



April 30, 2010

**AMERICAN FEDERATION OF MUSICIANS AND EMPLOYERS' PENSION FUND  
REHABILITATION PLAN  
QUESTIONS AND ANSWERS**

The timeline below and the Questions and Answers (“Qs&As”) that follow provide brief answers to commonly asked questions regarding the Rehabilitation Plan adopted by the Board of Trustees (the “Board”) of the American Federation of Musicians and Employers’ Pension Fund (the “Fund”) on April 15, 2010 (the “Rehabilitation Plan”). This document is only a summary of certain aspects of the Rehabilitation Plan. The terms of the Rehabilitation Plan, as interpreted by the Board consistent with the law, will govern in all cases. This document also contains information regarding the unfunded vested benefits for the Plan for withdrawal liability purposes.

SUMMARY TIMELINE

The chart below is a very general summary timeline of key events and deadlines described in these Qs&As and in the Rehabilitation Plan itself. It is not intended to be a substitute for the Qs&As and the Rehabilitation Plan, which provide important information in more detail.

April 15, 2010	Fund actuary certified the Fund in critical status and Rehabilitation Plan was adopted
April 30, 2010	<ul style="list-style-type: none"> <li>• Legally required notices and other information sent to participants and bargaining parties</li> <li>• 30-day period begins for bargaining parties to adopt Rehabilitation Plan contribution schedule if bargaining parties wish to avoid higher statutory surcharges that do not generate benefits</li> </ul>
June 1, 2010	<ul style="list-style-type: none"> <li>• Statutory surcharge of 5% of contributions is imposed on the employer if the bargaining parties have not adopted Rehabilitation Plan contribution schedule, OR</li> <li>• 4% employer contribution increase takes effect if bargaining parties have adopted Rehabilitation Plan contribution schedule</li> <li>• Benefit changes take effect generally for pension benefits with an annuity starting date on or after this date</li> </ul>
September 28, 2010	<p>For CBA expired before April 1, 2010:</p> <ul style="list-style-type: none"> <li>• Last day for bargaining parties to adopt Rehabilitation Plan contribution schedule</li> <li>• If bargaining parties do not adopt Rehabilitation Plan by this date, Rehabilitation Plan contribution schedule is imposed on employer by law and surcharge continues to apply</li> <li>• Surcharge ceases when contribution schedule is adopted</li> </ul>
April 1, 2011	<ul style="list-style-type: none"> <li>• Statutory surcharge increases to 10% if bargaining parties have not adopted Rehabilitation Plan contribution schedule, OR</li> <li>• 9% employer contribution increase takes effect if bargaining parties have adopted Rehabilitation Plan contribution schedule</li> </ul>
180 days after expiration of CBA that was in effect on April 1, 2010	<p>For CBA in effect on April 1, 2010:</p> <ul style="list-style-type: none"> <li>• Last day for bargaining parties to adopt Rehabilitation Plan contribution schedule</li> <li>• If bargaining parties do not adopt Rehabilitation Plan by this date, Rehabilitation Plan contribution schedule is imposed on employer by law and surcharge continues to apply</li> <li>• Surcharge ceases when contribution schedule is adopted</li> </ul>

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QUESTIONS AND ANSWERS

**GENERAL INFORMATION REGARDING THE REHABILITATION PLAN**

**1. Why is the Fund adopting a rehabilitation plan?**

The Pension Protection Act of 2006 requires an annual actuarial status determination for multiemployer pension plans including the Fund. All plans that are certified by their actuary to be in what is known as critical status (also called the “red zone”) for any plan year are required to adopt a rehabilitation plan to improve the financial health of the plan.

A plan enters critical status by satisfying one of various tests. Under one of these tests, a plan is in critical status if it is projected to have an “accumulated funding deficiency” during the next four to five plan years in the plan’s “funding standard account”. The funding standard account works like a checkbook. It gets credited each year with contributions made to the plan and gets charged each year with the cost of the plan. Over time, if the accumulated credits exceed the accumulated charges, the plan has a “credit balance” and if the charges exceed the credits, the plan has an accumulated funding deficiency. The plan’s cost for the year comprises the value of benefits earned plus a payment (similar to a mortgage) toward the plan’s unfunded liabilities.

