



Special Public Session of July 14, 2022

Santa Cruz Port Commission MINUTES

Commission Members Present:

Reed Geisreiter	Chair
Darren Gertler	Vice-chair (via Zoom)
Stephen Reed	Commissioner
Dennis Smith	Commissioner
Toby Goddard	Commissioner

SPECIAL PUBLIC BUDGET SESSION – 4:00 PM

Chair Geisreiter brought the special public session to order at 4:00 PM at the Harbor Public Meeting Room, 365 A Lake Avenue, Santa Cruz, CA (hybrid meeting format).

1. Oral Communication
2. Adoption of Pension Liability Management Policy

Discussion: Port Director MacLaurie stated that a draft Pension Liability Management Policy is being presented for review and consideration. She highlighted the following:

- The District's Unfunded Accrued Liability (UAL) is directly tied to CalPERS pension costs.
- The District's current UAL totals approximately \$8.6 million (with interest) across its three pension plans.
- The District has always made its required annual contribution (paid on a monthly basis), but has never taken a proactive approach to managing the debt or establishing desired funding levels for each plan.

Port Director MacLaurie stated that the proposed draft policy, which was reviewed by the Business-Finance Committee on May 18, 2022, will provide staff and the Commission with useful tools to actively manage and reduce the District's UAL over time.

Port Director MacLaurie stated that staff has worked with Andrew Flynn of CalMuni Advisors to prepare the draft policy. Mr. Flynn provided an overview of the District's current UAL and reviewed the pension management tools outlined in the draft policy. He highlighted the following:

- The District's total UAL for its largest pension plan (Classic Plan – 2.5% at 55) has grown by approximately \$2.1 million over the last decade. Additionally, the funding level for this plan has decreased by approximately 2% over the same period (from 71.58% funded to 69.6% funded).
- Establishing a desired funding level for each plan (90% is recommended) is a key component of managing UAL debt.

- Proactively managing the UAL will assist in decreasing the total liability and result in direct cost savings to the District over time.

The Commission reviewed the draft policy and recommended the following amendments:

- Section 1. Purpose (*no changes*)
- Section 2. Policy Goals and Objectives
 - Delete second bullet point, which states "Provide sufficient assets to permit the payment of all benefits under the Pension Plans."
 - Delete seventh bullet point, which states "Create sustainable and fiscally sound future budgets"
- Section 3. Background and Discussion
 - Add clarifying language to define that the UAL is tied to past and current employee pension costs.
- Section 4. Policy
 - Section B (1) – Replace "The District *shall* establish..." with "The District *may* establish..."
 - Add clarifying language to define that implementation of a Pension Rate Stabilizing Fund may only be initiated once the established funding level for each plan is achieved.

There was consensus among the Commission to establish the District's desired funding level for each pension plan at 90%.

A discussion ensued regarding the District's FY23 UAL payment. Port Director MacLaurie stated that the annual contribution amount for FY23 totals \$408,658, but if the District opts to utilize the annual prepayment option, the total will reduce to \$395,065 (anticipated savings of \$13,593). Chair Geisreiter expressed support for prepaying the annual contribution in the amount of \$395,065 and making an additional discretionary payment in the amount of \$13,593 by July 31, 2022.

Commissioner Goddard stated that the Port Commission has adopted several financial policies over the years (i.e., reserve policy, investment policy, etc.) and recommended that they be organized and compiled into a central and accessible source.

MOTION:

Motion made by Commissioner Goddard, seconded by Commissioner Reed to approve the recommendations of the Business-Finance Committee and adopt the Pension Liability Management Policy for CalPERS pension plans with the proposed amendments, and direct staff to make the annual FY23 UAL prepayment in the amount of \$395,065, with an additional discretionary payment in the amount of \$13,593.

- *Motion carried unanimously.*

Chair Geisreiter adjourned the special public session at approximately 5:20 pm.

Reed Geisreiter, Chair