



AFM-EPF Submits MPRA Application to U.S. Treasury Department

Participants Will Receive a Personalized Benefit Estimate Statement

Via Postal Mail

On December 30, 2019, the AFM-EPF submitted an application to the U.S. Treasury Department to reduce benefits under the Multiemployer Pension Reform Act (“MPRA”) in order to prevent the Plan from becoming insolvent. We know that our participants have anticipated this difficult moment for some time. Now that the application has been submitted, we can provide important information about how each participant would be affected by the proposed benefit reductions if the application is approved by Treasury.

On January 6, 2020, the Fund Office mailed a packet of information about the MPRA application to all participants and beneficiaries of deceased participants. This mailing includes three documents, all of which are important for participants to read in full:

- **Personal Benefit Estimate Statement** – Personalized statement showing your estimated benefit as of January 1, 2021 should the reduction be approved and go into effect
- [“Difficult Choices” Newsletter](#) – Overview of what’s happening and why
- [Official Notice of Proposed Reduction](#) – Official notice of the Plan’s application to reduce benefits, including important information about your rights

In addition to the copies you will soon receive via U.S. mail, the “Difficult Choices” Newsletter and Official Notice of Proposed Reduction referred to above are available now on the [Recent Mailings](#) page of the Plan’s website (www.AFM-EPF.org), under the “Stay Informed” tab. We have also included the general content of the “Difficult Choices” Newsletter within this email below.

Participants who have registered on the Plan website can access their Personal Benefit Estimate Statement by logging into the [Participant Portal](#) and clicking on the MPRA Benefit Estimates icon. If you have not yet registered, you may do so by [clicking here](#) or by clicking on the link in the heading of the Plan website.

We will continue to keep you informed throughout the MPRA process via the *Pension Fund Notes* e-newsletter. There are also several resources on the Plan website, including the [Frequently Asked Questions](#) page and the [MPRA Benefit Reductions page](#), which contains a description of each component of the proposed benefit reduction.

Drawing from the Newsletter that was mailed to you, below is important background information you should know about the proposed benefit reductions and the difficult choices that led the Trustees to submit a MPRA application.

DIFFICULT CHOICES

The American Federation of Musicians and Employers’ Pension Fund (“AFM-EPF” or the “Plan”) has faced a combination of daunting financial challenges over the past several years – in particular, the Plan’s investment losses during the Great Recession of 2008-09, and substantially rising benefit payments that increasingly exceed contributions. In July of last year, we informed participants that these challenges caused the Plan to enter into “critical and declining” status, which means that the Plan is projected to run out of money to pay benefits within 20 years. Despite efforts by multiemployer plans, participants, unions, employers, and others, Congress has yet to pass legislation that could solve this crisis.

Our difficult choices at this point were either:

- Do nothing – we would continue to pay benefits as long as we can (our best estimate is that the Plan will run out of money in 2037), then let the Plan go to the Pension Benefit Guaranty Corporation (“PBGC”), which may mean even lower benefits, or
- Try to save the Plan – reduce earned benefits, which will allow us to stabilize the Plan and continue to pay benefits for current and future participants well beyond 2037.

The Trustees have decided to try to save the Plan by filing an application with the U.S. Treasury Department to reduce benefits under the Multiemployer Pension Reform Act (“MPRA”) of 2014. This doesn’t mean benefit payments stop, but they could be reduced. Keep reading to learn what this may mean for you, why the Trustees made this decision, and what happens next

What You Need to Know

- **Nothing is happening to benefits yet.** The government requires that we follow a detailed process before benefits can be reduced, which could take close to a year. The effective date for the benefit reductions, if approved, would be January 1, 2021.
- You’ll get to vote on the proposed reduction in a process managed by the U.S. Treasury Department. Except for those mentioned below, under MPRA, benefits can be reduced for retirees, beneficiaries, inactive participants with a vested benefit and those who are still working.
- Reducing benefits ourselves allows us to protect the \$1.00 multiplier – the core promise of the Plan.
- Under MPRA, benefits **would not be reduced** for those who are 80 or older as of January 31, 2021, and reductions would be less for those between 75 and 80 as of that date. And the portion of benefits paid to a participant as a disability pension, is also protected.
- Your benefit under this proposed reduction would be equal to or higher than what you’d get if the Plan ran out of money and the PBGC paid a guaranteed benefit, especially considering the PBGC currently projects its multiemployer program to run out of money by the end of its 2025 fiscal year.
- There are several components of the benefit reduction. For example, the one that applies to the most individuals is the 15.5% reduction of benefit multipliers higher than \$1.00. This does not mean that your total benefit is reduced by 15.5%. This part of the reduction applies only to benefits earned through December 31, 2009. So, the larger the portion of your benefit that was earned after that date, the smaller the impact of the 15.5% reduction on your total benefit. However, it’s important to keep in mind that while some participants would be affected by only one or two components of the benefit reduction, others would be affected by several.

Why We Applied for a Benefit Reduction

We faced two challenging options – to allow the Plan to run out of money within 20 years or try to prevent that from happening by applying to the government for approval to reduce earned benefits.