On April 15, 2010, the Fund’s actuary, Milliman Inc., certified that the Fund is in critical status for the current Plan year, beginning on April 1, 2010 and ending on March 31, 2011, because it is projected to have an “accumulated funding deficiency” for the current Plan year. As you know from the Fund’s prior communications on this subject, the unprecedented steep investment losses affecting a vast number of U.S. retirement plans during 2008 and early 2009, including the Fund, was the major cause of the Fund’s entering critical status. As a result, the Board is required to adopt a rehabilitation plan.

**2. What is a rehabilitation plan?**

In general, a rehabilitation plan consists of one or more schedules that include benefit modifications, contribution increases and other steps to improve the plan’s funded status. For the Fund, the Rehabilitation Plan consists of a single schedule that sets forth benefit modifications and contribution requirements for the Fund, as well as certain other actuarial changes. This schedule is being provided to the collective bargaining parties so that they may adopt contribution rates consistent with the Rehabilitation Plan.

The details of the Rehabilitation Plan’s schedule are listed below in separate sections. The following is a brief summary of the Rehabilitation Plan’s schedule:

- The Rehabilitation Plan requires additional employer contributions. See Qs&As 6-11.
- Effective June 1, 2010, the Rehabilitation Plan implements various changes in benefits, including eliminating the following: early retirement subsidies, benefit guarantees for the single life annuity, pop-up and benefit guarantee features of the 50% joint and survivor annuity, post-normal retirement age subsidies, certain forms of benefit for merged plans, and the lump-sum form of benefit offered by the Fund (not including lump sums with a present value, in actuarial terms, of \$5,000 or less). See Qs&As 25-26. The benefit changes do not affect benefit payments with annuity starting dates before June 1, 2010. See Q&A 29.
- Effective April 1, 2010, the Rehabilitation Plan provides that the Board will apply to the IRS for an automatic 5-year extension of amortization of unfunded liability.

In developing the Rehabilitation Plan, the Board considered a number of alternatives that would have resulted in significantly higher contribution rates or potentially lower benefits. However, the Board was ultimately concerned with improving the long-term health of the Fund, which relies on maintaining employer participation and ongoing benefit accruals for participants. Accordingly, the Board believes that the Rehabilitation Plan represents the most reasonable means of satisfying the Fund's legal obligations and improving the Fund's funding.

**3. When will the Rehabilitation Plan take effect?**

The provisions of the Rehabilitation Plan will take effect at different times.

The *contribution changes* will take effect in two steps. The first contribution increase will apply to contributions earned on and after June 1, 2010. The second contribution increase will apply to contributions earned on and after April 1, 2011. See Q&A 6.

The *benefit changes* will apply to benefit payments with an annuity starting date on or after June 1, 2010. However, the changes do not apply to benefit payments with an annuity starting date of June 1, 2010 if the initial application for benefits was postmarked (or received in the Fund Office, in the case of applications delivered by fax or by hand) on or before February 24, 2010.

**4. What if the bargaining parties do not adopt the contribution rates set forth in the Rehabilitation Plan?**

If the bargaining parties do not adopt the contribution rates set forth in the Rehabilitation Plan by June 1, 2010, employers are required by law to pay a surcharge to the Fund that is based on contributions (and does not generate benefit accruals). Effective June 1, 2010, the surcharge is 5% of contributions. Effective April 1, 2011, the surcharge increases to 10% of contributions. See Q&A 12.

In addition, if the bargaining parties do not adopt the contribution rates set forth in the Rehabilitation Plan within a specified time period, *both* the surcharge *and* the increased contribution will apply. See Q&A 18.

The benefit changes will become effective on June 1, 2010 regardless of whether the bargaining parties adopt the contribution rates set forth in the Rehabilitation Plan.

**5. Can the Board make changes to the Rehabilitation Plan?**

The Rehabilitation Plan (including the contribution schedule) is required to be reviewed annually by the Board and may be updated from time to time. Any changes in the contribution schedule (for example, increases or decreases in the additional contribution rate) will apply only to contributions due under future collective bargaining agreements.

**CHANGES IN THE CONTRIBUTION SCHEDULE AND SURCHARGES**

**6. What are the changes in the contribution schedule?**

The Rehabilitation Plan requires the bargaining parties to agree to increase the amount of employer contributions made to the Fund. As described below, if the required steps to adopt this increase are completed by June 1, 2010, the employer will be able to avoid additional surcharges imposed by law (which are higher than the contribution increases and do not generate benefit accruals).

