ILWU-PMA BENEFIT PLANS / International Longshore & Warehouse Union — Pacific Maritime Association
www.benefitplans.org
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ILWU-PMA Pension Plan
ILWU-PMA Welfare Plan
ILWU-PMA Watchmen Pension Plan
ILWU-PMA Supplemental Welfare Benefit Plan

August 21, 2012

TO: ILWU Watchmen Locals 26 and 75

FROM: Kevin Wolfe, Interim Executive Director

SUBJECT: Financial Statements, Year Ended June 30, 2011

Enclosed are the Financial Statements for the year ended June 30, 2011 for the ILWU-PMA Welfare Plan and ILWU-PMA Watchmen Plan.

The Plans' auditors, PricewaterhouseCoopers LLP, have issued unqualified opinions with respect to all of the plans administered by ILWU-PMA Benefit Plans.

An Annual Report Form 5500, which includes the same financial and related information as the financial statement, is filed with the Internal Revenue Service for each Plan.

Enclosures

KW:cy/opeiu29aflcio/mtp – financial statements – Watchmen - 082112

ILWU-PMA Welfare Plan

Financial Statements and Supplemental Schedule
June 30, 2011 and 2010

ILWU-PMA Welfare Plan
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* Note: Other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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Report of Independent Auditors

To the Participants and Board of Trustees of the
ILWU-PMA Welfare Plan

In our opinion, the accompanying statements of net assets available for benefits and of benefit obligations and the related statements of changes in net assets available for benefits and of changes in benefit obligations present fairly, in all material respects, the financial status of the ILWU-PMA Welfare Plan (the "Plan") at June 30, 2011 and 2010, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
April 24, 2012

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
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ILWU-PMA Welfare Plan
Statements of Net Assets Available for Benefits
June 30, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value		
Interest-bearing cash	$ 16,838,912	$ 12,242,147
Registered investment companies (money market mutual funds)	811,514	1,730,671
Total investments	17,650,426	13,972,818
Contributions receivable		
Employers	110,910,000	126,410,000
Employees	185,080	4,876
Total contributions receivable	111,095,080	126,414,876
Medicare Part D subsidy receivable and other assets	14,851,854	7,281,777
Total assets	143,597,360	147,669,471
Liabilities		
Accounts payable	1,179,848	717,123
Net assets available for benefits	$ 142,417,512	$ 146,952,348

The accompanying notes are an integral part of these financial statements.

ILWU-PMA Welfare Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended June 30, 2011 and 2010

	2011	2010
Additions		
Interest income from investments	$ 120,345	$ 116,422
Contributions		
Employers	546,214,412	571,239,503
Employees	11,580,832	10,407,065
COBRA/self-pay contributions	118,369	99,830
Total contributions	557,913,613	581,746,398
Medicare and other government subsidies	7,532,948	4,048,291
Total additions	565,566,906	585,911,111
Deductions		
Benefits paid	562,527,739	560,541,072
Administrative expenses	7,574,003	7,166,547
Total deductions	570,101,742	567,707,619
Net increase in net assets available for benefits	(4,534,836)	18,203,492
Net assets available for benefits		
Beginning of year	146,952,348	128,748,856
End of year	$ 142,417,512	$ 146,952,348

The accompanying notes are an integral part of these financial statements.

ILWU-PMA Welfare Plan
Statements of Benefit Obligations
June 30, 2011 and 2010

	2011	2010
Claims payable and claims incurred but not reported	$ 79,017,657	$ 54,329,026
Postretirement benefit obligations		
Current retirees	1,735,243,286	1,659,675,936
Other participants fully eligible for benefits	761,251,767	745,824,851
Other participants not yet fully eligible for benefits	1,673,890,180	1,716,828,354
	4,170,385,233	4,122,329,141
Total benefit obligations	$ 4,249,402,890	$ 4,176,658,167

The accompanying notes are an integral part of these financial statements.

ILWU-PMA Welfare Plan
Statements of Changes in Benefit Obligations
Years Ended June 30, 2011 and 2010

	2011	2010
Amounts currently payable		
Balance at beginning of year	$ 54,329,026	$ 49,268,518
Claims reported and approved for payment	587,216,370	565,601,580
Claims paid	(562,527,739)	(560,541,072)
Balance at end of year	79,017,657	54,329,026
Postretirement benefit obligations		
Balance at beginning of year	4,122,329,141	3,114,153,968
Increase (decrease) during the year attributed to		
Benefits earned and other changes	222,938,150	327,889,419
Changes in actuarial assumptions	(174,882,058)	680,285,754
Balance at end of year	4,170,385,233	4,122,329,141
Total benefit obligations at end of year	$ 4,249,402,890	$ 4,176,658,167

The accompanying notes are an integral part of these financial statements.

1. Description of the Plan

The following description of the ILWU-PMA Welfare Plan (the "Plan") provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

General
The Plan provides comprehensive health care and related benefits to qualified active and retired participants and their qualified dependents, as defined in the Plan agreement. The parties to the Plan are the International Longshore and Warehouse Union ("ILWU") and the Pacific Maritime Association ("PMA").

