

Assessments Bulletin 2013/2014, December 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.

With the current economic uncertainty and volatile ILWU health care costs, we anticipate that assessment rates for the 2013/2014 fiscal year ("Fiscal Year 2014") will be approved by the Board of Directors in May 2013 or earlier if possible. Any change in the man-hour assessment will be effective for the payroll week beginning 8:00 a.m. June 29, 2013. Tonnage assessment changes will be effective for cargo reported on vessels sailing after 12:01 a.m. July 1, 2013.

Since 2010, ILWU benefit funding costs have increased on average 7% per year while assessment rates increases have averaged 2% a year. This imbalance in benefit costs rising at a rate of more than three times the increase in assessment revenue was overcome by delaying pension contributions and tightening the administration of PMA's reserves. While volume increases would have mitigated this imbalance, volume since 2010 has risen on average only 3% per year.

For Fiscal Year 2014, ILWU benefit costs are projected to increase 13%, with the increase being driven almost equally by ILWU health and pension costs negotiated in 2008. Moreover, it appears thus far that the trend for the current year will be little, if any, cargo growth despite budgeted 3% growth. In order to balance revenues with benefit costs for Fiscal Year 2014 and avoid extending credit to cover benefit costs, rate increases for Fiscal Year 2014 could be as high as 24% on man-hours and 17% on TEUs. These projections will vary with any significant change in conditions.

The PMA recognizes that increases of this magnitude could negatively impact the competitiveness of the West Coast operations. To this end, the PMA will continue to look for ways to mitigate these increases. However, without improvements in cargo volumes or reductions in health costs, we do not expect that these assessment rate projections will change dramatically.