

<p>Meeting Date:</p> <p>June 20, 2019</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 1 of 5</p>
---	---	---------------------------

Committee Members Present

David Connolly, Board Vice President and Committee Chair
David Hoppes, Commissioner
Captain Einar Nyborg, Commissioner
Knute Michael Miller, Past Board President

Staff Present

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Assistant Director
Dennis Eagan, Board Counsel
Luis Cruz, Associate Governmental Program Analyst

Public Present

Ray Paetzold, San Francisco Bar Pilot (SFBP) Business Manager-General Counsel; Mike Jacob, Pacific Merchant Shipping Association Vice President and General Counsel; Captains John Carlier and Kenneth Carlson, SFBP; Captains Asmond Gjevik, Larry Teague, Art Thomas, Nancy Wagner; San Francisco Pilot Pension Plan participants, Jean Gjevik; and Roger Burton (in person) and Scott Langham (via telephone), Precision Actuarial Inc.

OPEN MEETING

1. Call to Order and Roll Call. (Chairman Connolly)

Chairman Connolly called the meeting to order at 1:02 p.m. Associate Governmental Program Analyst Cruz called the roll and confirmed a quorum.

2. Approval of minutes from the Committee meeting held on February 21, 2017 (Chairman Connolly)

Committee members were presented with draft minutes of the meeting held on February 21, 2017. There was no discussion of the draft minutes by the Committee or the public.

MOTION: Commissioner Hoppes moved to approve the minutes from the Committee meeting held on February 21, 2017. Mr. Miller seconded the motion.

VOTE: Yes: Connolly, Hoppes, Miller, and Nyborg.

No: None.

Abstain: None.

ACTION: The minutes were approved.

3. Introduction of Precision Actuarial Inc., a firm contracted by the Board to provide an actuarial study of the San Francisco Pilot Pension Plan. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

<p>Meeting Date:</p> <p>June 20, 2019</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 2 of 5</p>
---	---	---------------------------

4. Discussion of the contract scope of work for an actuarial report of the San Francisco Pilot Pension Plan, including the purpose, assumptions, process, report content, timeline and deliverables for the report. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

Committee Chair Connolly welcomed Mr. Burton and Mr. Langham and requested that agenda items 3 and 4 be discussed concurrently.

Assistant Director Cristia-Plant introduced Mr. Burton and stated that the Board entered into a contract with Precision Actuarial Inc., effective April 2, 2019. She stated that the contractor is to provide the Board with an actuarial study of the San Francisco Pilot Pension Plan (pension plan), that provides an actuarial valuation of the plan benefits as of a certain date, using assumptions and demographic data to be determined by the Board with assistance of the contractor.

Mr. Burton stated that the actuarial report his firm will prepare should be an update to the Board’s 2009 Actuarial Report produced by EFI Actuaries. He stated that to complete the new analysis of the pension plan, the Board needs to determine a set of assumptions that will be used to make the actuarial calculations. He stated that there were 10 specific assumptions identified in the contract, and that he would like input from the Committee and Board on those assumptions.

Committee Chair Connolly noted that the scope of work for the pension plan actuarial report described in the contract was based on the 2009 study, and that the contract allows for modifications of the assumptions by the Board in the new report. Mr. Jacob expressed his thanks to the Board staff for their efforts in obtaining a contract for the new study.

Mr. Burton then led the discussion of the various proposed assumptions.

Assumption #1—Valuation date

Mr. Burton stated the valuation date is the date the liability measured. He suggested using January 1, 2019, which is 10 years from the valuation date of the 2009 study. The Committee agreed with this valuation date.

Assumption #2—Rate of return

Mr. Burton noted the current pension plan is a “pay-as-you-go” plan, lacking a trust fund. He explained that the pension plan has no rate of return, although it has a “discount rate,” defined as the time value of money. He stated that a common practice is to utilize the 20-year municipal bond rate, currently at 3.71% for the discount rate. He stated that the 2009 study used a discount rate of 4%. The Committee and members of the public discussed the funded plan rate of return used by the California Public Employees’ Retirement System (CalPERS), which is currently 7%. Mr. Burton suggested applying the 20-year municipal bond rate for the

<p>Meeting Date:</p> <p>June 20, 2019</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 3 of 5</p>
---	---	---------------------------

non-funded pension plan, and to use the CalPERS rate of return of 7.00% for an assumed funded plan.

Assumption #3—Inflation

Mr. Burton proposed using an inflation rate of 2.5%, consistent with rate used by CalPERS, but also discussed using the Consumer Price Index (CPI) data for the San Francisco Bay Area as of January 1, 2019. Commissioner Nyborg noted that the cost of living in the San Francisco Bay Area is much higher than other places in California, and would recommend that the CPI data be used.

Assumption #4—Pilot compensation increases.