Eligibility
Commencing on July 1 of each year, registered employees who have worked or been credited with a minimum of 800 hours during the preceding payroll year, or 400 hours in the last half of the preceding payroll year, are eligible for benefits until the following June 30. The Plan provides that registered employees not then eligible may become eligible on each January 1 until the next June 30 if a minimum of 400 hours are worked or have been credited to the employee during the first half of the preceding payroll year. Special eligibility rules for newly registered employees are set forth in the Summary Plan Description of the Plan. The Plan provides new registrants and their dependents with welfare benefits on the first of the month following registration (with no requirement for 400 hours of work for initial eligibility for coverage). Prior to July 1, 2008, the new registrants and their dependents were covered by available welfare programs for the first 18 months of registration. Effective July 1, 2008 the new registrants and their dependents are covered by available welfare programs for the first 24 months of registration. Thereafter, they will be subject to the normal eligibility requirements for continuation of the coverage of the Plan benefits. Most pensioners and survivor pensioners under the ILWU-PMA Pension Plan and the ILWU-PMA Watchmen Pension Plan have eligibility in the Plan.

Contributions to the Plan
The Plan is funded by contributions from employers, registered employees, and the ILWU. Employers contribute necessary amounts, in addition to employee and ILWU contributions, as required to adequately fund the Plan. Each registered employee contributed 1.53% of wages during the periods presented. If an employee is required to contribute to the California State Disability Insurance Program, the employee's contribution to the Plan is reduced by the amount of the employee's payment to that program. The ILWU contributes its share of the cost of the Widows' Independent Living Subsidy Program (Note 4).

Administration
The Plan is administered by the Trustees of the Plan. The Board of Trustees is comprised of an equal number of union-appointed trustees and employer-appointed trustees.

Administration Expenses
Administrative services of the Plan are provided by the ILWU-PMA Benefit Plans office and are paid for by the Plan.

Plan Termination
The Plan is concurrent with the Pacific Coast Longshore and Clerks and Walking Bosses Agreements dated 2008-2014. In the event the Plan is terminated, the remaining assets of the Plan shall be used for the payment of benefits until the assets are exhausted.

Subsequent Events
The Plan trustees have evaluated subsequent events through April 24, 2012, which is the date the financial statements were available to be issued.

2. Summary of Accounting Policies

The following are the significant accounting policies followed by the Plan:

Basis of Accounting
The Plan's financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation. Such reclassifications in the statements of benefit obligations had no impact on the changes in net assets available for benefits or total net assets available for benefits.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, incurred but not reported claims ("IBNR"), eligibility credits, claims payable and disclosure of contingent assets and liabilities. While Plan management uses its best estimates and judgments, actual results could differ from these estimates.

Investment Valuation and Income Recognition
Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 13 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date.

Postretirement Benefits
The postretirement benefit obligations (see Note 7) represent the total actuarial present value of those estimated future benefits that are attributed to employee service rendered through June 30, 2011 and 2010. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired employees and their beneficiaries and dependents, (2) active or terminated participants who are fully eligible to receive benefits, and (3) active participants not yet fully eligible to receive benefits.

The actuarial present value of the expected postretirement benefit obligations is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes a 7.1% and 6.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for June 30, 2011 and 2010, respectively. The rate of change for future years for June 30, 2011 was assumed to decrease gradually to 4.8% by fiscal year 2081 and to remain at that level thereafter. The rate of change for future years for June 30, 2010 was assumed to decrease gradually to 4.7% by fiscal year 2083 and to remain at that level thereafter.

The following were other significant assumptions used in the valuation as of June 30, 2011 and 2010:

Weighted -average discount rate	5.75% as of June 30, 2011 and 5.5% as of June 30, 2010	
Mortality	Healthy:	RP 2000 Combined Healthy Blue Collar Mortality
	Disabled:	Health Mortality set forward five years
Withdrawal	None	

	Retirement Rate	
Ages	Under 35 Years of Service	Over 35 Years of Service
60	5.0%	12.0%
61	10.0%	20.0%
62	20.0%	30.0%
63	15.0%	20.0%
64	15.0%	15.0%
65	15.0%	20.0%
66	12.5%	20.0%
67	12.5%	20.0%
68	15.0%	20.0%
69	15.0%	20.0%
70-74	30.0%	30.0%
75+	100.0%	100.0%

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligations.

Other Plan Benefits

Plan obligations at June 30, 2011 and 2010 for health claims incurred by participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at June 30, 2011 and 2010 are estimated by the plan's actuary in accordance with accepted actuarial principles. Such estimated amounts are reported in the accompanying statement of the plan's benefit obligations at present value, based on 5.75% and 5.5% discounts rates as of June 30, 2011 and 2010, respectively. Health claims incurred by retired participants but not reported at year end are included in the postretirement benefit obligation.

3. Investments

The following table presents the Plan's short-term investments. Investments that represent five percent or more of the Plan's net assets at the end of the Plan year are separately identified:

	2011	2010
Interest-bearing cash account - Union Bank	$ 15,852,686	$ 12,178,135
All other investments	1,797,740	1,794,683
Total investments	$ 17,650,426	$ 13,972,818

4. Widows' Independent Living Subsidy Program

Effective July 1, 1978, an agreement between the ILWU and PMA was implemented which provides, as part of the Plan, cash subsidy benefits and Medicare supplement benefits under the Widows' Independent Living Subsidy Program ("WILSP"). Benefits are available to certain widows of pensioners under the ILWU-PMA Pension Plan who died prior to July 1, 1964 and, effective during 1982, certain widows of active employees who died prior to July 1, 1975 and satisfied other requirements. Effective September 1, 2007, benefits are also available to certain widows of active employees who died prior to July 1, 1999.

