

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**

Independent Auditor's Report,
Management's Discussion and Analysis, and
Financial Statements

Years Ended June 30, 2021 and 2020



Certified
Public
Accountants

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Independent Auditor's Report

Deferred Compensation Advisory Committee
and Board of Port Commissioners of the City of Oakland
Oakland, California

We have audited the accompanying financial statements of the Deferred Compensation Plan of the Port of Oakland (Plan) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Plan's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net positions of the Plan as of June 30, 2021 and 2020, and the changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Macias Gini & O'Connell LLP

Walnut Creek, California

February 10, 2022

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**

Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020

The following discussion and analysis of the financial performance of the Deferred Compensation Plan of the Port of Oakland (Plan) provides an overview of its financial activities for the years ended June 30, 2021 and 2020. Please read it in conjunction with the Plan's financial statements, which begin on page 5. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests solely with management of the Port of Oakland. To the best of our knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Statements

The financial report for the Plan includes management's discussion and analysis, statements of net position, statements of changes in net position, and notes to the financial statements. These financial statements are prepared on the accrual basis of accounting. The Plan is administrated by Great-West Life & Annuity Insurance Company dba Empower Retirement (Empower). The Plan's assets are held in trust by Great-West Trust Company (Custodian).

The following table indicates the Plan's net position due to participants as of June 30 (dollars in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Investments:			
Stable value fund	\$ 28,222	\$ 29,354	\$ 26,132
Mutual funds	92,980	69,578	66,500
Total investments at fair value	<u>121,202</u>	<u>98,932</u>	<u>92,632</u>
Loans receivable from participants	666	681	766
Net position due to participants	<u><u>\$ 121,868</u></u>	<u><u>\$ 99,613</u></u>	<u><u>\$ 93,398</u></u>

The following table indicates the changes in net position for the years ended June 30 (dollars in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net additions to net position	\$ 31,472	\$ 10,997	\$ 10,221
Deductions from net position	<u>(9,217)</u>	<u>(4,782)</u>	<u>(5,602)</u>
Change in net position	22,255	6,215	4,619
Net position due to participants, beginning of year	<u>99,613</u>	<u>93,398</u>	<u>88,779</u>
Net position due to participants, end of year	<u><u>\$ 121,868</u></u>	<u><u>\$ 99,613</u></u>	<u><u>\$ 93,398</u></u>

- Net position increased \$22.3 million from \$99.6 million at June 30, 2020, to \$121.9 million at June 30, 2021. The \$22.3 million dollar increase in net position for year ended June 30, 2021 was caused primarily by the following factors: \$4.5 million deposits from participants, \$4.8 million inflow of interest and dividend income, \$22.2 million capital appreciation of investments, less \$9.2 million of withdrawals by participants.
- Net position increased \$6.2 million from \$93.4 million at June 30, 2019 to \$99.6 million at June 30, 2020. The increase in net position was primarily due to investment interest and dividends of \$4.8 million and net increases in fair value of investments of \$1.4 million.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**

Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended June 30, 2021 and 2020

Request for Information

Requests for additional information about this report, should be addressed to the Financial Services Division, Port of Oakland, 530 Water Street, Oakland, California 94607 or visit the Port's website at www.portoakland.com.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**

Statements of Net Position

June 30, 2021 and 2020

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Investments:		
Stable value fund	\$ 28,222	\$ 29,354
Mutual funds	92,980	69,578
Total investments at fair value	<u>121,202</u>	<u>98,932</u>
Loans receivable from participants	<u>666</u>	<u>681</u>
NET POSITION DUE TO PARTICIPANTS	<u>\$ 121,868</u>	<u>\$ 99,613</u>

See accompanying notes to financial statements.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Statements of Changes in Net Position
Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
ADDITIONS:		
Contributions by participants	\$ 4,487	\$ 4,752
Net investment income and adjustments to fair value	26,985	6,245
Total additions to net position	31,472	10,997
 DEDUCTIONS:		
Withdrawals by participants	(9,217)	(4,782)
 CHANGE IN NET POSITION	 22,255	 6,215
 NET POSITION DUE TO PARTICIPANTS:		
Beginning of year	99,613	93,398
End of year	\$ 121,868	\$ 99,613