Mr. Burton stated the assumption for pilot compensation is based on historical average pilot net income, and recommended the use of use an annual pilot compensation rate increase of 3.5%, consistent with the 2009 study. Commissioner Nyborg stated that recent pilot average net income rates have increased due to growth in ship tonnage, and that he does not foresee the same tonnage growth in the future. The Committee discussed modifying this assumption more in line with expected pilot compensation rates, and discussed the study using a 1% annual average pilot net income increase assumption.

Assumption #5—Retired pilot mortality

Mr. Burton stated that the 2009 report utilized a standard mortality table, and suggested using a police officer/firefighter mortality table due to the stress, physical nature, and work shifts of the pilots. He stated that using the police officer/firefighter mortality table would likely reduce the liability of the pension plan. Mr. Miller agreed with Mr. Burton’s recommendation.

Assumption #6—Active pilot mortality

Executive Director Garfinkle reported only one pilot passed away in the last ten years while actively piloting. There was a suggestion for the consultant to find a mortality table that will result in one death every 10 years.

Assumption #7—Pilot service retirement

Mr. Burton stated that he reviewed the pilot data provided by staff, and determined that pilots retired on average over the last ten years at 63.7 years old. He recommended rounding up to 64 years old as a target pilot retirement age for the report.

Assumption #8—Pilot disability retirement

Mr. Burton recommended that based upon the information provided by Board staff, he determined that there were eight disability retirements in the past ten years, and the average

<p>Meeting Date:</p> <p>June 20, 2019</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 4 of 5</p>
---	---	---------------------------

age of the disabled pilots was 55 years old. He recommended the current report use a pilot disability retirement age of 55 years.

Assumption #9—Terminations

Mr. Burton recommended the study include no pilot terminations based upon past history.

Assumption #10—Pilot spouse composition

Mr. Burton recommended the study use an assumption that 100% of the pilots are married with the average age differential of spouses three years younger, unless Board staff can provide ages of all spouses.

Assumption #11—Other assumptions important to BOPC

There was some discussion whether or not to examine both the unfunded plan and a hypothetical funded plan. In either instance, an amortization period would have to be selected. Mr. Jacob noted that the prior report used 30 years. There was also a discussion about the average expected remaining service lifetime of the active pilots. Mr. Burton recommended the report include an assumption of the average expected remaining service lifetime of active pilots as of January 1, 2019, and an amortization term of both 20 years and 30 years. These assumptions were acceptable to the Committee.

5. Discussion and decision on the assumptions to be used by Precision Actuarial Inc. in the development of an actuarial report of the San Francisco Bar Pilot Pension Plan. Possible Committee decision on the assumptions to be used by Precision Actuarial Inc. in the development of an actuarial report for the San Francisco Bar Pilot Pension Plan. (Precision Actuarial Inc.)

Mr. Burton summarized the following study assumptions arrived at in discussion with the Committee:

- Assumption #1—Valuation date
January 1, 2019.
- Assumption #2—Rate of return
Discount rate of 3.71% - 20-year tax-exempt municipal bond yield (pay-as-you-go).
Discount rate of 7.00% (funded).
- Assumption #3—Inflation
CPI for the San Francisco Bay Area as of January 1, 2019.
- Assumption #4—Pilot compensation increases.
1% annually.
- Assumption #5—Retired pilot mortality
Firefighter's mortality tables, as used in CalPERS valuations for firefighter groups.
- Assumption #6—Active pilot mortality

<p>Meeting Date:</p> <p>June 20, 2019</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 5 of 5</p>
---	---	---------------------------

Assume 0% deaths, and use an assumption that produces approximately one death every 10 years.

- Assumption #7—Pilot service retirement
Assume pilots retire at age 64.
- Assumption #8—Pilot disability retirement
Find or adjust a disability table that produces approximately 8 disability retirements over a 10-year period.
- Assumption #9—Terminations
None assumed.
- Assumption #10—Pilot spouse composition
All pilots are assumed to be married at retirement, and assume female spouses are 3 years younger.
- Assumption #11—Other assumptions important to BOPC
The average expected remaining service lifetime of the active pilots as of January 1, 2019, and an amortization period of both 20 years and 30 years.

MOTION: Mr. Miller moved to approve the assumptions as presented by Mr. Burton and discussed by the Committee. Commissioner Hoppes seconded the motion.

VOTE: Yes: Connolly, Hoppes, Miller, and Nyborg.
No: None.
Abstain: None.

ACTION: The motion was approved.

6. Public comment on matters not on the agenda.

None.

7. Schedule the next Committee meeting, proposals for items to the next Committee meeting agenda.

The next meeting is to be scheduled based upon the availability of the report.

8. Adjournment.

The meeting was adjourned at 3:50 pm by unanimous consent.

Submitted by:



Allen Garfinkle
Executive Director