This program is funded by contributions from the ILWU which are matched by the Plan. At June 30, 2011 and 2010, $1,267,014 and $1,572,774, respectively, of the Plan's net assets were restricted for the purpose of providing benefits under this program.

5. Medicare and Other Government Subsidies

The Plan recognized as other income the following subsidies from government programs:

	2011	2010
Medicare Part D - retiree drug subsidy	$ 5,666,778	$ 4,048,291
Early Retiree Reinsurance Program - reimbursement to reduce health benefit costs	1,866,169	-
Total subsidies	$ 7,532,947	$ 4,048,291

6. Benefits Paid

Benefits paid to or for participants for the Plan years ended June 30, 2011 and 2010 are detailed in the following schedule. Benefits paid to or for participants are separated between WILSP (Note 4) benefit payments and all other Plan benefit payments.

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010		
	Welfare	WILSP	Total	Welfare	WILSP	Total
Hospital, medical and surgical - self-funded	$ 311,307,904	$ 835	$ 311,308,739	$ 309,263,484	$ 991	$ 309,264,475
Hospital, medical, surgical, vision and prescription drugs - HMO-administered plans	90,931,259	2,872	90,934,131	94,205,722	6,599	94,212,321
Prescription drug program	77,626,149	-	77,626,149	69,957,728	394	69,958,122
Dental services						
Adult program	31,521,805	1,086	31,522,891	31,470,316	1,251	31,471,567
Children's program	11,427,866	-	11,427,866	11,014,347	-	11,014,347
Medicare premium	11,334,224	578	11,334,802	11,183,497	1,253	11,184,750
Weekly indemnity	2,304,427	-	2,304,427	4,416,641	-	4,416,641
Chiropractic	6,578,557	-	6,578,557	7,197,510	-	7,197,510
Life insurance, accidental death and dismemberment	4,129,328	-	4,129,328	5,203,433	-	5,203,433
Non-industrial disability			-			-
supplement	3,575,409	-	3,575,409	5,015,654	-	5,015,654
Alcoholism/Drug recovery program	4,408,617	-	4,408,617	4,329,763	-	4,329,763
Vision care	4,562,748	384	4,563,132	3,931,998	354	3,932,352
Hearing aids	1,586,404	-	1,586,404	2,030,117	-	2,030,117
Social security supplement	888,089	-	888,089	950,148	-	950,148
WILSP subsidy payments	-	280,576	280,576	-	286,806	286,806
Subsequent Prosthetic Device	57,670	-	57,670	72,462	-	72,462
Diabetic durable equipment	952	-	952	604	-	604
	$ 562,241,408	$ 286,331	$ 562,527,739	$ 560,243,424	$ 297,648	$ 560,541,072

For the years ended June 30, 2011 and June 30, 2010, benefits payments above are shown net of refunds and rebates from providers in the amount of $7,595,976 and $3,572,020, respectively.

7. Administrative Expenses

Administrative expenses for the Plan years ended June 30, 2011 and 2010 are detailed in the following schedule. Administrative expenses are separated between WILSP administrative expenses and all other Plan administrative expenses.

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010		
	Welfare	WILSP	Total	Welfare	WILSP	Total
Salaries and payroll taxes	$ 2,023,683	$ 7,399	$ 2,031,082	$ 2,123,720	$ 7,765	$ 2,131,485
Employee welfare and pension costs	1,264,504	4,623	1,269,127	1,342,102	4,907	1,347,009
Alcoholism and drug recovery program administrative expenses	1,033,203	-	1,033,203	1,017,557	-	1,017,557
Bank charges	258,860	2,796	261,656	-	-	-
Audit fees	212,536	777	213,313	386,256	810	387,066
Office rent and maintenance	251,645	918	252,563	250,390	918	251,308
Legal fees	1,260,233	485	1,260,718	795,757	438	796,195
Actuarial and consulting fees	703,681	306	703,987	698,212	35	698,247
Accounting and data processing	126,278	5,740	132,018	126,278	5,740	132,018
Office expense and postage	127,651	403	128,054	150,806	545	151,351
Equipment and maintenance	72,826	216	73,042	71,479	253	71,732
Fiduciary, liability and bond insurance	100,306	95	100,401	93,880	94	93,974
Plan brochures	19,851	-	19,851	16,957	-	16,957
Telephone	20,889	76	20,965	19,226	70	19,296
Miscellaneous	73,751	272	74,023	52,204	148	52,352
	$ 7,549,897	$ 24,106	$ 7,574,003	$ 7,144,824	$ 21,723	$ 7,166,547

8. Postretirement Benefit Obligations

The Plan's deficiency of net assets over benefit obligations at June 30, 2011 and 2010, relates primarily to the postretirement benefit obligations, the funding of which is not fully covered by the contribution rate. It is expected that the Plan will be funded through future employer and employee contributions.

The weighted-average health care cost-trend rate assumption (see Note 2) has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point in each year, the obligations as of June 30, 2011 and 2010 would increase by $980,987,262 and $987,780,912, respectively.