Effective for contributions earned on or after June 1, 2010 but before April 1, 2011, the contribution rate will increase 4%, to 104% of the contribution rate otherwise in effect under the collective bargaining agreement or expired collective bargaining agreement. The following chart shows the new contribution rate that will be required during this period, depending on the contribution rate otherwise in effect:

<b>Contribution rate otherwise in effect</b>	<b>4% additional contribution amount</b>	<b>Total contribution rate through 3/31/2011</b>	<b>Additional contribution per \$1,000 of wages</b>
4.00%	0.1600%	4.16%	\$ 1.60
4.50%	0.1800%	4.68%	\$ 1.80
5.00%	0.2000%	5.20%	\$ 2.00
5.50%	0.2200%	5.72%	\$ 2.20
6.00%	0.2400%	6.24%	\$ 2.40
6.50%	0.2600%	6.76%	\$ 2.60
7.00%	0.2800%	7.28%	\$ 2.80
7.50%	0.3000%	7.80%	\$ 3.00
8.00%	0.3200%	8.32%	\$ 3.20
8.50%	0.3400%	8.84%	\$ 3.40
9.00%	0.3600%	9.36%	\$ 3.60
9.50%	0.3800%	9.88%	\$ 3.80
10.00%	0.4000%	10.40%	\$ 4.00
10.50%	0.4200%	10.92%	\$ 4.20
11.00%	0.4400%	11.44%	\$ 4.40
11.50%	0.4600%	11.96%	\$ 4.60
12.00%	0.4800%	12.48%	\$ 4.80
12.50%	0.5000%	13.00%	\$ 5.00
13.00%	0.5200%	13.52%	\$ 5.20
13.50%	0.5400%	14.04%	\$ 5.40
14.00%	0.5600%	14.56%	\$ 5.60

Effective for contributions earned on or after April 1, 2011, the contribution rate will increase 9%, to 109% above the contribution rate otherwise in effect under the collective bargaining agreement or expired collective bargaining agreement (excluding the 4% increase, which is not cumulative). The following chart shows the new contribution rate that will be required during this period:

<b>Contribution rate otherwise in effect</b>	<b>9% additional contribution amount</b>	<b>Total contribution rate beginning 4/1/2011</b>	<b>Additional contribution per \$1,000 of wages</b>
4.00%	0.3600%	4.360%	\$ 3.60
4.50%	0.4050%	4.905%	\$ 4.05
5.00%	0.4500%	5.450%	\$ 4.50
5.50%	0.4950%	5.995%	\$ 4.95
6.00%	0.5400%	6.540%	\$ 5.40
6.50%	0.5850%	7.085%	\$ 5.85
7.00%	0.6300%	7.630%	\$ 6.30
7.50%	0.6750%	8.175%	\$ 6.75
8.00%	0.7200%	8.720%	\$ 7.20
8.50%	0.7650%	9.265%	\$ 7.65
9.00%	0.8100%	9.810%	\$ 8.10
9.50%	0.8550%	10.355%	\$ 8.55
10.00%	0.9000%	10.900%	\$ 9.00
10.50%	0.9450%	11.445%	\$ 9.45
11.00%	0.9900%	11.990%	\$ 9.90
11.50%	1.0350%	12.535%	\$ 10.35
12.00%	1.0800%	13.080%	\$ 10.80
12.50%	1.1250%	13.625%	\$ 11.25
13.00%	1.1700%	14.170%	\$ 11.70
13.50%	1.2150%	14.715%	\$ 12.15
14.00%	1.2600%	15.260%	\$ 12.60

Effective in the fifth year of any collective bargaining agreement entered into on or after May 1, 2010 that establishes pension contributions for a term of more than four years (including extensions), the contribution rate will increase an additional 25% above the contribution rate otherwise applicable to those contributions (and the portion of the increase above 9% will not generate benefit accruals).

**7. What does it mean for contributions to be “earned” on a particular date for purposes of determining which contributions are subject to the increases?**

The Fund will use its normal procedures for determining when contributions are earned. For live work, such as theatrical engagements, concerts or other live performances, contributions are earned on the date of performance. For work that is recorded to be used in a movie, on television or released on a CD, contributions are earned on the date of the session. For work that is reused in a television or radio commercial, contributions are earned on the commercial cycle start date. For previously covered recordings that are reused or newly used in a motion picture, soundtrack recording or on television, contributions are earned on the date that wages are paid for the reused music. For salaried positions, contributions are earned on the day work is done.

