

**DEFERRED COMPENSATION PLAN
OF PORT OF OAKLAND**

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

Years Ended June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Deferred Compensation Plan of Port of Oakland (Plan) as of and for the years ended June 30, 2024 and 2023, 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 net position of the Plan as of June 30, 2024 and 2023, and the changes in its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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

The Plan's 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, 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 the management's discussion and analysis as listed in the table of contents 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.

A handwritten signature in blue ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 17, 2025

DEFERRED COMPENSATION PLAN OF PORT OF OAKLAND

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2024 and 2023

The following discussion and analysis of the financial performance of the Deferred Compensation Plan of Port of Oakland (Plan) provides an overview of its financial activities for the years ended June 30, 2024 and 2023. 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):

	2024	2023	2022
Investments:			
Stable value fund	\$ 26,997	\$ 24,368	\$ 24,971
Mutual funds	108,102	91,561	77,268
Total investments at fair value	135,099	115,929	102,239
Loans receivable from participants	985	863	729
Restricted net position due to participants	<u>\$ 136,084</u>	<u>\$ 116,792</u>	<u>\$ 102,968</u>

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

	2024	2023	2022
Net additions/(losses) to net position	\$ 26,372	\$ 18,923	\$ (13,122)
Deductions from net position	(7,080)	(5,099)	(5,778)
Change in net position	19,292	13,824	(18,900)
Restricted net position due to participants, beginning of year	116,792	102,968	121,868
Restricted net position due to participants, end of year	<u>\$ 136,084</u>	<u>\$ 116,792</u>	<u>\$ 102,968</u>

- Net position increased \$19.3 million from \$116.8 million on June 30, 2023, to \$136.1 million on June 30, 2024. The \$19.3 million dollar increase in net position for the year ended June 30, 2024 was caused by the following components: \$5.8 million increase in deposits, \$20.6 million interest income and capital appreciation of investments, less \$7.1 million withdrawals by participants.
- Stock market gains or capital appreciation on investments in the year ended June 30, 2024 were the major cause of the \$19.3 million increase in net position. Much of the stock market gains were caused

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Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended June 30, 2024 and 2023

by factors such as strong corporate earnings, the rise of artificial intelligence, and expectations of moderating inflation and interest rate cuts.

- Net position increased \$13.8 million from \$103.0 million on June 30, 2022, to \$116.8 million on June 30, 2023. The \$13.8 million increase in net position for the year ended June 30, 2023, was caused by the following components: \$8.2 million of net appreciation in the value of investments, \$6.2 million in deposits from participants, \$4.5 million inflows of interest and dividend income, less \$5.1 million of withdrawals by participants.
- The year ended June 30, 2023 was a year of transition. After a period of the Federal Reserve raising interest rates, inflation showed some signs of slowing down in mid-2023, and investor outlook changed for the better. Lower energy prices along with improvements in the supply chain also helped with investor outlook.

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.portofoakland.com.

**DEFERRED COMPENSATION PLAN
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Statements of Net Position

June 30, 2024 and 2023

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>
ASSETS		
Investments:		
Stable value fund	\$ 26,997	\$ 24,368
Mutual funds	108,102	91,561
Total investments at fair value	<u>135,099</u>	<u>115,929</u>
Loans receivable from participants	<u>985</u>	<u>863</u>
RESTRICTED NET POSITION DUE TO PARTICIPANTS	<u><u>\$ 136,084</u></u>	<u><u>\$ 116,792</u></u>

See accompanying notes to financial statements.

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Statements of Changes in Net Position

Years Ended June 30, 2024 and 2023

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>
ADDITIONS:		
Contributions by participants	\$ 5,838	\$ 6,192
Net investment income and adjustments to fair value	<u>20,534</u>	<u>12,731</u>
Total additions to net position	26,372	18,923
DEDUCTIONS:		
Withdrawals by participants	<u>(7,080)</u>	<u>(5,099)</u>
CHANGE IN NET POSITION	19,292	13,824
RESTRICTED NET POSITION DUE TO PARTICIPANTS		
Beginning of year	<u>116,792</u>	<u>102,968</u>
End of year	<u><u>\$ 136,084</u></u>	<u><u>\$ 116,792</u></u>

See accompanying notes to financial statements.

**DEFERRED COMPENSATION PLAN
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Notes to the Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 1 – PLAN DESCRIPTION

The following description of the Deferred Compensation Plan of 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 documents in accordance with the provisions of Sections 53212-53214 of the California Government Code 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, also known as the Stable Asset 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, 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(b)(2)(A); 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
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Notes to the Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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 the Plan. Normal retirement age cannot exceed 70½. Participants may elect to contribute the lower 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 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 the Plan less the compensation deferred under the Plan for such employment period or employment periods.

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 \$7,500 in calendar year 2024 and 2023. In addition, the Age 50 and Older Catch-up Deferral election limit was \$6,500 in calendar year 2022.

