

<p>Meeting Date: February 25, 2020</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 6</p>
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Committee Members Present

David Connolly, Board President and Committee Chair

Captain Robert Carr, Commissioner

David Hoppes, Commissioner

Knute Michael Miller, Past Board President (arrived at 9:44 a.m. in the middle of agenda item 3)

Staff Present

Allen Garfinkle, Executive Director

Roma Cristia-Plant, Assistant Director

Dennis Eagan, Board Counsel

Alethea Wong, Administrative Assistant II

Public Present

Captain Joe Long, San Francisco Bar Pilots (SFBP) President and Port Agent; Captain Anne McIntyre, SFBP Business Director; Ray Paetzold, SFBP General Counsel; Captain Gregory Tylawsky, SFBP; Mike Jacob, Pacific Merchant Shipping Association (PMSA) Vice President and General Counsel; Captains Nancy Wagner and Art Thomas, San Francisco Pilot Pension Plan participants; Gileen Thomas; Jean Gjevik; and Roger Burton, Precision Actuarial, Inc.

OPEN MEETING

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

Chair Connolly called the meeting to order at 9:30 a.m. He announced that Committee Member Commissioner Captain Nyborg resigned from the Committee out of an abundance of caution due to a possible conflict of interest since his father is a San Francisco Bar Pilot Pension Plan beneficiary. Chairman Connolly stated he, as Board President, appointed Commissioner Carr to the Committee to replace Commissioner Nyborg. Administrative Assistant II Wong called the roll and confirmed a quorum.

2. Approval of minutes from the Committee meeting held on June 20, 2019. (Chairman Connolly)

Committee members were presented with the draft minutes from the meeting held on June 20, 2019. There was no discussion.

MOTION: Commissioner Hoppes moved to approve the draft minutes of the meeting held on June 20, 2019. Commissioner Carr seconded the motion.

VOTE: YES: Connolly, Carr, and Hoppes.

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

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3. Discussion of the *Pension Valuation Report Measured as of January 1, 2019*, prepared by Precision Actuarial Inc., dated February 5, 2020. (Precision Actuarial Inc.)

Committee members were presented with the *Pension Valuation Report Measured as of January 1, 2019* (Pension Valuation Report), dated February 5, 2020. Assistant Director Cristia-Plant introduced Mr. Burton of Precision Actuarial, Inc (Precision Actuarial) who discussed the report with the Committee.

Chair Connolly provided a summary of events that led up to the current actuarial report. He stated that about four years ago, the Board received a request from an industry stakeholder to update a previous actuarial report and that the Board explored various options to engage an actuarial firm. Following a competitive bid process, the Board entered into a contract with Precision Actuarial. He stated the Committee then met in June of 2019, reviewed the assumptions used in a previous actuarial report with Mr. Burton, and discussed the assumptions to recommend to the Board to use in the preparation of the new actuarial report to be prepared by Precision Actuarial. Chair Connolly stated Board staff provided the detailed data requested by the actuarial firm that resulted in the current actuarial valuation of the San Francisco Pilot Pension Plan being reviewed by the Committee at today's meeting.

Mr. Burton then gave a presentation on the Pension Valuation Report to the Committee and discussed the following:

- The Executive Summary discussed the purpose of the report, listed the valuation dates, identified the changes made in this report as compared to the previous valuation report and included an actuarial certification.
- The accounting information section of the report included calculations for the actuarially determined contribution, pension cash-flow projections, projection of actuarially determined contributions, and projection of plan assets.
- A section that discussed the basis for the valuation.
- An appendix containing decrement (mortality) information used in the valuation.

Mr. Burton concluded that the Pension Valuation Report reflected a net pension liability of \$270,433,019, and the actuarial determined contribution was \$16,298,345.

Assistant Director Cristia-Plant noted the Pension Valuation Report did not use birth date information for spouses because this information was not available for some of the plan participants, and that the report assumed that all pilots are married, and that a spouse was three years younger than the pilot.

