Pension Fund Notes

Newsletter of the American Federation of Musicians and Employers' Pension Fund

Some AFM-EPF participants recently received a communication from an outside organization that contains out-of-date and misleading information about the Fund's recent investment performance. It also discusses a resolution that was proposed and overwhelmingly defeated at the AFM Convention earlier this month.

Investment Performance

The Trustees feel it is important that participants have access to up-to-date and accurate information about the financial status of the Pension Fund. To this end, the most recent quarterly investment performance report is made available on the Fund website. Registered participants can view this report by logging into the **participant portal** and then clicking on "Financial Information." You **can click here to register** on the Fund website.

The most recent quarterly investment report (containing performance through March 31, 2019) shows that the Fund's Outsourced Chief Investment Officer, Cambridge Associates, has added positive value since it was retained by the Fund in October 2017 (see page 3). But the more important point is that, given the volatility of the markets, these "value added" figures will vary from month to month and quarter to quarter. It is misleading to make sweeping judgements about long-term investment performance based on any one moment in time.

It is also misleading to focus on a single private equity investment – such as the Abraaj Global Growth Markets Strategic Fund. The AFM-EPF has been investing in private equity for many years and the result has been very positive for our Fund and participants. The AFM-EPF's private equity return has been a very strong 13.6% since Cambridge was retained. The investment in Abraaj was made as part of a large, diversified program run by a very well-respected private equity specialist firm - Hamilton Lane – and Abraaj was one of more than 35 different private equity investments they made. Further, the AFM-EPF's total investment in Abraaj represented only 0.4%, or less than one half of one percent, of AFM-EPF assets.

The Role of Multiemployer Pension Fund Trustees

A resolution proposed and defeated at the recent AFM Convention would have required that two Union Trustee positions be set aside for an actuarial expert and an investment expert. This resolution was unanimously reported "unfavorably" by the 30 members of the Convention's Joint Law & Finance Committee and voted down overwhelming by a voice vote of delegates on the Convention floor. The Committee's report about this resolution and its consideration **can be downloaded here**.

Under federal law, a multiemployer pension fund is administered by an equal number of union and employer trustees. Typically, the union appoints the union trustees and the employers appoint the employer trustees. In our case, the AFM President has the authority to appoint Union Trustees in accordance with the AFM By-laws. By design, the trustees themselves are not investment or financial experts, even though they receive ongoing education and training in such topics; rather, they are stakeholders who understand their industry and act in the best interest of participants.

This is typical across all 1,400 multiemployer pension funds. In the case of the AFM-EPF, the Union Trustees are working and retired musicians, just like actors are trustees for their pension funds or carpenters are trustees for their pension funds. Multiemployer pension fund trustees retain experts that provide advice to guide the trustees' investment and financial decision-making, including professional actuaries and investment advisors.

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We understand that the financial state of the AFM-EPF is of vital concern to all participants. That is why the Trustees, working with their actuarial and investment experts, are taking action so the Fund will be here to provide benefits for participants long into the future.

Strong investment returns (in addition to new sources of contributions) kept the Fund out of “critical and declining” status for the past two fiscal years. But we have known for some time – and have made clear to participants – that the growing imbalance between benefit payments and contributions would eventually be too high for investment returns to overcome. Benefit reductions, while painful, will address this core problem and safeguard the Fund in the long-term for current and future participants. The Trustees will also continue to work with their expert advisors to obtain strong investment returns, and will maintain their advocacy to Congress for a legislative solution.

American Federation of Musicians and
Employers' Pension Fund
PO Box 2673
New York, NY 10117-0262
www.afm-epf.org