See accompanying notes to financial statements.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 1 – PLAN DESCRIPTION

The following description of the Deferred Compensation Plan of the Port of Oakland (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Port of Oakland (Port) maintains an eligible deferred compensation plan in accordance with Section 457 of the Internal Revenue Code (IRC 457). The Port's Plan was established in 1977 and is governed by the Deferred Compensation Advisory Committee (Committee) in accordance with IRC 457 and the Port's Plan document. The Plan permits employees to defer a portion of their compensation until future years. Distributions may be made only at death, retirement, termination, disability or some other event, as provided in the Plan in accordance with the provisions of Sections 53212-53214 of the Government Code of the State of California and the applicable provisions of the Internal Revenue Code.

The Plan is available to all permanent Port employees on a voluntary basis. Each employee may elect to participate by signing a participation agreement that specifies the amount of the deferral and the investment options selected by the participant. Plan participants can choose to make contributions on a pre-tax basis to the traditional 457, and after-tax basis to the Roth 457, or a combination of the two contribution options. The Plan currently utilizes one investment administrator: Empower. Each participant pays for administrative services provided by Empower through an administrative fee based on Plan assets and an investment management fee based on a percentage established by each mutual fund company and the Port's Stable Value Fund. Participants are reimbursed any revenue share fees paid for a particular fund.

All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property and rights are held by the Plan in trust through Great-West Trust Company, LLC, for the exclusive benefit of the participants or beneficiaries, and are not subject to the claims of the Port's creditors. Investment options are monitored by the Committee, which is comprised of seven voting members – the Port's Director of Human Resources, the Port's Chief Financial Officer, and five other members appointed by the Port's Director of Human Resources or the Port's Chief Financial Officer. The Port's Director of Human Resources or the Port's Chief Financial Officer may also appoint up to two alternate members.

Contributions

During each payroll period in which an employee is a participant in the Plan, the Port defers a portion of the employee's compensation as specified by the employee. The maximum that each participant may defer under this Plan for any taxable year is the lesser of:

- The applicable dollar amount determined pursuant to IRC 457(e)(15); or
- One hundred percent of the participant's year-to-date includible compensation.

Participants in the Plan may elect to rollover balances from other IRC 457 deferred compensation plans, subject to the requirements of the Plan.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 1 – PLAN DESCRIPTION (Continued)

Special Limited Catch-Up Deferral

Qualified employees who have not deferred the maximum regular deferral amount(s) allowed in prior years, may elect the Special Limited Catch-up Provision as defined in IRC 457(b)(3) for one or more of the participant's last three tax years ending before the year in which the participant attains normal retirement age as defined under Sections 1.14 and 3.03 of the Plan. In that instance, participants may elect to contribute the lesser of:

- Twice the applicable dollar amount permitted under IRC 457(b)(2)(A); or
- The sum of:
 - The maximum amount of compensation that may be deferred for the employment period as determined under Section 3.01 of the Plan for the taxable year; plus
 - The maximum amount of compensation that may be deferred for any prior employment period or employment periods as determined under Section 3.01 of the Plan's document less the compensation deferred under the Plan for such employment period or employment periods.

The Special Limited Catch-up Provision can only be elected one time. Employees who are 70½ or older may not elect this provision.

Age 50 and Older Catch-Up Deferral

Plan participants who attain age 50 by the last day of a tax year may make an additional deferral into the Plan as a catch-up contribution, subject to the requirements of IRC 414(v)(2)(B)(i). The Age 50 and Older Catch-up Deferral election limit was \$6,500 in calendar year 2021 and \$6,500 in calendar year 2020.

Employees may not participate in both the Special Limited Catch-up Provision deferral and the Age 50 and Older Catch-up Deferral concurrently.