The Plan evaluated the impact of the Patient Protection and Affordable Care Act of 2010 (Health Care Reform) with respect to the provision in the Act for an excise tax on high cost employer-sponsored health coverage. With respect to applicable health coverage, the excise tax is equal to 40% of any excess benefit, as defined in the Act, and is first imposed in 2018. The estimated future excise tax payments are included within postretirement benefit obligations and benefits earned and other changes on the Statements of Benefit Obligations and Statements of Changes in Benefit Obligations, respectively. The estimated impact of Health Care Reform to the postretirement benefit obligation at June 30, 2011 and 2010 is approximately $27 million and $48 million, respectively. This estimate is based upon non-HMO medical coverage and prescription drug coverage of the Plan and excludes vision, dental and chiropractic benefits coverage.

Medicare Part D

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act was signed into law ("the Act"). The Act introduces a prescription drug benefit for Medicare-eligible retirees starting in 2006. Beginning with the fiscal year ended June 30, 2006, the Plan has determined that the benefits provided by the Plan are actuarially equivalent to Medicare Part D under the Act and has incorporated the net effect of the Act in the calculation of postretirement benefit obligations.

The approach used to measure the impact of the Medicare prescription drug subsidy as reported on the statement of changes in benefit obligations as recognition of Medicare Part D is based on guidance published by the Centers for Medicare and Medicaid Services and relevant guidance from Accounting Standards Codification Topic 715 ("ASC 715"), formerly Financial Accounting Standards Board Staff Position 106-2.

For the years ended June 30, 2011 and 2010, a benefit of $170,075,924 and $342,020,592, respectively, was reported as the estimated effect of Medicare Part D in the determination of postretirement benefit obligations.

The following table summarizes the effect of the Act with respect to the calculation of postretirement benefit obligations as reported on the Statement of Changes in Benefit Obligations:

	Before Medicare Part D	After Medicare Part D	Effect of Medicare Part D
Accumulated Postretirement Benefit Obligation (APBO)			
June 30, 2011	$ 4,340,461,157	$ 4,170,385,233	$ (170,075,924)
June 30, 2010	4,464,349,733	4,122,329,141	(342,020,592)
Net effect of subsidy on changes in APBO			$ 171,944,668

	Fiscal Year Ended June 30	
	2011	2010
Expected benefit payments	$ 133,081,042	$ 124,670,357
Expected subsidy receipts	3,885,183	3,653,382

9. Leased Premises

The ILWU-PMA Benefit Plans lease office space in San Francisco, California, necessary for the operation of the Plans, in a building owned by the Pacific Longshoremen's Memorial Association, an affiliate of the ILWU. The lease agreement was entered into by the Joint Trustees of the ILWU-PMA Pension and ILWU-PMA Welfare Plans and the related lease expense is allocated among the two plans, as well as the ILWU-PMA Watchmen Pension and ILWU-PMA Supplemental Welfare Benefit Plans. The total monthly base rent is $34,540, subject to adjustment, on a lease which expires on March 31, 2016. The monthly base rent was set on April 1, 2004 (the commencement date) as the fair market rental value of the premises.

Allocated rental expense under the operating lease was $252,563 and $251,308 for the years ended June 30, 2011 and 2010, respectively. Lease payments are subject to rental adjustment in future years based upon escalation clauses in the lease agreements. On the third, sixth and ninth anniversaries of the commencement date, the rent will be adjusted to the then current fair market rental value of the premises, but in no event less than the amount set forth as of April 1, 2004. The

Benefit Plans have the right to terminate the lease on 90 days' written notice without cost or other termination payment.

10. Related Party Transactions

Administrative services are provided by the ILWU-PMA Benefit Plans office and are allocated to the ILWU-PMA Pension Plan, ILWU-PMA Watchmen Pension Plan, ILWU-PMA Welfare Plan and ILWU-PMA Supplemental Welfare Benefit Plan based on a pre-determined allocation rate.

Following are net amounts of due from related parties as of June 30, 2011 and 2010, included under other assets and accounts payable in the statement of net assets:

	2011	2010
ILWU- PMA Watchmen Pension Plan	$ 59,621	$ 4,600
ILWU- PMA Pension	2,963,789	296,957
ILWU-PMA Supplemental Welfare Benefit Plan	-	10,593

PMA provided accounting and data processing services to the Plan and charged the Plan $132,018 for each of the years ended June 30, 2011 and 2010.

11. Plan Tax Status

The Plan obtained its latest determination letter on October 24, 1951, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Plan management believes there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Plan management believes the Plan is no longer subject to income tax examinations for the years prior to 2007.

12. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits for the financial statements to the Form 5500:

	2011	2010
Net assets available for benefits per the financial statements	$ 142,417,512	$ 146,952,348
Benefit obligations currently payable	(79,017,657)	(54,329,026)
Net assets available for benefits per the Form 5500	$ 63,399,855	$ 92,623,322

The following is a reconciliation of benefits paid to or for participants per the financial statements to the Form 5500:

	2011	2010
Benefits paid to or for participants per the financial statements	$ 562,527,739	$ 560,541,072
Add: Amounts currently payable at June 30, 2011 and 2010	79,017,657	54,329,026
Less: Amounts currently payable at June 30, 2010 and 2009	(54,329,026)	(49,268,518)
Benefits paid to or for participants per the Form 5500	$ 587,216,370	$ 565,601,580

Amounts currently payable to or for participants, dependents, and beneficiaries are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to June 30, 2011 and 2010 but not yet paid as of these dates.

13. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.