**8. How does the contribution schedule increase apply to single engagement agreements?**

In the case of an employer (or bandleader, if the bandleader is the payor) who submitted five or more single engagement agreements during calendar year 2009, the increased contribution will be based on an assumed contribution rate that is no less than the average of the contribution rates in all of the agreements submitted to the Fund by the employer or bandleader during calendar year 2009. All single engagement agreements for work occurring on or after June 1, 2010 must be reported on the version of the single engagement contract that includes language incorporating the Rehabilitation Plan and sets forth the additional contribution rates. This form will be available on the Fund's web site. Work that is not reported on the appropriate form will not be processed by the Fund.

**9. Do the increased contributions generate benefit accruals for participants?**

Yes. The increased contributions are treated like all other contributions. (There is an exception for agreements that have a 25% increase because their pension contribution provisions last more than four years (see the last paragraph of Q&A 6 – in that case, only the first 9% of the increase generates benefit accruals)).

**10. Can the bargaining parties negotiate a reduction in the existing contribution rate in order to offset the 4% and/or 9% increase?**

No. In December 2009, the Board announced a rule prohibiting decreases in contribution rates under a collective bargaining agreement.<sup>1</sup> Accordingly, the contribution rate in a collective bargaining agreement may not be decreased to avoid application of this contribution rate increase.

**11. Why is the contribution increase so much higher for collective bargaining agreements with terms of more than four years?**

The purpose of this rule is to encourage the bargaining parties not to establish pension contribution schedules for more than four years, to provide the Board with maximum flexibility when updating the schedule. See Q&A 5.

**12. What happens if the bargaining parties do not agree to this increased contribution schedule by June 1, 2010?**

Beginning June 1, 2010, the Fund is required under the Pension Protection Act of 2006 to impose a surcharge on contributing employers until they adopt a contribution schedule that contains terms consistent with the Rehabilitation Plan.

As required by law, the surcharge does *not* provide for a corresponding increase in benefit accruals. The amount of the surcharge is as follows:

Effective for contributions earned on or after June 1, 2010 and before April 1, 2011, the surcharge is 5% of contributions. The term "contributions earned" is described in Q&A 7.

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<sup>1</sup> Specifically, an employer and a collective bargaining agreement is not acceptable to the Board in the event that: (i) in the case of a collective bargaining agreement the terms of which were in effect (by agreement or operation of law) on October 15, 2009, the effective contribution rate applicable to any period of that collective bargaining agreement is reduced (by agreement or otherwise on or after October 16, 2009); or (ii) in the case of any future extension of or successor to any collective bargaining agreement the terms of which were in effect (by agreement or operation of law) on October 15, 2009, the effective contribution rate is reduced to a rate that is lower than the effective contribution rate in effect on the last day of the expiring collective bargaining agreement (based on the terms of the collective bargaining agreement as they existed on October 15, 2009).

The following chart shows the 5% surcharge amount at various contribution rates:

<b>Contribution rate stated in CBA</b>	<b>5% surcharge amount</b>	<b>Contribution rate plus surcharge through 3/31/2011</b>	<b>Surcharge per \$1,000 of wages</b>
4.00%	0.2000%	4.20%	\$ 2.00
4.50%	0.2250%	4.73%	\$ 2.25
5.00%	0.2500%	5.25%	\$ 2.50
5.50%	0.2750%	5.78%	\$ 2.75
6.00%	0.3000%	6.30%	\$ 3.00
6.50%	0.3250%	6.83%	\$ 3.25
7.00%	0.3500%	7.35%	\$ 3.50
7.50%	0.3750%	7.88%	\$ 3.75
8.00%	0.4000%	8.40%	\$ 4.00
8.50%	0.4250%	8.93%	\$ 4.25
9.00%	0.4500%	9.45%	\$ 4.50
9.50%	0.4750%	9.98%	\$ 4.75
10.00%	0.5000%	10.50%	\$ 5.00
10.50%	0.5250%	11.03%	\$ 5.25
11.00%	0.5500%	11.55%	\$ 5.50
11.50%	0.5750%	12.08%	\$ 5.75
12.00%	0.6000%	12.60%	\$ 6.00
12.50%	0.6250%	13.13%	\$ 6.25
13.00%	0.6500%	13.65%	\$ 6.50
13.50%	0.6750%	14.18%	\$ 6.75
14.00%	0.7000%	14.70%	\$ 7.00

Effective for contributions earned on or after April 1, 2011, the surcharge is 10% of contributions. The 10% surcharge remains in effect for each plan year in which the plan is in critical status. The following chart shows the 10% surcharge at various contribution rates:

Contribution rate stated in CBA	10% surcharge amount	Contribution rate plus surcharge from 4/1/2011	Surcharge per \$1,000 of wages
4.00%	0.4000%	4.400%	\$ 4.00
4.50%	0.4500%	4.950%	\$ 4.50
5.00%	0.5000%	5.500%	\$ 5.00
5.50%	0.5500%	6.050%	\$ 5.50
6.00%	0.6000%	6.600%	\$ 6.00
6.50%	0.6500%	7.150%	\$ 6.50
7.00%	0.7000%	7.700%	\$ 7.00
7.50%	0.7500%	8.250%	\$ 7.50
8.00%	0.8000%	8.800%	\$ 8.00
8.50%	0.8500%	9.350%	\$ 8.50
9.00%	0.9000%	9.900%	\$ 9.00
9.50%	0.9500%	10.450%	\$ 9.50
10.00%	1.0000%	11.000%	\$ 10.00
10.50%	1.0500%	11.550%	\$ 10.50
11.00%	1.1000%	12.100%	\$ 11.00
11.50%	1.1500%	12.650%	\$ 11.50
12.00%	1.2000%	13.200%	\$ 12.00
12.50%	1.2500%	13.750%	\$ 12.50
13.00%	1.3000%	14.300%	\$ 13.00
13.50%	1.3500%	14.850%	\$ 13.50
14.00%	1.4000%	15.400%	\$ 14.00

The surcharge is due and payable on the same schedule as the contributions on which the surcharges are based.

**13. When does the surcharge take effect?**

The surcharge automatically takes effect for contributions earned on or after June 1, 2010 *unless* the bargaining parties have agreed to the increased contribution schedule required by the Rehabilitation Plan.

**14. Does the surcharge generate benefit accruals for participants?**

The law does not permit the surcharge to generate benefit accruals. By contrast, the 4% or 9% (as applicable) contribution increase required by the Rehabilitation Plan does generate benefit accruals.

**15. How does an employer avoid paying the employer surcharge?**

An employer can avoid paying the surcharge entirely if the bargaining parties adopt a contribution schedule consistent with the Rehabilitation Plan prior to June 1, 2010 and provide the Fund Office with an executed agreement reflecting adoption of the contribution schedule (see Q&A 21). If there is an unreasonable delay in providing the Fund Office with an executed agreement that adopts that contribution schedule, the agreement will not be treated as adopted until the date of receipt by the Fund Office and the surcharge will be imposed through that date.

If the contribution schedule is not adopted before June 1, 2010 and effective on that date, then the surcharges will go into effect until the contribution schedule is adopted.

Since the surcharges (5% and 10%) are higher than the contribution increases (4% and 9%) in the Rehabilitation Plan and since the surcharges do not result in benefit accruals, the bargaining parties will likely want to adopt the contribution schedule as soon as possible.

The bargaining parties may also wish to adopt the contribution schedule as soon as possible so that they can “lock in” the increases for the length of the agreement, which may be important because the Board is required to update the contribution schedule each plan year. For example, if the parties delay adoption until after April 1, 2011, it is possible that the updated contribution schedule as of April 1, 2011 will require higher contributions. Those additional contribution increases would not apply to a collective bargaining agreement that took effect prior to (and was still in effect on) April 1, 2011.

**16. Is there a date by which the bargaining parties are required by law to adopt the changes in the contribution schedule?**

If the collective bargaining agreement providing for contributions to the Fund was entered into before April 1, 2010 and has an expiration date that is on or after April 1, 2010, the bargaining parties are required by law to adopt a contribution schedule consistent with the Rehabilitation Plan within 180 days after the expiration date of the collective bargaining agreement.

If the collective bargaining agreement had an expiration date before April 1, 2010 and no successor agreement was yet in effect on that date, the contribution schedule must be adopted by September 28, 2010 (180 days from April 1, 2010).

Bear in mind that, although the law does not *require* bargaining parties to adopt a contribution schedule before the date described above, the bargaining parties may nevertheless do so. If, for example, they wanted to avoid the statutory surcharge on contributions, they would need to adopt the contribution schedule by June 1, 2010 (see Q&A 15).

**17. What if the collective bargaining agreement in effect on April 1, 2010 has an “evergreen provision”?**

If a collective bargaining agreement that was entered into prior to April 1, 2010 has an evergreen provision, it will be deemed to have expired on April 1, 2010.

**18. What happens if the bargaining parties do not adopt the changes by the required date?**

If the bargaining parties do not adopt the contribution schedule consistent with the Rehabilitation Plan within the required time period (see Q&A 16), the contribution schedule will take effect anyway under the law. In addition, the employer will remain subject to surcharges imposed by law. In that case, the employer will be paying *both* the contribution increase *and* the surcharge.

