



## IMPORTANT NOTICE OF BENEFIT CHANGE

**To: Participants**

**From: Board of Trustees**

**Re: Benefit Change Effective August 1, 2018**

**Date: July 16, 2018**

This notice contains important information about your future benefit accruals under the American Federation of Musicians and Employers' Pension Fund (the "Plan"). Please read it carefully and keep it with a copy of your Summary Plan Description.

### **2018 Update to the Rehabilitation Plan Requiring 10% Non-Benefit Bearing Employer Contribution Increase**

At their recent meeting, the Trustees adopted an Update to the Rehabilitation Plan ("2018 Update") to require a non-benefit bearing 10% increase in the rate of contributions currently being paid by employers on scale wages. The 10% increase is in addition to the 9% increase required by the 2010 Rehabilitation Plan as well as any other increases negotiated by the bargaining parties. In general, the new 10% required increase in the rate of contributions must be included in the successor to any collective bargaining agreement (or extension of that collective bargaining agreement) that expires on or after August 1, 2018.

The required 10% increase in the rate of contributions will be non-benefit bearing. What that means is that the amounts paid to the Fund as a result of the 10% increase in the rate of contributions will be used solely to improve the financial health of the Fund. Those amounts will not be considered when calculating your pension benefit and therefore will not increase future benefit payments to you. The reason you are receiving this notice is that this is a change from other contributions based on scale wages, including the previous required 9% increase in the rate of contributions under the 2010 Rehabilitation Plan, all of which are considered in calculating your pension benefits.

As you know, the Fund has been certified in "critical status" (also known as the "red zone") under the Pension Protection Act of 2006 ("PPA") since 2010. In accordance with the PPA, on April 15, 2010, the Board of Trustees adopted a rehabilitation plan (the "Rehabilitation Plan") requiring the bargaining parties to agree to what was ultimately a 9% increase in the rate of contributions paid by employers on scale wages effective June 1, 2010 and eliminating certain so-called "adjustable" benefits for participants not yet in pay status. The Rehabilitation Plan was updated in 2016 to restate the objective of the Rehabilitation Plan as forestalling insolvency. For a copy of the 2016 Rehabilitation Plan, you can go to this link ([www.afm-epf.org/RehabPlan.aspx](http://www.afm-epf.org/RehabPlan.aspx)).

### **Calculating Your Pension Benefits Before and After the 2018 Update Applies to You**

Generally, your monthly pension benefit is computed by multiplying each \$100 of contributions credited on your behalf for each Benefit Period (rounded to the nearest \$100 of contributions) by a specified dollar amount (called the "Multiplier") based on your age on your Pension Effective Date as further described in the Appendix. Below is a table showing the Multiplier at various ages for the Benefit Period covering contributions earned on and after January 1, 2010. After the 2018 Update becomes effective for your collective bargaining agreement, the same calculation based on the table below will apply. However, when the Plan calculates each \$100 of contributions credited on your behalf, it will not

count the portion of the contributions attributable to the 10% increase in the rate of contributions required by the 2018 Update.

<b>Current Benefit Multiplier by Age at Pension Effective Date Payable as a Single Life Benefit</b>	
<b>Age</b>	<b>Contributions Earned on and after January 1, 2010 Benefit Period E</b>
65 or older	\$ 1.00
64	\$ 0.90
63	\$ 0.80
62	\$ 0.72
61	\$ 0.65
60	\$ 0.59
59	\$ 0.53
58	\$ 0.49
57	\$ 0.44
56	\$ 0.40
55	\$ 0.37

The Appendix shows the Multiplier for earlier Benefit Periods. For periods prior to the effective date of the 2018 Update to the collective bargaining agreement under which your work is performed, there is no change in your benefits as described in the table above or the Appendix.

Here is an example showing the effect of the 2018 Update on the pension calculation for a participant with:

- (i) \$10,000 of total contributions earned after January 1, 2010 and before the 2018 Update becomes effective for the participant’s collective bargaining agreement, and
- (ii) \$11,000 of total contributions earned after the 2018 Update becomes effective for the participant’s collective bargaining agreement.