Participant Deferred Compensation Accounts

The administrative services agreement with Empower provides that each participant's deferred compensation account shall be updated daily with the participant's contributions and allocations of Plan earnings, including interest, dividends, and gains/losses from investments.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 1 – PLAN DESCRIPTION (Continued)

Payment of Benefits

On termination of service due to death, disability, separation of service, retirement, or as otherwise permitted by the Plan, a participant may elect to receive a full or partial lump-sum distribution, periodic payments of a dollar certain, periodic payments for a time certain, or periodic payments over the lifetime of the participant. A participant may also purchase a life or term-certain annuity, or simply leave the money on deposit until the date that they have a minimum annual distribution requirement.

Required Minimum Distributions (RMDs)

The IRS requires a minimum annual distribution to be made no later than April 1 of the calendar year following the later of the calendar year in which the employee attains age 70½, or the calendar year in which the employee retires. The Setting Every Community Up for Retirement Enhancement (SECURE) Act, changed the age limit for RMDs to age 72 for those employees who reach age 70½ after December 31, 2019. Distributions will be net of any federal and state taxes required to be withheld. The participants also have the option of having a direct tax-free rollover to a new employer pension plan or a rollover to an Individual Retirement Account.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) waives RMDs for owners of certain retirement accounts, including beneficiaries with inherited accounts for tax year 2020.

Coronavirus Relief Act Hardship Withdrawals

The CARES Act allows “qualified individuals” to treat as a coronavirus-related withdrawal up to \$100,000 in withdrawals from their eligible retirement plans on or after January 1, 2020 and before December 31, 2020. A coronavirus-related withdrawal is not subject to the 10% additional tax penalty that would otherwise typically apply to withdrawals made before an individual reaches the age of 59 ½. The coronavirus-related withdrawal can be repaid over three years (in one or multiple installments) to the retirement plan in which the participant is a beneficiary and will be treated as a rollover when received.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of net position and changes in net position present only the Plan, and are not intended to present the financial position of the Port and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as additions when due (at the end of each pay period). Payments to participants are recognized as deductions when due and payable under the provisions of the Plan.

Investment Valuation

The Plan's mutual funds are reported at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This statement requires the use of valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. Mutual funds are valued using prices quoted in active markets for identical assets (level 1 inputs). The Port of Oakland Stable Value Fund is stated at net asset value and is exempt from the fair value hierarchy.

Loans Receivable from Participants

The IRC permits and the Port allows participants in the Plan to participate in a loan program. The loans are secured by the remaining balance in the participant's account and must be repaid over a period that does not exceed five years, except that if the loan is for the purchase of a principal residence, the loan may be repaid over a period not to exceed fifteen years. The maximum amount of loans to participants is the lesser of \$50,000 or 50% of the participant's vested account balance as of the day immediately preceding the date on which the loan is approved.

Under the CARES Act, the maximum amount of loans to a "qualified individual" is increased from \$50,000 to \$100,000 for loans beginning on March 27, 2020 through September 23, 2020. During this period, loan participants can borrow up to the lesser of \$100,000 or 100% of their vested account balance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS

Plan participants may direct contributions into any of the investment options offered by Empower, which include various publicly traded mutual funds and fixed income investments. Participants are permitted to establish different investment strategies, which have varying return and volatility characteristics to meet each participant’s long-term retirement savings strategy.

Concentration Risk

The following tables present investments that represent 5% or more of the Plan’s investments at fair value at June 30, 2021 and 2020 (dollars in thousands):

	2021		2020	
	<i>Amount</i>	<i>% of Investments</i>	<i>Amount</i>	<i>% of Investments</i>
Port of Oakland Stable Value Fund*	\$ 28,222	23.2%	\$ 29,354	29.7%
Vanguard 500 Index Admiral	11,331	9.3%	8,643	8.7%
Allianz RCM Global Technology Fund A	10,067	8.3%	7,254	7.3%
Fidelity Contrafund K6	12,026	9.9%	6,490	6.6%

* Funds managed by Empower

Interest Rate Risk and Credit Risk

The following table presents information related to interest rate risk and credit risk for the Plan’s investment in the Port of Oakland Stable Value Fund at June 30, 2021 and 2020 (dollars in thousands):

