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See Distribution

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Dear All,

PILOTS NATIONAL PENSION FUND - DEFICIT

Many of you will be aware that the Pilots National Pension Fund (PNPF) has a deficit and in the last few weeks, the Trustees of the fund have provided a liability valuation to nearly every port and harbour in the UK that is a Competent Harbour Authority (CHA). This is to recover a pension fund deficit of £198,601,000.

THCs contribution to this deficit has been calculated as 0.2604% which converts to £517,000 if paid by 1st January 2013 or £631,920 if paid over 10 years starting on 1st January 2013.

The background to this grossly unfair imposition is that in 1987, the Pilotage Act disestablished Trinity House as the pilotage authority and passed this responsibility to the newly created CHAs of which Teignmouth is one. The pilots were given a choice of either being employed by a CHA or becoming self employed whilst still remaining members of the PNPF. Many, as in Teignmouth, chose the latter option.

At the time CHA's were asked to sign a deed of accession of which the only requirement was to ensure that self employed pilots paid their pension contributions which, THC has discharged.

Although the fund was in surplus at the time of the handover to the CHAs, the trustees have since presided over a badly performing fund which now finds itself in considerable deficit with little prospect of making good the shortfall without changing the fund rules. This issue eventually reached the High Court and Mr Justice Warren determined that the deed of accession brought CHAs within the scheme and that the trustees could amend the rules to

require CHAs to contribute to the deficit whether they engaged employed or self employed pilots.

Appeals to this judgement were mounted but were not followed through.

This is the position in which THC now find itself along with nearly all CHAs across the industry.

THC is therefore responsible for discharging 0.2604% of the total deficit (£198,601,000). There are many other ports having to contribute substantially more than THC.

The reason for this personal letter to you will probably by now have become apparent. THC is unable to pay this sum of money from its own resources and in order to meet this commitment it will have to make a charge in addition to the current Pilotage and the Boarding and Landing Charges. This additional charge will be called the PNPf Deficit Surcharge and will be arrived at using the following calculation:

Total Deficit for THC £631,000 to be paid back over 10 years

Total Deficit per year £63,000

This sum to be divided by the expected annual Summer Dead Weight Tonnage (sdwt) for the Port (currently 504,000) to achieve a rate per sdwt of £0.125p.

It is expected that this surcharge will be applied from the 1st of January 2013 but is subject to final negotiations with the trustees. The surcharge will be reviewed regularly and will be dependent on the throughput of trade which has been initially calculated on a base line of 504,000 sdwt together with any adjustment made by the trustees on the size of the deficit which is likely to increase. The entire surcharge recovered by THC will be solely to meet the fund deficit.

This is unpleasant news for THC and for all our harbour users and customers. It is hoped that you will appreciate that all the facts have been placed before you and that you can see how we intend to manage our way through this deficit which is not of our making. Naturally if the tonnage increases through Teignmouth then the surcharge will be reduced. This will be kept under continuous review in order to discharge the deficit at the correct rate.

I will keep you fully informed when a clearer position emerges over the coming weeks.

Yours sincerely,



Commander D. M. Vaughan OBE Royal Navy
Chief Executive Officer and Harbour Master
Teignmouth Harbour Commission