**19. How is the contribution increase calculated for employers or payors who contribute only for single engagements?**

For employers or bandleaders (if the bandleader is the payor) who submitted five or more single engagement agreements during calendar year 2009, the contribution rate in any new single engagement agreement must be at least 4% or 9% (as applicable) higher than the *average* of the contribution rates in all of the agreements submitted to the Fund by the employer or bandleader during calendar year 2009. The Fund expects to send letters to all employers and/or bandleaders that are affected by this rule in advance of June 1, 2010. If you are an employer or bandleader who does not receive this information but you think you are affected, please contact the Fund Office.

**20. What is the rule for employers (such as local unions) that have non-collectively bargained employees?**

If a local union or other employer contributes to the Fund on behalf of non-collectively bargained employees *only*, the participation agreement is treated like a collective bargaining agreement that expires on April 1, 2011. Thus, the outside date for adopting the contribution schedule is 180 days after April 1, 2011. To avoid surcharges, the participation agreement will still need to be amended by June 1, 2010 to adopt the contribution schedule. The Fund expects to send to local unions, the AFM and other affected groups the proper documentation to adopt the contribution schedule in the Rehabilitation Plan in advance of June 1, 2010. If you believe this affects you and you do not receive the documentation, please contact the Fund Office.

If a local union or other employer contributes to the Fund on behalf of collectively bargained *and* non-collectively bargained participants, the contribution/surcharge rules for the non-collectively bargained employees are determined based on the employer's first-to-expire collective bargaining agreement that was in effect on April 1, 2010.

**21. How do the bargaining parties adopt the changes in the contribution schedule?**

In order to ease the burden on the bargaining parties, the Fund has created a model supplemental agreement to the collective bargaining agreement that may be used to adopt the contribution schedule in the Rehabilitation Plan where the CBA was in effect on April 1, 2010 (or where the expiration date of the CBA was before April 1, 2010 and no new CBA was yet in effect as of that date). The model supplemental agreement (Form A) is included in the mailing that includes the Rehabilitation Plan, and is also available on the Fund's website (see Q&A 34). A signed copy of the supplemental agreement (or other document by which the contribution schedule is adopted) must be returned to the Fund Office (see Q&A 34 for the Fund Office address).

Also included in the mailing (and on the website) are:

- a model successor CBA clause for successor CBAs that become effective on or after June 1, 2010 but before April 1, 2011 (Form B), and
- a model successor CBA clause for successor CBAs that become effective on or after April 1, 2011 (Form C).

For local unions with only non-collectively bargained employees, a model participation agreement amendment is available on the Fund's website, [www.afm-epf.org](http://www.afm-epf.org), or by contacting the Fund Office (see Q&A 34).

**22. Can a collective bargaining agreement retroactively adopt the contribution schedule?**

No. The contribution schedule may not be adopted retroactively to avoid the imposition of the surcharge. The surcharge otherwise in effect will apply until the date on which the contribution schedule is adopted (or, in the case of an unreasonable delay in providing the Fund Office with an executed agreement, the date of receipt of the agreement by the Fund Office).

**23. Are collective bargaining agreements with new employers required to include the contribution schedule?**

CBAs that are entered into with new employers on and after April 1, 2010 are not required to include the contribution schedule, since any newly negotiated agreement will be deemed to include the increases required by the Rehabilitation Plan. Future renewals of those CBAs may be subject to contribution adjustments based on the annual updates to the Rehabilitation Plan (see Q&A 5).

The preceding paragraph will not apply to new employers that become "me-toos" to CBAs in effect on (or with an expiration date before) April 1, 2010; the Fund expects that such new employers will sign the existing CBA along with the supplemental agreement providing for the increased contributions required under the Rehabilitation Plan.

**24. Can a collective bargaining agreement include a provision stating that contributions will be reduced once the Plan exits critical status?**

No. Such a provision would be inconsistent with the Rehabilitation Plan. In addition, as described above (see Q&A 10), the Board announced in December 2009 a rule prohibiting decreases in contribution rates under a collective bargaining agreement. There is no exception in the rule that would permit decreases in contribution rates adopted in lieu of the otherwise applicable statutory surcharge to comply with the Rehabilitation Plan.