Level 3 Prices or valuations that require inputs that are supported by little or no market activity and that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Amendments to FASB ASC 820, effective in 2010, require disaggregation of each class of assets and liabilities, including details of significant transfers between levels 1 and 2 where applicable. Also, when there are level 3 assets, additional disclosures are required regarding purchases, sales, issuances and settlements activity.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010:

Interest-bearing cash: Valued at the outstanding balances in interest-bearing checking accounts. At times, the accounts may be in excess of the FDIC insurance, however management believes the risk is minimal.

Registered investment companies: These publicly traded mutual funds held by the Plan are valued at the closing net asset value reported on the active market in which the fund is traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2011 and 2010, all of the Plan's investments are classified as level 1 investments.

14. Risks and Uncertainties

The Plan invests in various investment securities. The fair values assigned to the investments by the Plan are based upon available information believed to be reliable. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

The actuarial present value of post-retirement benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change.Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

ILWU-PMA Welfare Plan
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
June 30, 2011
Employer I.D. #94-6068578

(a)	(b) Identity of issue, borrower, lesser or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
	Interest-bearing cash			
	Union Bank	Interest-bearing cash	$ 15,852,686	$ 15,852,686
	Bank of America	Interest-bearing cash	64,038	64,038
	Merill Lynch/Bank of America	Interest-bearing cash	922,188	922,188
		Total interest-bearing cash	16,838,912	16,838,912
	Registered Investment Companies			
	Highmark 100% U.S. Treasury Money Market	Money market fund	811,514	811,514
		Total registered investment companies	811,514	811,514
		Total investments	$ 17,650,426	$ 17,650,426

ILWU-PMA Watchmen Pension Plan

Financial Statements and Supplemental Schedules
June 30, 2011 and 2010

ILWU-PMA Watchmen Pension Plan
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* Note: Other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

pwc

Report of Independent Auditors

To the Participants and Board of Trustees of the
ILWU-PMA Watchmen Pension Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the financial status of the ILWU-PMA Watchmen Pension Plan (the "Plan") at June 30, 2011 and 2010 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the actuarial present value of accumulated plan benefits at June 30, 2010 and the change in accumulated plan benefits for the year ended June 30, 2010 have been restated.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets (held at end of year) and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
August 6, 2012

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

ILWU-PMA Watchmen Pension Plan
Statements of Net Assets Available for Benefits
June 30, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value		
Interest-bearing cash	$ 2,346,582	$ 1,350,460
Registered investment companies (mutual funds)	19,161,251	18,217,288
Real estate investment fund	3,219,745	-
Total investments	24,727,578	19,567,748
Other assets	2,559	347
Total assets	24,730,137	19,568,095
Liabilities		
Accounts payable	128,726	70,857
Total liabilities	128,726	70,857
Net assets available for benefits	$ 24,601,411	$ 19,497,238

The accompanying notes are an integral part of these financial statements.

ILWU-PMA Watchmen Pension Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended June 30, 2011 and 2010

	2011	2010
Additions		
Investment income, net		
Net appreciation in fair value of investments	$ 3,751,913	$ 1,393,105
Interest	220,212	269,462
Dividends	198,610	83,786
Other income	-	425
	4,170,735	1,746,778
Less: Investment expenses	(16,319)	-
	4,154,416	1,746,778
Contributions by employers	2,426,412	2,255,410
Total additions, net	6,580,828	4,002,188
Deductions		
Benefits paid	1,245,858	1,204,634
Administrative expenses	230,797	242,186
Total deductions	1,476,655	1,446,820
Net change in net assets available for benefits	5,104,173	2,555,368
Net assets available for benefits		
Beginning of year	19,497,238	16,941,870
End of year	$ 24,601,411	$ 19,497,238

The accompanying notes are an integral part of these financial statements.

1. Description of the Plan

The following description of the ILWU-PMA Watchmen Pension Plan (the "Plan") is intended to give a general summary of its principal provisions. Participants may refer to the Summary Plan Description for more complete information.

General
The Plan is a noncontributory defined benefit plan, covering substantially all registered Watchmen who are employed under the Watchmen Collective Bargaining Agreement between the International Longshore and Warehouse Union ("ILWU") and certain member and nonmember companies of the Pacific Maritime Association ("PMA") who employ ILWU Watchmen. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions to the Plan
The Plan is funded by companies that employ eligible participants (the "Employers"). The Employers contribute to the Plan based on hourly contribution rates in amounts sufficient to meet the minimum funding requirements of ERISA.

Pension Benefits
The ILWU-PMA Watchmen Pension Plan Agreement (the "Agreement") sets forth requirements for participation in the Plan. The Plan provides benefits to all eligible participants, as defined in the Agreement, who accumulate the required credits to receive pension benefits, and to certain qualified survivors. Pension benefits are based on a monthly benefit level per year of service specified by the terms of the most recent Collective Bargaining Agreement. An eligible participant is 100% vested in his accrued benefit upon being credited with five years of service (10 years prior to January 1, 1999), or upon attainment of normal retirement age if then a participant. The Plan also provides disability benefits to eligible participants.

Administration
The Plan is administered by the Trustees of the Plan. The Board of Trustees is composed of an equal number of union-appointed trustees and employer-appointed trustees.

Administrative Expenses
Administrative services of the Plan are provided by the ILWU-PMA Benefit Plans office and are paid for by the Plan.

Subsequent Events
The Plan trustees have evaluated subsequent events through August 6, 2012, which is the date the financial statements were available to be issued.

