2025	8.3	\$156,227	\$0	\$1,140,453
	1,753,696	12/31/2022	8.2	213,865	0	898,236
	(264,450)	12/31/2021	8.2	(32,250)	(103,200)	0
	(10,674,991)	12/31/2020	6.4	(1,667,967)	(667,189)	0
	(1,408,258)	12/31/2019	7.0	(201,178)	0	0
		Total		(1,531,303)	(770,389)	2,038,689
Investment (gains)/losses	(7,677,037)	12/31/2025	5.0	(\$1,535,407)	(\$6,141,630)	\$0
	(4,494,053)	12/31/2024	5.0	(898,811)	(2,696,431)	0
	(9,021,386)	12/31/2023	5.0	(1,804,277)	(3,608,555)	0
	21,404,257	12/31/2022	5.0	4,280,851	0	4,280,853
	(4,444,408)	12/31/2021	5.0	(888,880)	0	0
		Total		(846,524)	(12,446,616)	4,280,853
Total for economic/demographic gains or losses and assumption changes or inputs					(19,052,799)	6,172,696
Net deferred (inflows)/outflows for investment gains or losses					(8,165,763)	0
Total deferred (inflows)/outflows					(27,218,562)	6,172,696
Total net deferrals					(21,045,866)	

* Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Milliman GASB 74 and 75 Disclosure for Fiscal Year Ending December 31, 2025
Port of Houston Authority Post-Retirement Medical Plan

Summary Chart

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Deferred Inflows	Deferred Outflows	Net Investment (Inflows)/ Outflows	Net Deferrals	Net OPEB Liability plus Net Deferrals	Annual Expense
Balances as of December 31, 2024	(\$51,495,052)	\$109,257,711	\$57,762,659	(\$25,927,269)	\$1,112,101	(\$1,335,250)	(\$26,150,418)	\$31,612,241	
Service cost	(3,777,356)		(3,777,356)						3,777,356
Interest on total OPEB liability	(3,235,957)		(3,235,957)						3,235,957
Effect of plan changes	(9,959,507)		(9,959,507)						9,959,507
Effect of liability gains or losses	(4,700,309)		(4,700,309)		4,700,309		4,700,309		
Effect of assumption changes or inputs	(1,296,680)		(1,296,680)		1,296,680		1,296,680		
Benefit payments	2,719,188	(2,719,188)	0						
Administrative expenses		(83,669)	(83,669)						83,669
Member contributions		0	0						0
Expected net investment income		6,469,414	6,469,414						(6,469,414)
Investment gains or losses		7,677,037	7,677,037			(7,677,037)	(7,677,037)		
Employer contributions		0	0					0	
Recognition of liability gains or losses				4,973,075	(566,302)		4,406,773		(4,406,773)
Recognition of assumption changes or inputs				1,901,395	(370,092)		1,531,303		(1,531,303)
Recognition of investment gains or losses						846,524	846,524		(846,524)
Annual expense								(3,802,475)	3,802,475
Balances as of December 31, 2025	(71,745,673)	120,601,305	48,855,632	(19,052,799)	6,172,696	(8,165,763)	(21,045,866)	27,809,766	

This work product was prepared solely for the Port 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Glossary

Actuarially Determined Contribution	A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted.
Deferred Inflows/Outflows of Resources	Portion of changes in net OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.
Discount Rate	Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of: <ol style="list-style-type: none">1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.
Fiduciary Net Position	Equal to market value of assets.
Long-Term Expected Rate of Return	Long-term expected rate of return on plan investments expected to be used to finance the payment of benefits, net of investment expenses.
Money-Weighted Rate of Return	The internal rate of return on plan investments, net of investment expenses.
Municipal Bond Rate	Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Net OPEB Liability	Total OPEB Liability minus the Plan's Fiduciary Net Position.
Projected Benefit Payments	All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.
Service Cost	The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Liability	The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 74 and 75.

Appendix A – Actuarial Cost Method and Assumptions

The actuarial cost method used for determining the benefit obligations is 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, 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.

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.

Reliance and Limitations

In performing this analysis, we relied on data and other information provided by Port of Houston. We have not audited or verified this data and other information.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate retiree health claim costs and trends. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by Port of Houston for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.

