



American Federation
of Musicians &
Employers' Pension Fund

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To: All Participants and Beneficiaries Receiving Benefits

From: Board of Trustees of the American Federation of Musicians and Employers' Pension Fund (the "Plan")

Re: **Annual Funding Notice for Plan Year ended March 31, 2018**
Notice of Critical Status for Plan Year ending March 31, 2019
Notice of Benefit Change Effective August 1, 2018

Date: July 16, 2018

Around this time annually, the Plan sends out required notices regarding the Plan's funded percentage and other related funding information for the previous Plan Year, along with a notice advising of the Plan's status, determined by the Plan's actuaries, for the current Plan Year, as required by the Pension Protection Act of 2006 ("PPA"). Accordingly, we enclose herewith (i) the Plan's **Annual Funding Notice for the Plan Year ended March 31, 2018** and (ii) the **Notice of Critical Status for the Plan Year ending March 31, 2019**.

In addition, we are also enclosing a third notice, concerning benefit accruals for future contributions earned under the successor to any collective bargaining agreement (or extension of that collective bargaining agreement) that expires on or after August 1, 2018. This notice is titled **Benefit Change Effective August 1, 2018** ("Notice") and reflects the **June 2018 Update to the Rehabilitation Plan** ("Update"), which you can review at www.afm-epf.org/RehabUpdate2018.aspx. You should keep this Notice with your Summary Plan Description, a copy of which can be found at www.afm-epf.org/PlanDocuments/SummaryPlanDescription.aspx.

The three enclosures are described below.

Annual Funding Notice

The **Annual Funding Notice** is for the Plan Year ended March 31, 2018. You should be aware that parts of this Notice reflect the finances of the Plan as of March 31, 2017, rather than March 31, 2018. As set forth in this Notice, the Plan's funded percentage (for Pension Protection Act of 2006 ["PPA"] purposes) was 64.5% as of April 1, 2017.

The Plan's funded percentage (for PPA purposes) as of April 1, 2018 will not be known until the actuarial valuation for the most recent Plan Year ending March 31, 2018, is complete, but is estimated to be 62%. This estimate reflects a decrease from the previous year's funded percentage.

Notice of Critical Status

You will also see from the enclosed **Notice of Critical Status** that the Plan remains in "critical" status for the current Plan Year (which began April 1, 2018). As was the case last year, the Plan's actuary projects that if the Plan meets its current assumptions, the Plan will remain solvent (that is, able to pay benefits) over the required 20-year projection period.

However, the Plan's actuaries project that insolvency is likely at some point in the future, after the 20-year period. The Plan's actuary makes this calculation annually, following the conclusion of each Plan Year in March. Projected

insolvency within 20 years would mean that the Plan would then enter “critical and declining” status. At that time, unless the law is changed, it would allow benefits to be fairly reduced for the purpose of avoiding insolvency and continuing to pay benefits for the indefinite future. The size and structure of any benefit reductions depend on the Plan’s financial condition at the time it enters “critical and declining” status.

The Trustees still continue to take action to address the Plan’s financial condition. For example, the Board transitioned last year to an outsourced chief investment officer (“OCIO”) model. Under the OCIO model, the Trustees retained the highly respected Cambridge Associates to oversee day-to-day decisions for the Plan’s investment portfolio, including the selection of asset managers. Cambridge Associates provides the Fund with an excellent combination of access to best-in-class investment managers and the ability for the Fund to better adapt to rapidly changing markets and the growing complexity of investment decisions, prudently balancing risk and reward.

The Board also took action by adopting the Update to the Rehabilitation Plan. This Update requires a 10% increase in the rate of contributions effective for collective bargaining agreements (or their extensions) generally that expire on or after August 1, 2018. Under the Update, those additional required contributions are non-benefit bearing, or unallocated. Note that collective bargaining agreements must be accepted by the Plan, and employers may not reduce their effective contribution rates to the Plan.

Benefit Change Effective August 1, 2018

The **Benefit Change Effective August 1, 2018** describes the impact of the 10% increase in the rate of employer contributions on your benefit accruals for contributions earned on and after the effective date of the Update for your collective bargaining agreement. The purpose of this Notice is to explain to you that because the additional contributions remitted as a result of the increase in the rate of contributions are unallocated, those new contributions will not be used to calculate any participant’s benefits under the Plan. Instead, they will go solely to improve the Plan’s financial health. The Notice describes this in greater detail and provides an example of how it works.

Trustee and Participant Advocacy for Legislation

Congress recently formed a bipartisan Joint Select Committee on the Solvency of Multiemployer Pension Plans, made up of eight Senators and eight Representatives, that is tasked with producing a bill by November 30, 2018 to solve the national multiemployer pension crisis. The Trustees are actively engaged in advocating to the Joint Select Committee for a solution that fully and fairly addresses the financial challenges facing the Plan. If a majority of Democrats and a majority of Republicans on the Committee agree on a solution, the bill is guaranteed an expedited process in the Senate.

The Fund has set up a webpage to help participants contact their own Members of Congress and the Joint Select Committee. **To access these tools and make your voice heard in Washington, go to www.afm-epf.org/Congress.aspx.**

As always, the Fund Office is available to answer questions regarding these notices. Questions should be directed to the Fund Office by phone to Customer Service at 1-800-833-8065 (extension 1311), by e-mail through the “Contact Us” link on our web site (www.afm-epf.org) or by mail.