

Assessments Bulletin 2010/2011, January Update

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.

Even as the West Coast ports anticipate modest improvements in cargo volumes during fiscal year 2010/2011, TEU and man-hour rates are projected to increase 12% to 15% in July 2010 – increases attributed to rising longshore benefit costs. The total rate assessments are projected to increase to \$33.16 per TEU from \$29.58 (a 12% increase) and to \$33.11 per man-hour from \$28.78 (a 15% increase). These projections may vary if current cargo trends change.

Total benefit costs are estimated to increase \$100 million in the next fiscal year to \$1.1 billion for the 14,100 West Coast dockworkers and 8,500 retirees and survivors. Just over half of the \$100 million increase in benefit costs is due to Pension, which continues to increase primarily to cover deferred actuarial costs of benefit increases from the 1980s and 1990s. The balance of benefit cost increase stems from escalating health care costs, which are rising at trend rates in excess of inflation despite savings measures achieved in 2008 Contract Negotiations. Last May, we finalized the dependent verification audit that reduced the total group covered by close to 10 percent. PMA is also working with the Union to reduce health care costs by improving how participants utilize care and by increased scrutiny of potential fraud and abuse. In addition, we have initiated an education campaign to improve generic drug utilization, which will help reduce unnecessary utilization of expensive brand drugs.

While improvements were obtained in negotiations and post-contract implementation, and we continue to work with the Union to reduce costs, the overall direction of these fixed pension and health care obligations was agreed to in July 2008 and will remain in effect until a new agreement is negotiated in 2014. Moreover, we see no future cost savings under the current Health Care Reform bills in Washington.

In addition to working to reduce benefits costs, PMA is working with members to efficiently manage their contracted labor costs in this economic environment, and has engaged in a series of measures to reduce PMA's administration costs.

While we will continue to monitor cargo volumes trends after last year's dramatic decline, we anticipate that new assessment rates for the 2010/2011 fiscal year beginning July 2010 will be approved by the Board of Directors in March 2010. Any change in the man-hour assessment will be effective for the payroll week beginning 8:00 a.m. July 3, 2010. Tonnage assessment changes will be effective for cargo reported on vessels sailing after 12:01 a.m. July 1, 2010.