



**AGENDA REPORT**

**PROPOSED ACTION: Resolution:** Approve and Authorize (1) the Prepayment of the Port of Oakland’s Proportionate Share of the FY 2027 Unfunded Accrued Liability for the City of Oakland Miscellaneous Plan for which the Port of Oakland is a Participant, in Lieu of 12 Monthly Payments, if the City of Oakland Elects to Participate in the CalPERS Pre-Pay Program and (2) the Chief Financial Officer to Enter into a Letter Agreement with the City of Oakland Outlining Certain Procedures for FY 2027 as a Result of the City of Oakland Participating in the CalPERS Pre-Pay Program and Find that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Finance & Admin)**

**Submitted By:** Julie Lam, Chief Financial Officer; Kristi McKenney, Executive Director

**Parties Involved:** Bradley Johnson, Director of Finance, City of Oakland

**Amount:** \$19,420,782 (Operating Expense)

**EXECUTIVE SUMMARY:** The Port of Oakland (Port) participates in the California Public Employees’ Retirement System (CalPERS) through the City of Oakland (City) Miscellaneous Plan (Pension Plan). CalPERS offers a Pre-Pay Program which provides contracting agencies the option to contribute the required annual Unfunded Accrued Liability (UAL) Contribution Amount in a single lump sum payment at the beginning of the fiscal year, discounted at a rate of 3.344%, in lieu of making 12 monthly payments over the course of the fiscal year. For the City to participate in the CalPERS Pre-Pay Program, the Port must also pre-pay its proportionate share of the total UAL Contribution Amount due. The Port’s proportionate share represents approximately 21.30% of the total \$94,235,602 UAL Contribution Amount or \$20,070,229. This action would reduce the Port’s FY 2027 UAL Contribution obligation to \$19,420,782, resulting in net pension savings to the Port of approximately \$427,740 (taking into account foregone interest earnings). Port Staff supports the City’s participation in the CalPERS Pre-Pay Program should the City elect to participate.

**BACKGROUND & ANALYSIS**

The Port participates in CalPERS through the City’s Pension Plan. The City is the contracting agency with CalPERS and the Port makes its proportionate share of plan contributions directly to CalPERS. The total required annual pension contribution for both agencies is established by an actuarial valuation report prepared by CalPERS each fiscal year. The actuarial valuation report sets the annual employer Normal Cost Rate<sup>1</sup> and a fixed UAL Contribution Amount<sup>2</sup>. The normal cost amount is variable and based on the

<sup>1</sup> The Normal Cost Rate is the value of benefits allocated to the employee’s current year of service expressed as a percentage of pensionable payroll.

<sup>2</sup> The UAL Contribution Amount is a portion of the total UAL required to be paid over the current fiscal year. The UAL represents costs that emerge when the employer has not funded the full pension cost related to prior years of service. This most often occurs when actual plan experience differs from actuarial estimates.

total amount of actual pensionable salary paid to employees multiplied by the Normal Cost Rate. The Port pays its portion of the normal cost directly to CalPERS bi-weekly following each payroll cycle. The UAL Contribution Amount is established as a fixed dollar amount rather than a percentage of payroll and must be paid in 12 equal monthly payments during the fiscal year unless the contracting agency elects to participate in CalPERS' Pre-Pay Program. A contracting agency may participate in the Pre-Pay Program by electing to make a single lump sum payment by July 31, in an amount representing the full annual UAL Contribution Amount discounted by approximately 3.344%. The City and the Port must both agree to participate in the Pre-Pay Program. Regardless of the decision, the Port will contribute its proportionate share of the UAL Contribution Amount or the discounted lump sum amount based on the proportionate share percentage established in the most recent audited financial statements<sup>3</sup>. The Pre-Pay Program does not allow pre-payment of the normal cost portion of the annual pension contribution.

The City and the Port participate in the CalPERS Pre-Pay Program when the savings realized from the discounted lump sum payment exceed the potential cost of borrowing to fund the lump sum amount. The Port will typically pay its portion of the lump sum amount with available cash while the City will issue Tax Revenue Anticipation Notes (TRANS)<sup>4</sup> to fund their portion of the lump sum payment. The Port has no obligation nor involvement in the City TRANS.

If the City elects to participate in the CalPERS Pre-Pay Program, the City and the Port will execute a letter of agreement outlining the mechanisms for which the total lump sum payment is made and the timing of the Port's cash contribution for its proportionate share of the lump sum payment. The table below summarizes the estimated savings the Port may realize if the City elects to participate in the CalPERS Pre-Pay Program.

**Table 1: FY 2027 Estimated Port Net Savings**

<b>FY 2027</b>	<b>Total Pension Plan</b>	<b>Port Share 21.30%</b>
UAL Contribution Amount if Made Monthly	\$94,235,602	\$20,070,229
UAL Contribution Amount if Lump Sum Paid	91,186,256	19,420,782
UAL Pre-Payment Discount/Savings	3,049,346	649,447
Estimated Foregone Interest Earnings	N/A	(221,707)
<b>Net Savings from Pre-Pay Program</b>	N/A	<b>\$427,740</b>

<sup>3</sup> The Port's proportionate share percentage is calculated by averaging the most recent three years of the Port's percentage share of total actual contributions made to the Pension Plan by both the City and the Port.

<sup>4</sup> TRANS is a short-term debt instrument typically used to fund operations in advance of tax receipts.

Should the City elect to participate in the CalPERS Pre-Pay Program, the Port will contribute its proportion share with available cash. The Port would replenish this cash balance over a 12-month period because monthly pension payments related to the UAL Contribution Amount would no longer be made. The estimated foregone interest earnings due to the prepayment is estimated to be approximately \$221,707 based on the Port's current rate of interest earned at 2.40% and the timing of scheduled payments, therefore, the net savings for the Port from participating in the Pre-Pay Program is approximately \$427,740.

**OTHER FINDINGS AND PROVISIONS**

**ENVIRONMENTAL REVIEW**

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

"Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

Other/Notes:

**BUDGET**

Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

Operating

Non-Operating

Capital

Analysis: The Port's FY 2027 UAL total contribution amount is included in the FY 2027 Proposed Budget to come before the Board on June 25, 2026. Approval of the proposed action may result in approximately \$427,740 of pre-payment savings compared to the total amount assumed in the FY 2027 Proposed Budget.

**STAFFING**

No Anticipated Staffing Impact.

Anticipated Change to Budgeted Headcount.

Reason:

Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

**MARITIME AND AVIATION PROJECT  
LABOR AGREEMENT (MAPLA):**

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

Additional Notes:

**LIVING WAGE** (City Charter § 728):

Applies?

No (No Covered Agreement) – proposed action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage requirements.

Additional Notes:

**SUSTAINABLE OPPORTUNITIES:**

Applies? Yes.

**GENERAL PLAN** (City Charter § 727):

Conformity Determination:

<p><u>Reason:</u> Properly funding the employment benefits of staff sustains the Port's ability to attract and retain high quality staff, ensuring the Port's ability to maintain operations and achieve strategic goals.</p>	<p>Not Required – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>
<p><b>STRATEGIC PLAN.</b> The proposed action would help the Port achieve the following goal(s) in the Port's Strategic Plan:</p> <ul style="list-style-type: none"><li><input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base</li><li><input type="checkbox"/> Modernize and Upgrade Infrastructure</li><li><input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience</li><li><input type="checkbox"/> Maximize Land Use Value and Revenues</li><li><input type="checkbox"/> Workforce Training and Jobs Development</li><li><input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development</li></ul>	