SFBP President Captain Long noted that the Pension Surcharge revenues are a function of the tonnage of the ships that the pilots work on, and that if the tonnage rates are going down, it would impact the revenues to pension recipients due to the rolling look back methodology used in calculating the Pension Surcharge rate. Commissioner Hoppes noted that the Pension Valuation Report results assumed that the tonnage remains constant into the future. Commissioner Hoppes added that if money can be placed into a trust fund to front load the

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pension plan, the plan will earn interest earnings, which it does not now under a pay-as-you-go plan.

Mr. Burton responded to a query by Mrs. Gjevik, and stated that pension plan actuarial studies are typically prepared every two years, and also completed when there are changes to a plan. He added that some corporations do an actuarial evaluation every year, others every three years.

Captain Thomas thanked Mr. Burton for the work done on the report. He stated that the current pension plan has been in effect since 1975, and has worked well. He added that this pension plan is simple to administer and to monitor, and that there are minimal fees for administration. Mrs. Gjevik added that a funded plan is difficult to run and is expensive. Captain Wagner noted that there are other pension plans amongst the various pilot organizations, but the San Francisco Bar Pilot Pension Plan was a good one.

Committee Chair Connolly announced that the Committee will accept the report and no further action is necessary.

Mr. Burton agreed to amend the *Valuation Report* with the minor, non-substantive technical edits discussed during the meeting, and promised to resubmit the final report to Board staff within a day or two.

4. Review and consideration of a cost of living calculation and potential percentage increase to the target monthly pension amount received by retired pilots and other recipients of pension benefits from the San Francisco Pilot Pension Plan pursuant to Harbors and Navigation Code Section 1167 to be effective April 1, 2020. Possible Committee recommendation to the Board on a percentage increase to the target monthly pension benefits received by retired pilots and other recipients of pension benefits from the San Francisco Pilot Pension Plan pursuant to Harbors and Navigation Code Section 1167 to be effective April 1, 2020. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

Assistant Director Cristia-Plant presented a staff report on the San Francisco Bar Pilot Pension Plan (Pension Plan) that included historical plan information, historical Consumer Price Index (CPI) information, and two different methods to calculate the change in CPI. She stated that she once again consulted with the Department of Finance’s Chief Economist on an appropriate methodology to calculate CPI, and noted that the Chief Economist again recommended that any calculation be based upon annual CPI instead of a December-to-December “point-to-point” calculation since a December-to-December index reflects a more volatile measure of CPI than a percent change calculation based on the annual average index. She stated that historically the Board has used December-to-December CIP data to calculate the percent change in CPI.

Commissioner Carr inquired why the Board may resist accepting the Department of Finance Chief Economist’s suggestion of using the annual average CPI data, especially since this

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methodology produced a higher CPI increase. Executive Director Garfinkle responded that the Board has consistently used the “point-to-point” method of calculating the change in CPI, and that he thought this was done since annual CPI data was not typically available until later in the year, and that prior CPI calculations were always done at the Board in early spring. He added that Board staff had included a CPI calculation based upon both the annual average CPI and the December-to-December CIP calculation for transparency and education purposes. He noted that there are differences in the increase in CPI over a period of time using the two different methodologies, and that these differences are not always consistent.

Committee Chair Connolly commented that he understood the Chief Economist’s recommendation to use annual CPI to calculate cost of living increases for pension beneficiaries, but he was concerned about deviating from past practices. Mr. Jacob stated that he has concerns about the process and notified the Committee that he will submit a follow up letter to the Board with his concerns.

MOTION: Mr. Miller moved that the Committee recommend to the Board to increase the target monthly pension benefits received by retired pilots and other recipients of pension benefits from the San Francisco Pilot Pension Plan pursuant to Harbors and Navigation Code Section 1167 by the maximum amount allowed of 5.107% utilizing the December-to-December methodology, with an effective date of April 1, 2020. Commissioner Hoppes seconded the motion.

VOTE: YES: Connolly, Carr, Hoppes, and Miller.
NO: None.
ABSTAIN: None.

ACTION: The motion was approved.

