# <u>San Francisco Pilot Pension Plan</u>
# (Calif. Harbors & Navigation Code Sections 1160-1168)

- **Established** by the Legislature in 1974 and amended several times since then.

- Starting in 1993, benefits have been based on a percent (46%) of the average of the highest three of the last five years of **audited annual average net income per pilot** prior to the pilot's retirement multiplied by a fraction equal to the pilot's years of service divided by 25. The target monthly pension would be 1/12 of the resulting figure. With certain exceptions, service does not include periods of time that a pilot's license is suspended.

  Audited annual average net income per pilot is computed by the certified public accounting firm that audits the San Francisco Bar Pilot Association's financial reports and, with certain minor adjustments, reflects the gross income of the pilots less their expenses of providing pilotage services, divided by the number of pilots serving during the year in question.

  Example: Pilot X retires with 24 years of service. Assume that the last five years before his/her retirement, the audited annual average net income per pilot was $250K, $275K, $300K, $325K and $350K respectively. The average of the highest three would be $325K. 0.46 x $325K x 24/25 = $143,520

  His/her monthly target pension would be $143,520 ÷ 12 = $11,960/mo.

  For a **disabled** pilot, the target pension would be based on the higher of the above calculations and one based on the "audited average annual net income per pilot" for the last year prior to the pilot's disability.

  Using the last example, if that pilot became disabled in the current year, his target income would be:

  0.46 x $350K x 24/25 = $154,560 ÷ 12 = $12,880/mo.

- The pilot's **surviving spouse** would ordinarily receive 75% of the pilot's pension so long as he/she does not remarry.

- **Eligibility** - unless disabled, minimum age is 62 (60 if the pilot has served at least 10 years)

- **CPI adjustments:** Pension benefits are reviewed every 3 years or if the CPI increase exceeds 12% since the last adjustment. Any increases are limited to a maximum of 50% of the cumulative increase in the CPI.

- **Funding mechanism**: A pension surcharge is applied to bar pilotage fees charged by pilots. The surcharge consists of a mill rate per ton sufficient to pay all target pensions and the expenses of the plan. After deduction of plan administrative expenses from the total surcharges billed, each pensioner receives in benefits an amount that is equal to a pro rata share of the remainder, based on the proportion that the individual target pension amount bears to the aggregate target pension amounts. The surcharge is adjusted quarterly for the addition of new pensioners, deletion of deceased pensioners, and adjustments in the anticipated volume of shipping in gross registered tons for the next quarter.

- Under the terms of the San Francisco Pilots Pension Plan, **actual pension payments vary from target pension payments** depending on whether anticipated tonnage—and thus pension surcharge revenue funding pension plan disbursements—is greater or less than anticipated. Actual surcharge billings and pension plan payments will be greater than expected if tonnage is greater than anticipated. In contrast, actual surcharge billings and pension plan payments will be lower than expected if tonnage is less than anticipated.

- The anticipated tonnage is computed by reference to the average of the monthly tonnage figures for a look-back period. The look-back period for any calendar quarter is the 12-month period ending three months before the current quarter for which calculations are made. For example, for target pension surcharge collections and disbursements for the first calendar quarter of 2023 (surcharge collections in January through March, 2023, and disbursed in February through April), the look-back period is October 2021 through September 2022. If tonnage is down during the current calendar quarter relative to the average tonnage during the look-back period, surcharge collections will be down, and distributions will be less than the target pensions. Also, if tonnage is higher relative to the average during the look-back period, surcharge collections will be higher, and distributions will be more than the target pensions.