SUBJECT: Federal Income Tax Withholding

It is not necessary to submit a new election form if you have already sent one in unless you wish to change your withholding.

You previously received a Notice about Federal income tax withholding from pension payments, along with a Federal Election Form allowing you either to declare your number of withholding allowances or elect NOT to have withholding apply to your pension.

If you did not submit a Federal Election Form, taxes will be withheld starting with your first payment as though you were a married person with three withholding allowances, as required by law. Under this provision, no taxes currently are withheld on pension payments of $1,990.00 per month or less.

You can change your Federal income tax withholding at any time by submitting a new Federal Election Form. These forms have been supplied to the Locals and Area Directors and can be requested from the ILWU-PMA Benefit Plans Office, 1188 Franklin Street, Suite 101, San Francisco, CA 94109 or visit our website at www.benefitplans.org. Election Forms received at the Plan office by the 10th of any month will be processed effective the first of the following month. There will be no retroactive withholding, and the Plan office cannot refund monies withheld.

Here are some examples of how you can change your withholding:

• If taxes have been withheld from your check and you do NOT want to have taxes withheld from future checks, complete Federal Election Form Part II. Please note that if you elect not to have withholding, or if you do not have enough Federal income tax withheld from your pension, you may be responsible for payment of estimated tax. You may incur penalties under IRS rules if your withholding and estimated tax payments are not sufficient.

• If taxes are not being withheld from your check because you elected not to have withholding apply, and you wish to revoke that election and have taxes withheld from future checks, complete Federal Election Form Part I.

• If taxes have not been withheld from your check because your pension is not in a taxable bracket, but you wish to have taxes withheld, complete Federal Election Form Part I and show the amount you want withheld as an additional amount to be deducted from each payment.

• If taxes have been withheld from your check and you want to increase or decrease the amount being withheld, you can do so by completing Federal Election Form Part I and changing the number of your withholding allowances. A greater number of withholding allowances means less will be withheld from your check. A smaller number of withholding allowances means more will be withheld from your check. Please note that if you did not previously submit an Election Form, the number of your withholding allowances is presently 3, as required by law.

• If taxes have been withheld from your check and you want more money to be withheld, Federal Election Form Part I allows you to specify an additional amount to be deducted from each payment. This amount is in addition to the amount of withholding required by the tax tables, based on your marital status and number of allowances. It is not possible to request withholding of a flat amount.

If you have a specific question about the income tax withholding on your pension payment, you can write to the Benefit Plans Office at the above address. The Plan office cannot answer questions about other tax matters, or give tax advice; such matters should be referred to your own tax adviser or the Internal Revenue Service.

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SUBJECT: California Income Tax Withholding - CALIFORNIA RESIDENTS ONLY

It is not necessary to submit a new election form if you have already sent one in unless you wish to change your withholding.

You previously received a Notice about California income tax withholding from pension payments, along with a State of California Election Form allowing you to elect withholding in one of two ways, or to elect NOT to have withholding apply to your pension.

If you did not submit a California Election Form, California income tax will be withheld from your pension payments as if you are a married person claiming three withholding allowances. This means that no taxes will be withheld if your pension payments are less than $2,800.00 per month.

You can change your California income tax withholding at any time by submitting a new California Election Form. These forms have been supplied to the Locals and Area Directors and can be requested from the ILWU-PMA Benefit Plans Office, 1188 Franklin Street, Suite 101, San Francisco, CA 94109 or visit our website at www.benefitplans.org. California Election Forms received at the Plan office by the 10th of any month will be effective on the first of the following month. There will be no retroactive withholding, and the Plan office cannot refund monies withheld.

Here are some examples of how you can change your withholding:

- If taxes have been withheld from your check and you do NOT want to have taxes withheld from future checks, complete California Election Form Part II. If you make the election to have no withholding, it will remain in effect until revoked by you. You may make and revoke elections as often as you wish.

- If taxes have not been withheld from your check because you elected not to have withholding apply, and you wish to revoke that election and have taxes withheld from future checks, complete California Election Form Part I.

- If taxes have not been withheld from your check because your pension is not in a taxable bracket, but you wish to have taxes withheld, complete California Election Form Part I, No. 2, and specify the amount you want withheld from each monthly pension payment.

- If taxes have been withheld from your check and you want to increase or decrease the amount being withheld, you can do so by completing California Election Form Part I and changing the number of your withholding allowances. A greater number of withholding allowances means less will be withheld from your check. A smaller number of withholding allowances means more will be withheld from your check. Please note that if you have not submitted a Federal Election Form, the number of your withholding allowances is presently three for both California and Federal withholding purposes.

- If taxes have been withheld from your check and you want more money to be withheld, California Election Form Part I, No. 2, allows you to specify a flat dollar amount instead of having your withholding determined by the tax tables based on your marital status and number of allowances.

If you have a specific question about the California income tax withholding from your pension payments, you can write to the Benefit Plans Office at the above address. The Plan office cannot answer questions about other tax matters, or give tax advice; such matters should be referred to your own tax adviser or the nearest Franchise Tax Board office.