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
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Notes to the Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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 72, or the calendar year in which the employee retires. 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 SECURE Act 2.0 changed the required minimum distribution age to 73 for employees who turned 73 years of age on January 1, 2023 or later and to 75 years old starting in calendar year 2033.

Required minimum distributions are no longer required from Roth accounts in employer retirement plans starting in calendar 2024.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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.

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Notes to the Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 3 – INVESTMENTS

Plan participants may direct contributions into any of the investment options offered by Empower, which include various publicly traded mutual funds. 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, 2024 and 2023 (dollars in thousands):

	2024		2023	
	<i>Amount</i>	<i>% of Investments</i>	<i>Amount</i>	<i>% of Investments</i>
Port of Oakland Stable Value Fund*	\$ 26,997	20.0%	\$ 24,368	21.0%
Vanguard 500 Index Admiral	18,145	13.4%	12,868	11.1%
Fidelity Contrafund K6	15,992	11.8%	9,416	8.1%
Virtus Zevenbergen Technology A	9,677	7.2%	8,079	7.0%
JP Morgan US Research R6	7,866	5.8%	-	-

* Funds managed by Empower

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Notes to the Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

NOTE 3 – INVESTMENTS (Continued)

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, 2024 and 2023 (dollars in thousands):

<u>Date</u>	<u>Average Maturity</u>	<u>Rating</u>	<u>Net Asset Value</u>
June 30, 2024	3.3 years	Unrated	\$26,997
June 30, 2023	2.9 years	Unrated	\$24,368

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.

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>2024</u>	<u>2023</u>
American Funds 2015 Trgt Date Retire R2ERBEJX	\$ -	\$ 43
American Funds 2015 Trgt Date Retire R6	62	-
American Funds 2025 Trgt Date Retire R2ERBEDX	-	941
American Funds 2025 Trgt Date Retire R6	1,053	-
American Funds 2035 TRGT Date Retire R2ERBEFX	-	403
American Funds 2035 Trgt Date Retire R6	531	-
American Funds 2045 Trgt Date Retire R2ERBHHX	-	317
American Funds 2045 Trgt Date Retire R6	506	-
American Funds 2055 Trgt Date Retire R2ERBEMX	-	271
American Funds 2055 Trgt Date Retire R6	294	-
American Funds 2065 Trgt Date Retire R2ERBEOX	-	1
American Funds 2065 Trgt Date Retire R6	5	-
American Funds Europacific GR R5E	-	1,114
American Funds Europacific GR R6	2,208	-
American Funds New Perspective R5E	-	809
American Funds New Perspective R6	2,846	-
Artisan Mid Cap Inv	1,649	1,726
Barron Small Cap Instl	1,218	1,228
Brown Advisory Mortgage Securities Instlbafx	578	233
Calvert Balanced A	902	754
Carillon Scout Mid Cap R6	307	4
Columbia Overseas Value Adv	89	34
Delaware Ivy High Income A	204	153

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Notes to the Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

NOTE 3 – INVESTMENTS (Continued)

Mutual Fund Investments	Fair Value (in thousands)	
	2024	2023
Empower Agg Profile Fund Inst	2,778	2,622
Empower Con Profile Fund Inst	849	396
Empower Mod Agg Profile Fund Inst	3,879	3,958
Empower Mod Con Profile Fund Inst	1,782	1,188
Empower Mod Profile Fund Inst	2,642	2,358
Fidelity Contrafund K6	15,992	9,416
Fidelity Environment & Alternative Enrgysflex	301	256
Fidelity Low-Priced Stock	3,157	2,069
Fidelity Puritan	4,116	2,231
Fullerthaler Behavioral SmallCap EQ R6	1,009	-
Janus Henderson Balanced I	-	1,391
Janus Henderson Forty I	-	3,093
JP Morgan Equity Income R5	3,088	1,202
JP Morgan Mid Cap Value L	-	1,044
JP Morgan US Research Enhanced Equity R6	7,866	5,604
Lord Abbet Short Duration Income R4	533	2,772
Parnassus Core Equity - Inv	-	1,633
PGIM Jennison Utility Z	531	895
Pimco Stocksplus Small A	-	721
Principal Real Estate Securities Inst	656	629
T. Rowe Price Global Stock	-	1,280
T. Rowe Price Overseas Stock I	3,284	2,957
T. Rowe Price Value ADV	-	1,777
Undiscovered Mgrs Behavioral Value R6	444	426
Vanguard 500 Index Admiral	18,145	12,868
Vanguard Emerging Markets Bond Admiral	755	-
Vanguard Mid Cap Index Admiral	3,451	3,373
Vanguard Small Cap Index Admiral	2,694	2,420
Vanguard Total Stock Mkt Idx Adm	3,931	3,181
Virtus Zevenbergen Technology Fund A	9,677	8,079
Wasatch Ultra Growth	1,194	1,384
Western Asset Core Plus Bond Is	2,896	2,307
Total Mutual Funds	<u>\$ 108,102</u>	<u>\$ 91,561</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*.