2. Summary of Accounting Policies

The following are the significant accounting policies followed by the Plan:

Basis of Accounting
The Plan's financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates
The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements, the actuarial present value of accumulated plan benefits and the reported amounts of changes in net assets available for benefits during the reporting period. While Plan management uses its best estimates and judgments, actual results could differ from those estimates.

Investment Valuation and Income Recognition
Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 11 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date. The Plan presents, in the statement of changes in net assets available for benefits the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

Actuarial Present Value of Accumulated Plan Benefits
Accumulated Plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated Plan benefits include benefits expected to be paid to:

a. Retired or terminated employees or their beneficiaries;

b. Beneficiaries of employees who have died; and,

c. Present employees or their beneficiaries.

Benefits payable under all circumstances (retirement, death, or termination of employment) are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated Plan benefits is determined by applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for retirement, death or withdrawal) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuation for the fiscal years ended June 30, 2011 and 2010 were:

a. Mortality rates are based on the 1994 Group Annuity Mortality Table for Healthy Lives and the 1994 Group Annuity Mortality Table, set forward five years for Disabled Lives.

b. The assumed retirement rate is 25% at ages 62-66; 100% at age 67

c. Investment return of 7% for both years

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

Payment of Benefits
Benefit payments to participants are recorded upon distribution.

Minimum Funding Requirements
The Plan has adopted a funding policy which conforms to the Minimum Funding Standards ("MFS") in accordance with provisions of ERISA. Each year the Plan's enrolled actuary updates the Funding Standard Account in order to determine the level of funding necessary to meet the MFS.

The Plan's actuary has determined that the contributions for the Plan years ended June 30, 2011 and 2010 were adequate to meet the minimum required amount in the Plan's Funding Standard Account.

3. Plan Termination

The Plan was established with the intention that it continues indefinitely, but the Board of Trustees reserves the right to terminate it. In the event the Plan terminates, the net assets of the Plan will be allocated as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

a. Vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC") up to the applicable limitations (discussed below),

b. All other vested benefits (that is, vested benefits not insured by the PBGC), and

c. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Further information regarding the payment of benefits in the event of Plan termination is set forth in the Agreement.

Whether all participants receive their benefits, should the Plan terminate at some future time, will depend on the sufficiency of the Plan's net assets to provide those benefits, at that time, and may also depend on the level of benefits guaranteed by the PBGC.

4. Purchase of Group Annuity Contracts

During the Plan year ended June 30, 1991, the Trustees purchased a Group Annuity Contract from Allstate Life Insurance Company for certain pensioners and survivor pensioners who were not receiving benefits under a previously purchased annuity contract (described below). For covered participants, the contract provides lifetime benefits as defined under the 1990-1993 Collective Bargaining Agreement either in the form of joint and survivor annuity or life annuity benefits.

During the Plan year ended June 30, 1985, a similar Group Annuity Contract was purchased from Lincoln Life Insurance Company for substantially all pensioners and survivor pensioners receiving benefits as of November 1, 1984.

Pensioners and survivor pensioners for whom annuities were purchased remain participants under the Plan. The contracts are excluded from Plan assets, excluded from accumulated plan benefits and the Plan derives no dividend or other income from the contracts.

5. Investments

The fair value of investments at June 30, 2011 and 2010 is summarized below, including the related net appreciation (depreciation) in fair value of investments for the years then ended. Investments that represent five percent or more of the Plan's net assets at the end of the Plan year are separately identified.

	2011		2010	
	Fair Value at End of Year	Net Appreciation (Depreciation)	Fair Value at End of Year	Net Appreciation
Vanguard Total Bond Market Index Fund	$ 5,416,340	$ (8,367)	$ 7,211,522	$ 356,152
Rainier Large Cap Equity Portfolio	4,506,538	1,124,321	3,461,922	275,569
Victory Diversified Stock Fund	4,441,682	897,337	3,483,512	207,281
LKCM Small Cap Equity Fund	2,460,495	1,025,188	2,035,308	359,097
Thornburg International Value Fund	1,252,412	302,567	962,336	108,161
UBS Trumbull Property Fund	3,219,745	134,459	-	-
Union Bank interest-bearing cash	2,346,582	-	1,350,460	-
	23,643,794	3,475,505	18,505,060	1,306,260
All other investments	1,083,784	276,408	1,062,688	86,845
	$ 24,727,578	$ 3,751,913	$ 19,567,748	$ 1,393,105

6. Accumulated Plan Benefits

The accumulated Plan benefits at June 30, 2011 and changes in accumulated Plan benefits for the year then ended are as follows:

Actuarial Present Value of Accumulated Plan Benefits, June 30, 2011

	Total	To be paid under group annuity contracts	To be paid by net assets available for benefits
Vested benefits			
Retirees and beneficiaries	$ 15,253,291	$ 238,910	$ 15,014,381
Active participants and terminated vested participants	23,280,843	-	23,280,843
Total vested benefits	38,534,134	238,910	38,295,224
Nonvested benefits	1,133,716	-	1,133,716
Actuarial present value of accumulated Plan benefits as of end of year	$ 39,667,850	$ 238,910	$ 39,428,940

