

## Assessments Bulletin 2009-2010

**To:** Longshore Payroll Services Users, Vessel Operators, Agents for Vessel Operators, Contracting Stevedores, Terminal Operators, and other Parties who, through contracts or other arrangements, have assumed obligations required by Collective Bargaining Agreements which include participation in Benefit Plans administered by PMA.

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Given the recent dramatic declines in volumes and man-hours and the future uncertainty over economic conditions, we anticipate that assessment rates for the 2009/2010 fiscal year will be approved by the Board of Directors in June instead of March. Any change in the man-hour assessment will be effective for the payroll week beginning 8:00 a.m. July 4, 2009. Tonnage assessment changes will be effective for cargo reported on vessels sailing after 12:01 a.m. July 1, 2009.

Without any projected declines in cargo volumes, man-hour and TEU rates would increase by 20% to cover rising pension, medical and other benefits costs of \$200 million. Rising pension costs account for 70% of the increase in benefits costs or \$139 million – bringing total pension contributions to \$390 million. The large pension increase is not driven by plan changes negotiated in the 2008 and 2002 contracts but is primarily due to deferred actuarial costs of benefit increases from the 80's and 90's (\$97 million) and recent losses in the financial markets (\$42 million). Health costs are increasing by \$50 million to \$548 million. The majority of the increase can be attributed to actuarially determined medical trends offset by savings measures achieved in 2008 Contract Negotiations.

The projected 15% decline in assessable TEUs for FY 09 vs. FY 08 and a similar decline in man-hours would cause the rates to increase by an additional 45% -- for a total increase to \$35.73 per man-hour from \$21.52 (66% total increase) and to \$37.78 per TEU from \$22.38 (69% total increase).

The Board recognizes that increases of this magnitude would have a negative impact on the competitiveness of the West Coast operations and could create additional issues for their future viability. To this end, the Board is looking at several options to mitigate these increases. However, even with these options, unless there is a dramatic recovery in volume, which is not currently anticipated, we expect assessment rates will approach or exceed +/- \$30 per man-hour and in excess of that for the TEU rate. If volumes further deteriorate beyond current projections, then these rates could further increase.