If we did nothing and the Plan runs out of money, a federal government insurer called the Pension Benefit Guaranty Corporation is supposed to provide funding to keep paying benefits – but it pays benefits only up to a certain limit. Absent a change in the law, the PBGC currently projects its multiemployer program will become insolvent by the end of its 2025 fiscal year. If the PBGC were to become insolvent, it would not be able to pay the full benefit it guarantees. In that case, your benefit could be much less than even the current PBGC guaranteed amount.

There was a second option. Under MPRA, if a Plan is in critical and declining status (as the Plan currently is), the Trustees can apply to the U.S. Treasury Department for approval to reduce participants’ benefits by an amount sufficient for the Plan to avoid insolvency.

We decided to seek permission to reduce benefits under MPRA because the alternative of running out of money will likely reduce benefits even further. And, there is no advantage to delaying the decision. As time progresses, the date of insolvency will draw closer, the Plan's assets will shrink, and the liabilities will grow. The longer we wait, the larger the reductions will have to be.

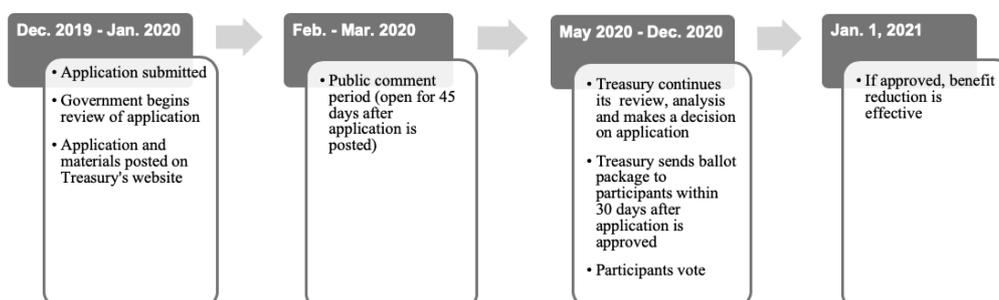
For more than two years, Congressional leaders have been undertaking negotiations for a bipartisan legislative solution that would provide financial assistance to our Plan and the more than 120 other multiemployer pension funds across the nation, covering 1.3 million participants, that now face the prospect of insolvency. The Trustees have been advocating for such legislation, but we also know that we cannot sit idly by waiting for it to happen. The stakes are too high to avoid taking action while we wait for Congress to act. We have a responsibility to do everything in our power to ensure that the Plan is able to pay benefits for the long term. If Congress passes legislation that allows us to withdraw our MPRA application or roll back benefit reductions while still avoiding insolvency, then the Trustees plan to do that.

Taking Action Makes Sense

As we weighed our options, we looked carefully at the pros and cons for each. Reducing benefits is a painful decision, but in the end, we felt it was better to do all we can to try to save the Plan.

Try to save the Plan	Let the Plan run out of money
Reducing benefits ourselves results in smaller cuts than if the Plan went to the PBGC.	For many/most participants, PBGC benefits would be lower than benefits under this proposed reduction. And the PBGC's multiemployer program is in trouble – if it runs out of money, benefits could be much less.
More participants help shoulder the burden (including those who accrued benefits at a higher level than current participants and profited from benefit increases over the years).	If the Plan runs out of money, perhaps the hardest hit group would be active participants, who have already made sacrifices by accruing lower benefits.
Under the proposed reduction, the people who are least able to bounce back have some protections, including those who are 80 or older as of January 31, 2021, and those between 75 and 80 as of that date. And the portion of benefits, paid to a participant as a disability pension, is also protected.	If the Plan runs out of money, benefits are subject to cuts across the board. And if the PBGC runs out of money, no one is protected from reductions.
Best opportunity to continue benefits for current and future generations.	Ends a vital element of retirement income for Plan participants that we've had for generations.

Timeline



Important Definitions

These definitions might come in handy as you review the newsletter, your personal benefit estimate statement and the official notice:

Benefit Multiplier: The dollar amount by which each \$100 of contributions is multiplied to determine the amount of your monthly pension benefit. It varies with your age at your Pension Effective Date and the year in which the contributions were earned. A higher multiplier results in a higher monthly benefit.

Critical and Declining Status: The Plan's current status. This funded status means the Plan is projected to run out of money within 20 years.

Multiemployer Pension Reform Act ("MPRA"): A law passed by Congress in 2014 that created the new "critical and declining" funded status for multiemployer pension plans and allowed plans in that status to reduce earned benefits upon meeting specified requirements.

Pension Benefit Guaranty Corporation ("PBGC"): A U.S. government agency that insures pension benefits up to a maximum amount set by law. Pension plans such as the AFM-EPF are required by law to pay annual premiums to the PBGC.

What's Next

The government has 225 days from the date we submit our application to approve or reject it. That's about 7½ months. Because they might not take the full 225 days, we don't really know how long it will be.

In the meantime:

- If the application is approved, you'll receive a voting ballot from the Treasury Department within 30 days of approval.
- When the voting period ends, the Treasury Department will post the results of the vote on its website.
- Visit the "Stay Informed" section of the Plan's website at www.afm-epf.org for more information.

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