Milliman's data and information reliance are listed below. The models, including all input, calculations, and output may not be appropriate for any other purpose.

We performed a limited review of the data used in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systemic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. It is important to note, this list includes but is not necessarily limited to the following:

1. Active and retiree census files.
2. Medical and prescription drug plan designs for all current retirees and dependents.
3. Active and retiree premium equivalent rates.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

This report has been prepared solely for the internal business use of and is only to be relied upon by the management of Port of Houston.

No portion of this report may be provided to any other party without Milliman's prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

This deliverable is designed to provide Retiree Medical Claim Costs and Trends. This information may not be appropriate, and should not be used, for other purposes.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I, Ellen Harrington, have performed the claims and trend analyses in this report. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the claims and trend analyses in this report.

ECONOMIC ASSUMPTIONS

Discount Rate

December 31, 2024: 6.00% effective annual rate

December 31, 2025: 6.00% effective annual rate.

The discount rate is based on the expected long-term return on assets as selected by the employer.

Salary Increases

<u>Age</u>	<u>Rate</u>
<31	8.50%
31-43	7.00%
44-50	4.75%
51-60	6.00%
61+	5.00%

Inflation

2.34% per annum, compounded annually

DEMOGRAPHIC ASSUMPTIONS

Based on the experience study conducted in 2025 for the Port of Houston Authority Restated Retirement Plan, withdrawal rates, retirement rates, disability rates, base-table mortality rates, and salary scale are used in this valuation to determine liabilities and costs.

Healthy Mortality

For Salaried participants, Pri-2012 White Collar Mortality Table projected with Scale MP-2021 for males and females. For Hourly participants, Pri-2012 Blue Collar Mortality Table projected with Scale MP-2021 for males and females. Adopted December 31, 2022.

Disabled Mortality

Pri-2012 Disabled Mortality Table projected with Scale MP-2021 for males and females. Adopted December 31, 2022.

Disability Rates

Selected rates are as follows. Rates vary by age and gender.

Age	Male	Age	Female
20	0.052%	20	0.085%
25	0.056%	25	0.090%
30	0.059%	30	0.095%
35	0.066%	35	0.105%
40	0.080%	40	0.128%
45	0.126%	45	0.195%
50	0.235%	50	0.385%
55	0.469%	55	0.729%
60	0.692%	60	1.118%
65	0.551%	65	0.973%

Retirement Rates

Selected rates are as follows. Rates vary by age and service.

Age	Service <30 Years	Service 30+ Years
55	5.00%	20.00%
56-57	5.00%	5.00%
58	25.00%	5.00%
59-61	25.00%	15.00%
62	10.00%	35.00%
63-64	5.00%	35.00%
65-67	35.00%	30.00%
68-69	30.00%	30.00%
70+	100.00%	100.00%

Withdrawal Rates

Selected rates are as follows. Rates vary by service.

Service	Rate
0-2	10.00%
3	7.50%
4-8	5.00%
9-14	3.00%
15-18	5.00%
19-28	2.00%
29	1.00%
30+	0.00%

Coverage at Retirement	<p>100% of active employees are assumed to elect medical coverage in retirement. Pre-65 retirees are assumed to be covered and are valued based on a weighted claims curve (claims curve is weighted for current retirees' elections in AETNA Open Access plan and Kelsey Care plan) for medical. Post-65 retirees are assumed to be covered in the AETNA Medicare Choice PPO 20/20 Plan for medical.</p> <p>Beginning January 1, 2027, dental and vision coverage will be available to eligible retirees and dependents. 100% of active employees are assumed to elect dental and vision coverage in retirement. 100% of current retirees are assumed to elect dental and vision coverage once available, regardless of current medical coverage.</p>
Spouse Coverage	<p>80% of active employees are assumed to have a spouse with medical coverage in retirement (no dependent children are assumed). Retiree medical spousal coverage is based on current medical spousal coverage election.</p> <p>Beginning January 1, 2027, dental and vision coverage will be available to eligible retirees and dependents. 80% of active employees are assumed to have a spouse with dental and vision coverage in retirement (no dependent children are assumed). Dental and vision spousal coverage for retirees with current medical coverage is assumed to mirror medical spousal coverage. Retirees not currently electing medical coverage (life coverage only) are assumed to elect dental and vision coverage for a spouse once available.</p>
Spouse Age	<p>If spouse age is not available, female spouses are assumed to be three years younger than male spouses.</p>
Hourly / Salaried Indicator	<p>Participants missing an hourly / salaried indicator are assumed to have been salaried employees.</p>