Changes in Accumulated Plan Benefits for the Year Ended June 30, 2011

	Total	To be paid under group annuity contracts	To be paid by net assets available for benefits
Actuarial present value of accumulated Plan benefits at June 30, 2010, as restated	$ 36,546,468	$ 397,650	$ 36,148,818
Increase (decrease) during the Plan year attributable to:			
Benefits accumulated and experience gains	2,166,313	(120,121)	2,286,434
Benefits paid (estimated)	(1,548,970)	(64,207)	(1,484,763)
Interest	2,504,039	25,588	2,478,451
Net increase (decrease)	3,121,382	(158,740)	3,280,122
Actuarial present value of accumulated Plan benefits at June 30, 2011	$ 39,667,850	$ 238,910	$ 39,428,940

Restatement

The actuarial present value of accumulated plan benefits at June 30, 2010 and the change in accumulated plan benefits for the year ended June 30, 2010 have been restated to include negotiated rate increases for future years beyond the immediate plan year, over the period covered by the Collective Bargaining Agreement as required by generally accepted accounting principles. Previously, such negotiated rate increases for future years were improperly excluded in the determination of the actuarial present value of accumulated plan benefits and change in accumulated plan benefits. There is no impact on the reported amounts in the Statement of Net Assets Available for Benefits at June 30, 2010 or Statement of Changes in Net Assets Available for Benefits for the year ended June 30, 2010 and no impact on participant benefits. The effects of the restatement adjustments on the accompanying schedules of accumulated plan benefits at June 30, 2010 and the change in accumulated plan benefits for the year ended June 30, 2010 are as follows:

Actuarial Present Value of Accumulated Plan Benefits, June 30, 2010

	To be paid by net assets available for benefits, as previously reported	Adjustment	To be paid by net assets available for benefits, as restated	To be paid under group annuity contracts	Total as restated
Vested benefits					
Retirees and beneficiaries	$ 10,296,245	$ 2,861,515	$ 13,157,760	$ 397,650	$ 13,555,410
Active participants and terminated vested participants	18,701,939	3,219,130	21,921,069	-	21,921,069
Total vested benefits	28,998,184	6,080,645	35,078,829	397,650	35,476,479
Nonvested benefits	912,860	157,129	1,069,989	-	1,069,989
Actuarial present value of accumulated Plan benefits as of end of year	$ 29,911,044	$ 6,237,774	$ 36,148,818	$ 397,650	$ 36,546,468

Changes in Accumulated Plan Benefits for the Year Ended June 30, 2010

	To be paid by net assets available for benefits, as previously reported	Adjustment	To be paid by net assets available for benefits, as restated	To be paid under group annuity contracts	Total as restated
Actuarial present value of accumulated Plan benefits at June 30, 2009	$ 26,736,749	$ 5,953,817	$ 32,690,566	$ 465,509	$ 33,156,075
Increase (decrease) during the Plan year attributable to					
Benefits accumulated and experience gains	1,710,158	867,218	2,577,376	(10,801)	2,566,575
Estimated benefits paid	(1,359,868)	-	(1,359,868)	(86,612)	(1,446,480)
Plan amendment	1,000,028	(1,000,028)	-	-	-
Interest	1,823,977	416,767	2,240,744	29,554	2,270,298
Net increase (decrease)	3,174,295	283,957	3,458,252	(67,859)	3,390,393
Total actuarial present value of accumulated Plan benefits at June 30, 2010	$ 29,911,044	$ 6,237,774	$ 36,148,818	$ 397,650	$ 36,546,468

7. Administrative Expenses

Administrative expenses are detailed as follows:

	2011	2010
Actuarial fees	$ 37,740	$ 38,421
Audit fees	41,192	41,801
Investment advisory and evaluation services	42,860	41,612
Legal fees	29,990	45,982
Salaries and payroll taxes	22,333	23,295
Employee welfare and pension costs	13,735	14,721
Fiduciary, liability and bond insurance	11,120	12,987
Accounting and data processing services	9,063	9,063
Bank charges	5,096	-
PBGC insurance	3,267	3,366
Office rent and maintenance	2,753	2,754
Office expense and postage	1,506	1,710
Miscellaneous	10,142	6,474
	$ 230,797	$ 242,186

8. Leased Premises

The ILWU-PMA Benefit Plans lease office space in San Francisco, California, necessary for the operation of the Plans, in a building owned by the Pacific Longshoremen's Memorial Association, an affiliate of the ILWU. The lease agreement was entered into by the Joint Trustees of the ILWU-PMA Pension and ILWU-PMA Welfare Plans and the related lease expense is allocated among the two plans, as well as the ILWU-PMA Watchmen Pension and ILWU-PMA Supplemental Welfare Benefit Plans. The total monthly base rent is $34,540, subject to adjustment, on a lease which expires on March 31, 2016. The monthly base rent was set on April 1, 2004 (the commencement date) as the fair market rental value of the premises.

Allocated rental expense under the operating lease was $2,753 and $2,754 for the years ended June 30, 2011 and 2010, respectively. Lease payments are subject to rental adjustment in future years based upon escalation clauses in the lease agreements. On the third, sixth and ninth anniversaries of the commencement date, the rent will be adjusted to the then current fair market rental value of the premises, but in no event less than the amount set forth as of April 1, 2004. The Benefit Plans have the right to terminate the lease on 90 days' written notice without cost or other termination payment.