Of course, both bargaining parties and participants should be aware that the Board adopted this measure and the measures taken in the Rehabilitation Plan not because it intends to interfere with the bargaining process but because these changes were necessary to preserve the financial stability of the Plan and in some cases required by law. Once the Plan emerges from critical status and this financial stability is restored, the Board expects to carefully review the ongoing necessity of limiting the ability of the bargaining parties to reduce contribution rates.

**BENEFIT CHANGES**

**25. What are the benefit changes in the Rehabilitation Plan?**

The benefit changes being made as part of the Rehabilitation Plan or otherwise are described in detail in a separate notice of benefit reductions (titled "Important Notice of Benefit Changes") sent with this document. They include:

- eliminating early retirement subsidies
- eliminating benefit guarantees for the single life annuity
- eliminating the pop-up and benefit guarantee features of the 50% joint and survivor annuity
- using actuarial equivalent factors, rather than simplified factors, for determining actuarial increases for participants who commence benefits after normal retirement age (generally age 65)
- eliminating certain forms of benefit that were available for participants in the AFM Retirement Plan and the AFM-EPF Staff Plan prior to merger with the Fund
- eliminating the lump-sum form of benefit (other than for lump sums with an actuarial present value of \$5,000 or less)

**26. What change is being made to the early retirement benefit?**

The only change being made to the early retirement benefit is that the portion of the benefit earned before 2004 no longer has a subsidy associated with it. In other words, for benefits earned before 2004, the benefit multipliers are now the actuarial equivalent of the age 65 benefit (as it already is for benefits earned beginning in and after 2004). Previously, the subsidy resulted in the early retirement benefit being more valuable than the benefit at age 65 because the Fund did not make a full actuarial reduction to account for the fact that benefits would begin at an earlier age (and therefore be paid for a longer period of time).

All benefits are based on the benefit multiplier per \$100 of contributions (rounded to the nearest \$100) set forth in the chart below. Benefit multipliers for early retirement benefits (ages 55 to 64) earned beginning in and after 2004 were never subsidized, so only the shaded benefit multipliers shown in column A are being adjusted by the Rehabilitation Plan.

	A <i>modified</i>	B unchanged	C unchanged	D unchanged	E unchanged
Age at Annuity Starting Date	Benefits earned before January 1, 2004	Benefits earned on or after January 1, 2004 and before April 1, 2007	Benefits earned on or after April 1, 2007 and before May 1, 2009	Benefits earned on or after May 1, 2009 and before January 1, 2010	Benefits earned on or after January 1, 2010
65 or older	\$4.65	\$3.50	\$3.25	\$2.00	\$1.00
64	\$4.16	\$3.13	\$2.91	\$1.79	\$0.90
63	\$3.75	\$2.82	\$2.62	\$1.61	\$0.80
62	\$3.36	\$2.53	\$2.35	\$1.45	\$0.72
61	\$3.04	\$2.29	\$2.13	\$1.31	\$0.65
60	\$2.75	\$2.07	\$1.92	\$1.18	\$0.59
59	\$2.48	\$1.87	\$1.74	\$1.07	\$0.53
58	\$2.26	\$1.70	\$1.58	\$0.97	\$0.49
57	\$2.05	\$1.54	\$1.43	\$0.88	\$0.44
56	\$1.86	\$1.40	\$1.30	\$0.80	\$0.40
55	\$1.70	\$1.28	\$1.19	\$0.73	\$0.37

**27. Does the Rehabilitation Plan reduce the monthly benefit amount payable to participants who commence benefits at normal retirement age as a single life annuity?**

No. The monthly benefit amount already earned by participants who take their benefit at age 65 as a single life annuity is not being reduced.

**28. When do the benefit changes go into effect?**

The benefit reductions described in the Rehabilitation Plan are effective for pension benefit payments with an annuity starting date on or after June 1, 2010. However, these benefit reductions will not apply to pension benefit payments with an annuity starting date of June 1, 2010 if the initial application for benefits was postmarked (or received in the Fund Office, in the case of applications delivered by fax or by hand) on or before February 24, 2010.

**29. Do the benefit modifications apply to benefits that began before June 1, 2010?**

No. Benefits with annuity starting dates prior to June 1, 2010 are not affected by these changes.

**30. Do the benefit changes apply where the bargaining parties negotiate a withdrawal from the Fund and do not adopt the contribution rates set forth in the Rehabilitation Plan?**

Yes. Except as described above in Q&A 28, the benefit changes take effect June 1, 2010 for all benefits with an annuity starting date on or after June 1, 2010. This includes both participants working for contributing employers and participants for whom contributions are not currently required to be made (for whatever reason).