Note that all of the benefit amounts in this example are the monthly amounts payable at normal retirement age (generally, age 65) in the form of a Single Life Benefit:

Let’s start with item (i) – the contributions earned before the 2018 Update becomes effective for the participant’s collective bargaining agreement. Since all of the contributions were earned during Benefit Period E, there is only one applicable Multiplier and only one calculation for the \$10,000 of total contributions earned before that effective date as illustrated below:

- (i) \$10,000 divided by 100 = 100 times \$1.00 = \$100

Now let’s add item (ii) above – the contributions earned after the 2018 Update becomes effective for the participant’s collective bargaining agreement. In our example, following the effective date of the 2018 Update for the participant’s collective bargaining agreement, the participant earns another \$11,000 in total contributions. The calculation looks like this:

(ii) \$11,000 = \$10,000 that would have been contributed absent the 2018 Update + \$1,000, the non-benefit bearing 10% increase required by the 2018 Update  
 $\$10,000 \text{ divided by } 100 = 100 \text{ times } \$1.00 = \$100$

Total Benefit (i) + (ii)  $\$100 + \$100 = \$200$  monthly benefit payable at normal retirement age in the form of a Single Life Benefit

Had the Rehabilitation Plan **not been amended**, the individual's monthly benefit would have been determined as follows:

(i)  $\$10,000 \text{ divided by } 100 = 100 \text{ times } \$1.00 = \$100$  (no change), and

(ii)  $\$11,000 \text{ divided by } 100 = 110 \text{ times } \$1.00 = \$110$

Total Benefit (i) + (ii)  $\$100 + \$110 = \$210$  monthly benefit payable at normal retirement age in the form of a Single Life Benefit

**Note that there is no change to the calculation of the accrued benefits earned prior to the effective date of the 2018 Update.**

There is a special rule if you work for a new employer under a new collective bargaining agreement effective on or after August 1, 2018. Since those employers are new, their contribution rate will be split up into a base amount that is benefit-bearing and an additional 10% of that base amount that does not count toward your benefit amount. The way the math works out, the amount that does not increase your benefits is 9.09% of the total rate. For example, if you earn \$10,000 in total contributions working for a new employer with a new collective bargaining agreement effective October 1, 2018, your future benefit will be calculated based on \$9,091 in contributions. The remaining \$909 in contributions will not count toward benefits.

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This notice is required to be furnished to you pursuant to Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4980F of the Internal Revenue Code. This notice also constitutes a summary of material modifications under Sections 102(a) and 104(b) of ERISA.

## Appendix

### How a Regular Pension Benefit is Calculated

Generally, your monthly pension benefit is computed by multiplying each \$100 of contributions credited on your behalf for each Benefit Period (rounded to the nearest \$100) by a specified dollar amount based on your age on your Pension Effective Date. This specified dollar amount is known as the benefit multiplier (“Multiplier”). The benefit amounts for each Benefit Period are then added together to produce the monthly amount payable for your lifetime. (The table below shows monthly payments under the Single Life Benefit form of benefit payment. If you choose another form of payment when you start your benefit, the monthly pension will be reduced to pay for the survivor benefit.)

There are five different Multipliers corresponding to different time periods and adjusted for age at Pension Effective Date as shown below.

<b>Benefit Multipliers by Benefit Period and Age at Pension Effective Date payable as a Single Life Benefit</b>					
<b>Age at Pension Effective Date</b>	<b>Contributions Earned Through December 31, 2003</b>	<b>Contributions Earned From January 1, 2004 Through March 31, 2007</b>	<b>Contributions Earned From April 1, 2007 Through April 30, 2009</b>	<b>Contributions Earned From May 1, 2009 Through December 31, 2009</b>	<b>Contributions Earned on and after January 1, 2010</b>
	<b>Benefit Period A</b>	<b>Benefit Period B</b>	<b>Benefit Period C</b>	<b>Benefit Period D</b>	<b>Benefit Period E</b>
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