9. Related Party Transactions

Administrative services are provided by the ILWU-PMA Benefit Plans office and are allocated to the ILWU-PMA Pension Plan, ILWU-PMA Watchmen Pension Plan, ILWU-PMA Welfare Plan and ILWU-PMA Supplemental Welfare Benefit Plan based on a pre-determined allocation rate.

Following are the net amounts due to related parties as of June 30, 2011 and 2010, included under other assets and accounts payable in the statement of net assets:

	2011	**2010**
ILWU- PMA Pension Plan	$ 1,090	$ -
ILWU- PMA Welfare Plan	59,621	4,600

PMA provided accounting and data processing services to the Plan and charged the Plan $9,063 for each of the years ended June 30, 2011 and 2010.

10. Plan Tax Status

The trust established under the Plan to hold the Plan's assets is qualified pursuant to the appropriate section of the Internal Revenue Code, and accordingly, the trust's net investment income is exempt from income taxes. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service dated September 2, 2003 and Plan management and the Trustees are of the opinion that the Plan continues to qualify and operate as designed. Accordingly, no provision for income taxes has been included in the Plan's financial statements.

Plan management believes there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Plan management believes the Plan is no longer subject to income tax examinations for the years prior to 2007.

11. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.

Level 3 Prices or valuations that require inputs that are supported by little or no market activity and that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Amendments to FASB ASC 820, effective in 2010, require disaggregation of each class of assets and liabilities, including details of significant transfers between levels 1 and 2 where applicable. Also, when there are level 3 assets, additional disclosures are required regarding purchases, sales, issuances and settlements activity.

The following is a description of the valuation methodologies used for the Plan’s assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010:

Interest-bearing cash: Valued at the outstanding balances in interest-bearing checking accounts. At times, the accounts may be in excess of the FDIC insurance, however, management believes that the risk is minimal.

Registered investment companies: These publicly traded mutual funds held by the Plan are valued at the closing price reported on the active market in which the fund is traded.

Real estate investment fund: This consists of investments in a non-publicly traded Real Estate Investment Trust (“REIT”). The purpose of the Trust is to actively manage a core portfolio of primarily equity real estate investments located in the United States. Non-publicly traded real estate investment funds are considered alternative investments, with the investment manager reporting the net asset value of the underlying investments on a periodic basis. These investments are generally less liquid than other investments, and the value reported by the investment manager may differ from the values that would have been reported had a ready market for these securities existed. Real estate investments are valued at net asset value (NAV) according to the valuation policy of the fund, subject to prevailing accounting and regulatory guidelines. The underlying assets in the real estate investment fund are valued at estimated fair value by independent market appraisals. Additionally, the real estate investment fund is subject to an annual audit. The Plan exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and believes the carrying amount of these assets is a reasonable estimate of fair value. Redemption requests are satisfied quarterly with 60 days notice and there is no redemption queue as of June 30, 2011.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the valuation of the Plan's investments per the FASB ASC 820 fair value hierarchy levels as of June 30, 2011:

	Assets at Fair Value as of June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest-bearing cash	$ 2,346,582	$ -	$ -	$ 2,346,582
Registered investment companies (mutual funds)	19,161,251	-	-	19,161,251
Real estate investment fund	-	-	3,219,745	3,219,745
	$ 21,507,833	$ -	$ 3,219,745	$ 24,727,578

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At June 30, 2010, all of the Plan's investments were classified as Level 1 investments.

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2011:

	Real Estate Investment Fund
Balance at beginning of year	$ -
Transfers In	-
Realized gains, net	1,219
Unrealized gains, net, relating to instruments still held at the reporting date	133,240
Reinvested dividends	85,286
Purchases, sales, issuances and settlements (net)	3,000,000
Balance at end of year	$ 3,219,745

12. Risks and Uncertainties

The Plan invests in various investment securities. The fair values assigned to the investments by the Plan are based upon available information believed to be reliable. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

ILWU-PMA Watchmen Pension Plan
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
June 30, 2011
Employer I.D. #94-6173372

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
	Interest-bearing cash			
	Union Bank	Interest-bearing cash	$ 2,346,582	$ 2,346,582
	Registered investment companies			
	Dodge & Cox International Stock Fund	Mutual fund	984,430	1,083,784
	LKCM Small Cap Equity Fund	Mutual fund	1,701,119	2,460,495
	Rainier Large Cap Equity Portfolio	Mutual fund	4,248,492	4,506,538
	Thornburg International Value Fund	Mutual fund	1,086,777	1,252,412
	Vanguard Total Bond Market Index Fund	Mutual fund	5,110,513	5,416,340
	Victory Diversified Stock Fund	Mutual fund	4,421,781	4,441,682
		Total registered investment companies	17,553,112	19,161,251
	Real estate investment fund			
	UBS Trumbull Property Fund	Real estate investment fund	3,086,505	3,219,745
		Total investments	$ 22,986,199	$ 24,727,578

* There are no party-in-interest transactions requiring disclosure in column (a).

ILWU-PMA Watchmen Pension Plan
Schedule H, Line 4j - Schedule of Reportable Transactions
June 30, 2011
Employer I.D. #94-6173372

(a) Identity of party involved	(b) Description of assets (including interest rate and maturity in case of loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
Single transactions								
UBS Thornburg	Real estate investment fund	$3,000,000	-	-	-	-	$ 3,000,000	-
Vanguard Total Bond Index Fund	Mutual fund	-	$2,000,000	-	-	$1,909,432	-	$ 90,568