Date	Average Maturity	Rating	Net Asset Value
June 30, 2021	3.2 years	Unrated	\$28,222
June 30, 2020	2.8 years	Unrated	\$29,354

The Port of Oakland Stable Value Fund credits interest on a quarterly portfolio basis. All money deposited into the Port of Oakland Stable Value Fund, regardless of when it was deposited, receives the same interest rate. A new interest rate is established each quarter. The quarterly interest rate is set by Empower according to the investment policy statement guidelines that the Committee has established for the Plan. The Port of Oakland Stable Value Fund invests primarily in securities issued by the U.S. Government or its agencies.

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

The following table presents the fair value of the Port's investment in mutual funds at June 30:

<u>Mutual Fund Investments</u>	<u>Fair Value (in thousands)</u>	
	<u>2021</u>	<u>2020</u>
Allianz RCM Global Technology Fund A	\$ 10,067	\$ 7,254
American Funds 2015 Trgt Date Retire R2ERBEJX	57	41
American Funds 2025 Trgt Date Retire R2ERBEDX	1,591	1,233
American Funds 2035 TRGT Date Retire R2ERBEFX	358	388
American Funds 2045 Trgt Date Retire R2ERBHHX	589	359
American Funds 2055 Trgt Date Retire R2ERBEMX	185	77
American Funds Europacific GR R5E	1,297	834
American Funds Growth Fund of Amer R5E	-	3,877
American Funds New Perspective R5E	1,186	931
Artisan Mid Cap Fund	2,222	1,243
Barron Small Cap	1,301	860
Calvert Balanced A	818	800
Columiz Overseas Value ADV 1COSVX	235	-
Fidelity Contra Fund K6	12,026	6,490
Fidelity Low Priced Fund	2,349	1,803
Fidelity Puritan Fund	1,978	1,779
Franklin Mutual European Z	-	119
Great West Agg Profile II Fund Inst	2,543	2,368
Great West Con Profile II Fund Inst	358	205
Great West Mod AGG Profile II Fund Inst	3,940	3,053
Great West Mod Con Profile II Fund Inst	1,110	811
Great West Mod Profile II Fund Inst	1,892	1,481
Ivy High Income A	290	168
Janus Balanced I	1,057	1,285
Janus Henderson Forty I	3,950	2,614
Janus Henderson Triton N	-	528
JP Morgan Equity Income R5	1,534	1,068
JP Morgan Mid Cap Value L	878	510
JP Morgan US Research Enhanced Equity R6	4,721	3,195
Lord Abbet Short Duration Income R4	280	9
Neuberger Berman Genesis Instl	-	1,303
Oakmark International Service	-	2,009
Parnassus Equity Income Fund	1,758	1,571
Payden GNMA	1,008	134
PIMCO Stockplus Small A	895	568
Pimco Total Return A	1,990	1,437
Pioneer Fundamental Growth Y	-	480
Principal Real Estate Securities Inst	529	122
Prudential Jennison Utility Fund Z	608	520
T. Rowe Price Global Stock	1,998	1,204

**DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND**
Notes to the Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

<u>Mutual Fund Investments</u>	<u>Fair Value (in thousands)</u>	
	<u>2021</u>	<u>2020</u>
T. Rowe Price Overseas Stock I ITROIX	\$ 2,821	\$ -
T. Rowe Price Value ADV	1,918	1,211
Undiscovered Mgrs Behavioral Value R6	284	246
Vanguard 500 Index Admiral	11,331	8,643
Vanguard Mid Cap Index Admiral	2,898	2,241
Vanguard Small Cap Index Admiral	2,228	1,351
Vanguard Total Stock Market Index Adm	1,553	-
Wasatch Ultra Growth 1WAMCX	2,075	-
Vanguard Total Stock Market Index Adm	274	1,155
Total Mutual Funds	<u>\$ 92,980</u>	<u>\$ 69,578</u>

Disclosure of the average maturity and credit risk rating for mutual funds invested in equity investments is not applicable under GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.