Per Capita Medical Benefit Costs as of January 1, 2025

Per capita claim costs for Pre-Medicare retirees are calculated using premium equivalent rates for the combined active and retiree group, substantiated with historical active and retiree claims experience and current administrative fees and stop-loss premiums. We blended premiums using 85% weighting for the Aetna Open Access plan and 15% for the Kelsey Care HMO. The premium equivalent rates were adjusted to account for the aging and morbidity differences we expect to see between an active and retiree population. The resulting estimated retiree claims plus administrative costs were age and gender adjusted based on Milliman's Health Cost Guidelines™ (HCGs). Claim costs for Medicare-eligible retirees are projected for the valuation year based on fully insured premiums as of January 1, 2025. Premiums were blended using 98% weighting for the Medicare PPO plan and 2% weighting for the Medicare ESA PPO plan. Premiums were assumed to reflect the expected costs for this group. The resulting estimated annual retiree and spouse claims were age and gender adjusted based on Milliman's HCGs.

Age	Retiree		Spouse	
	Male	Female	Male	Female
45	\$16,069	\$25,016	\$12,835	\$16,832
50	\$18,587	\$23,350	\$15,579	\$19,252
55	\$21,877	\$23,079	\$18,966	\$21,471
60	\$25,363	\$25,471	\$22,569	\$23,438
64	\$30,153	\$28,001	\$26,959	\$25,642
65	\$2,404	\$2,404	\$2,404	\$2,404

Per Capita Dental/Vision Benefit Costs as of January 1, 2025

Per capita claim costs are assumed based on COBRA premiums for the AETNA PPO dental plan and the AETNA Preferred vision plan for current active employees.

All Ages	Retiree	Spouse
	\$598	\$618

Healthcare Inflation Rate

We assumed 2.3% CPI for trend assumptions. The medical trend assumptions are shown in the table below. These trends have changed from the prior valuation, due to updates in the trend model that we use. The model is based on the Society of Actuaries' (SOA) published report on long-term medical trend. That report includes detailed research performed by a committee of economists and actuaries, and proposes the use of the "Getzen Model" named after the professor who developed the model. We believe that the research and the model are fundamentally and technically sound and advance the body of knowledge available to actuaries to more accurately project long-term medical trends. Milliman uses this model as the foundation for the trend that it recommends to our clients for OPEB valuations. Trend rates assume that over time, deductibles and out of pocket maximums will be periodically increased as trends increase.

From Year Beginning January 1	Pre-65 Medical Trend*	Post-65 Medical Trend*	Dental Trend
2025	6.80%	6.90%	4.00%
2026	6.00%	6.30%	4.00%
2027	5.10%	5.60%	4.00%
2028	5.00%	5.40%	4.00%
2029	4.80%	5.30%	4.00%
2030	4.70%	5.10%	4.00%
2031	4.60%	4.90%	4.00%
2032	4.40%	4.70%	4.00%
2033	4.30%	4.50%	4.00%
2034-2043	4.10%	4.30%	4.00%
2044-2060	4.10%	4.20%	4.00%
2061-2065	4.10%	4.10%	4.00%
2066-2067	4.00%	4.00%	4.00%
2068	3.90%	4.00%	3.90%
2069-2070	3.90%	3.90%	3.90%
2071-2072	3.80%	3.80%	3.80%
2073+	3.70%	3.70%	3.70%

*Ultimate trend is used for years prior to the valuation date.

CHANGES IN ACTUARIAL ASSUMPTIONS SINCE PRIOR VALUATION

Demographic: Salary increase, retirement, withdrawal, and disability rates were updated to reflect the most recent experience study dated July 9, 2025. These assumption changes decreased the total OPEB liability by approximately \$1.3 million.

Appendix B – Summary of Principal Plan Provisions

The following description of retiree health benefits is intended to be only a brief summary. For details, reference should be made to the Employee Retirement Guide for the Port of Houston.