5. Report regarding the accounting system used by the Primary Fiduciary to calculate the Pilot Pension Plan Surcharge revenues and the timing of monthly payments paid to San Francisco Pilot Pension Plan beneficiaries pursuant to Harbors and Navigation Code §1166. (Primary Fiduciary Garfinkle)

Executive Director Garfinkle, who is the Primary Fiduciary of the San Francisco Bar Pilot Pension Plan, reported to the Committee that pension payments are made to beneficiaries based upon the total Pension Surcharge billings one month being distributed to pensioners and to pay plan costs the following month, and that due to accounting issues at the SFBP, billing data is submitted to the Board near the time that payments are scheduled to be made to pensioners, leaving little time for the Board’s pension accounting contractor to calculate the allocations and for him to review and approve the data before the scheduled payments are due, which are around the 10th of every month. He explained that the SFBP’s Controller does not timely receive billing data, which then delays her monthly Pension Surcharge billing reports to the Board.

He stated that there have been instances in which the Board’s pension plan accounting contractor, Mah & Associates, had less than 24 hours to prepare the monthly pension

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allocation report for his review and approval. He stated that although Mah & Associates staff have been responsive to past report preparation time constraints, he expressed a concern that the short time to prepare the monthly allocation reports could increase the possibility for errors.

He noted that the SFBP's Controller stated that she has quicker access to the monthly cash amount of the Pilot Pension Plan Surcharges shortly after the end of each month, and that he was not aware why the Board chose to pay pension beneficiaries on the monthly Pension Surcharge amount billed rather than on the amount of actual surcharge cash received. He stated that the SFBP is carrying the costs for pensioners for any uncollected billed amounts when plan payments are based upon billed amounts.

He stated that he was hoping to get feedback from the Committee on the following options to potentially solve the pension allocation report timing issue:

- The San Francisco Bar Pilot Pension plan could use cash collected as opposed to billed amounts when allocating pension plan payments to beneficiaries. According to statute, he as the Board's designated plan Primary Fiduciary, has the authority to choose the accounting method for pension payments. If a change is made such that the monthly pension allocations are based upon cash instead of billings, he cannot calculate the fiscal impact to pensioners.
- Continue making pension plan allocations based upon the Pension Surcharge monthly billed amounts, but delay the payment to beneficiaries until later in the month to allow the SFBP sufficient time to calculate the total monthly Pension Surcharge amount billed, and allow the BOPC's pension plan accounting contractor sufficient time to prepare monthly allocation reports for his review and approval. He noted that a delay in the plan payments of a few days to a week should provide sufficient time for the plan accounting contractor to prepare a monthly pension allocation report and enough time for his review. Again, he stated that he, as the Primary Fiduciary, has the authority to make this change.

Committee Chair Connolly stated that in his opinion, the pensions plan payments should be based on real money.

Commissioner Carr inquired if it would be easier if the pension payments can wait approximately 40 days, so that all Pension Surcharge billings can be collected before the funds are used to make payments to pension recipients. Executive Director Garfinkle stated that adding one or two days to up to a week delay should be sufficient to ease the time constraints discussed.

There was no other discussion of this agenda item, and Executive Director Garfinkle thanked the Committee for their comments.

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6. Report regarding the development of a process by the San Francisco Pilot Pension Plan Primary Fiduciary to annually contact plan beneficiaries to determine eligibility, and to confirm contact information. (Primary Fiduciary Garfinkle)

Executive Director Garfinkle reported the Board does not always have current contact information for beneficiaries, especially those that move to assisted care facilities. He also reported that he has experienced delays in being notified of a death of a pensioner, and commented that he has to provide his own personal pension plan administrator with an annual certification of his contact information and verification that he is receiving the benefits.

He informed the Committee that Board staff intended to initiate a periodic process to contact pensioners to confirm their contact information and pension eligibility. There was consensus from the Committee members in support of initiating a periodic pensioner verification process.

7. Public comment on matters not on the agenda.

Commissioner Carr announced that Commissioner Nyborg wanted to apologize for stepping down from the Committee, and that Commissioner Nyborg acknowledged the important work the Committee does. There were no further comments from the public.

8. Schedule the next Committee meeting, and proposals for items on the next meeting agenda.

There were no recommendations for the next meeting agenda.

9. Adjournment.

Chairman Connolly adjourned the meeting at 11:13 a.m.

Submitted by:



Allen Garfinkle
Executive Director