## WITHDRAWALS

### 31. What if an employer terminates its participation in the Fund?

The Board understands that the events of the last two years have created financial difficulties for many of the Fund's contributing employers and that some employers may wish to negotiate to cease their employees' participation in the Fund. Employers must be mindful that not only will this result in their employees receiving no further benefit accruals, but it also may result in significant withdrawal liability to the Fund.

Under the Multiemployer Pension Plan Amendments Act of 1980, employers who withdraw from a defined benefit pension plan like the Fund are required to pay withdrawal liability, which represents the withdrawing employer's share of the unfunded vested benefit liability of the Fund.

### 32. Has anything changed with respect to withdrawal liability?

As noted most recently in the Fund's December 30, 2009 mailing to contributing employers, the Board has adopted various procedures for calculating and enforcing withdrawal liability. A brief summary of those procedures can be found on the Fund's web site ([www.afm-epf.org](http://www.afm-epf.org)).

Since the December 30, 2009 mailing, two additional changes were made (effective April 1, 2009) that impact the Fund's "unfunded vested benefits" for withdrawal liability purposes. First, the Fund's actuary has advised that it will be calculating unfunded vested benefits based on the market value of assets, rather than the actuarial value of assets (the latter of which is currently higher). Second, the investment return assumption will be based on rates published by the Pension Benefit Guaranty Corporation, rather than the assumption used for funding purposes (the latter of which is currently higher). For withdrawals in the current plan year, this will have the effect of increasing the unfunded vested benefits (and, therefore, withdrawal liability) above what they otherwise would have been. Employers who wish to obtain estimates of their withdrawal liability can do so by following the steps described in the summary of the Fund's withdrawal liability procedures (see <http://www.afm-epf.org/NoticeRegardingWithdrawal.cfm>).

## FURTHER INFORMATION

### 33. When will the Fund emerge from critical status?

In projecting when the Fund will emerge from critical status under the terms of the Rehabilitation Plan, the Fund's actuary is required by law to use the Fund's actuarial assumptions, including the annual 7.5% investment return assumption. Thus, the possibility of investment returns in excess of that amount may not be taken into account in the projections, even though the Fund's annual investment return has historically been above 7.5%. Based on these assumptions, including an annual 7.5% investment return, the Fund is estimated to emerge from critical status by March 31, 2047.

The actual date of emergence from critical status is highly sensitive to the Fund's investment return. All else being equal, investment returns in excess of 7.5% could significantly expedite the Fund's emergence from critical status. For example, the Fund's actuary has conservatively projected that the Fund could emerge from critical status *at least* 20 years earlier than currently projected if it achieves a 25% return for the current Plan Year (beginning April 1, 2010) alone. These projections are based on the most recent information available to the Fund's actuary and supersede any prior projections provided before the date of adoption of the Rehabilitation Plan.

There are a host of contingencies and unanswered questions that could affect when the Fund emerges from critical status, including, to identify just three, the relationship between early emergence from critical status and the 5-year amortization extension; the effect on the Rehabilitation Plan of proposed "pension relief" legislation currently being considered by Congress; and the effect of continued changes in the economy and in the music industry on employment, wage, contribution and retirement patterns.

### 34. Where can I get more information?

If you need more information, you can contact the Fund Office:

- by phone to Customer Service at 1-800-833-8065 (extension 1311)
- by email through the “Contact Us” link on our web site ([www.afm-epf.org](http://www.afm-epf.org))
- by regular mail at:

American Federation of Musicians and Employers’ Pension Fund  
Att: Rehabilitation Plan Administration

1 Penn Plaza  
Suite 3115  
New York, New York 10119

\* \* \*

These are exceedingly difficult (and, in many cases, unprecedented) times for the U.S. economy in general and for the music industry in particular. While the Board is hopeful that both the economy and the music industry will improve in the future – hopefully, substantially – until that time, the Board needs to do the best it can under the circumstances and do everything possible to ensure the continued viability of the Fund. This can only occur if all parties concerned are willing to make the sacrifices described in this Rehabilitation Plan, and if the Board continues to make some very difficult decisions to carefully balance the needs of participants, contributing employers, and the AFM and its constituent local unions in a manner that is fair, equitable *and realistic*. By so doing, the Board hopes not only to ensure the survival of the Fund well into the future, but eventually to restore the pension benefits that it has so reluctantly been compelled, by circumstances not within its control, to reduce.