Eligibility

For employees hired prior to January 1, 2010, retiree medical insurance coverage is provided with no years of service requirement. For employees hired on or after January 1, 2010, retiree medical insurance coverage is available after 12 years of service upon retirement. Retirees and eligible dependents over the age of 65, or disabled retirees or dependents who qualify for Social Security disability benefits, must have Medicare Part A and Part B to be eligible for any Port Authority medical plans. Beginning January 1, 2027, dental and vision coverage will be available to eligible retirees and dependents.

Employees are eligible to retire prior to age 65 upon attainment of age 62, upon completion of 30 years of vesting service, or when the sum of the employee’s age and years of vesting service equals 85 or more.

Dependent Eligibility

Spouses of eligible retirees at the time of retirement are eligible for coverage as well.

Medical Benefits

Pre-65 eligible retirees and spouses may choose between the AETNA Open Access plan and the Kelsey Care plan. Post-65 retirees and spouses may choose between the AETNA Medicare Choice 20/20 PPO and the AETNA Medicare ESA PPO 20 plans.

Dental/Vision Benefits

Effective October 2025, the Port Authority will provide dental and vision insurance to eligible retirees beginning January 1, 2027. Future dental and vision benefits are assumed to mirror the AETNA PPO dental plan and the AETNA Preferred vision plan for current employees.

Retiree Contributions

Medical: Retirees pay 0% of the total premium and the Port Authority pays 100%. For spouses of eligible retirees, the retiree or spouse pays 0% of the total premium and the Port Authority pays 100% of the premium.

2025 monthly medical premiums are illustrated below (**paid in full by Houston Port Authority**):

Category	Retiree	Retiree plus Spouse
Under age 65		
KelseyCare HMO	\$894.90	\$1,879.28
AETNA PPO	\$1,052.17	\$2,212.65
Over age 65 (varies by state)		
AETNA PPO Texas	\$200.06	\$400.12
AETNA PPO-ESA Texas	\$214.38	\$428.76

Dental/Vision: Beginning January 1, 2027, retirees are assumed to pay 0% of the total premium and the Port Authority is assumed to pay 100%. For spouses of eligible retirees beginning January 1, 2027, the retiree or spouse is assumed to pay 0% of the total premium and the Port Authority is assumed to pay 100% of the premium. Future premiums are based on current COBRA premiums for active employees.

2025 monthly COBRA dental and vision premiums are illustrated as follows:

Category	Employee	Employee plus Spouse
Dental		
AETNA PPO	\$43.34	\$88.53
AETNA DMO	\$11.23	\$21.32
Vision		
AETNA Preferred	\$6.50	\$12.84

Retiree Life Insurance

\$15,000 prior to January 1, 2026, and \$25,000 on or after January 1, 2026, payable upon death of retiree.

CHANGES IN PRINCIPAL PLAN PROVISIONS SINCE PRIOR VALUATION

Effective September 2025, the life insurance benefit amount for retirees was increased from \$15,000 to \$25,000 beginning January 1, 2026. This change increased the total OPEB liability by approximately \$2.1 million.

Effective October 2025, the Port Authority will provide dental and vision insurance to eligible retirees beginning January 1, 2027. This change increased the total OPEB liability by approximately \$7.8 million.

Appendix C – Summary of Participant Data

The following were included in our analysis as of January 1, 2023 and January 1, 2025 based on information provided by the Port of Houston Authority.

Number of members	January 1, 2023	January 1, 2025
Actives	738	822
Retired and disabled members	316	332
Beneficiaries	42	35
Covered spouses of retirees	<u>182*</u>	<u>202**</u>
Total	1,278	1,391
Average age		
Active	45.8	44.9
Retired members	74.0	74.1
Disabled members	61.9	60.6
Beneficiaries	77.4	80.3

*Includes retirees with a spouse date of birth on file and retirees with employee + child(ren) coverage. As of January 1, 2023, actual medical elections of current retirees include 109 covered spouses.

**Includes retirees with employee + child(ren) coverage. As of January 1, 2025, actual medical elections of current retirees include 143 covered spouses. Dental and vision spousal coverage for retirees with current medical coverage is assumed to mirror medical spousal coverage. Retirees not currently electing medical coverage (life coverage only) are assumed to elect dental and vision coverage for themselves and a spouse.