A Call to Act Responsibly

Yet another round of misinformation has been sent to some AFM-EPF participants by the group "Musicians for Pension Security" (MPS). We are focused on preserving our Pension Fund for current and future generations of musicians, but these attacks are part of a concerted effort to undermine participant support for the coming benefit changes that are necessary to achieve this goal. They serve only to confuse and alarm participants, while obscuring the actual challenges facing our Fund and the actual solutions that we must pursue. So we find ourselves once again in the position of setting the record straight.

It is often difficult to determine whether a particular MPS claim is the result of lack of understanding, dishonesty or a combination of both. But it's clear that they all come from the same playbook:

1. Start with a preconceived political narrative
2. Find numbers to shoehorn into that narrative
3. Accuracy or context doesn't matter

There are errors and distortions throughout each of MPS' claims, but a point-by-point rebuttal would fill a tome and provide little value for participants. So, let's look at two allegations from this recent message in particular.

Evaluating Investment Performance

MPS purports to criticize the performance of the Fund's investments by comparing the Fund's performance during the last 18 months to its targeted investment returns; and by accusing the Trustees of setting targeted returns that are lower than what they should be. Specifically, MPS claims that the 6.8% target investment return set by the Trustees was lower than an 8.2% target of "peer funds" and that Cambridge Associates (the Fund's Outsourced Chief Investment Advisor) has not met our Fund's target.

These accusations are based on an assortment of misstatements and false assumptions.

First, the document cited by MPS does **not** contain the targeted returns of peer funds or any other information about peer funds at all. It merely contains information derived from an annual, public survey of investment consultants by Horizon Actuarial Services, an independent actuarial firm. This information shows how approximately 30 different investment consultants projected the asset classes in which the AFM-EPF invests would perform over a 20-year period.

Second, even if the page cited by MPS was comparing the Fund's targeted returns to the targets of other funds, that's a meaningless comparison. Each fund must set its return targets based on its own financial condition. In the case of our Fund, the investment mix was recently adjusted to one that targets somewhat lower returns and has greater protection against market volatility, in light of the Fund's anticipated entering critical and declining status and the resulting need to file a MPRA application.

Third, investment performance in a given period of time (in this case, only 18 months) is not appropriately evaluated by a comparison to 20-year projections by investment consultants or a survey of investment consultants. Those projections reflect what a fund's investments are projected to achieve on average over the long term. In any given shorter period of time, investment returns will be lower or higher than the projection. The way to evaluate how investment managers are doing is to compare their return against the return of the Fund's benchmark, which shows the return of the market based on the Fund's asset allocation targets.

And what MPS didn't tell you is that the results for the AFM-EPF in this 18-month period are positive. The Fund's investment return in that period was 4.5% [1], which is higher than the 2.9% benchmark return reflecting market conditions during that same period. The very document that MPS used to cite Cambridge's 4.5% return shows that the benchmark return was 2.9% -- one line below the 4.5%. MPS ignored it.

Investment Return Assumptions

MPS also claims that the Trustees repeatedly lowered the Fund's investment return targets, so that performance for the fiscal year ending March 31, 2019 would appear to be positive. Again, this is flatly untrue.

The documents cited by MPS to support this claim are actually showing the same public survey returns that the U.S. Treasury Department requires plan actuaries to use when a plan applies to reduce benefits under MPRA. The numbers changed between 2017 and 2019 because the Treasury-required investment return assumptions changed, as did the Fund's asset allocation. The Trustees have no input in the survey results that must be used in the application to Treasury, and those numbers are not the benchmarks against which AFM-EPF measures manager performance—nor should they be. As noted above, Cambridge has performed well compared to the actual benchmark.

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It is clear that when MPS cites Fund documents, they either don't know or don't care what they are reading. We cannot continue to go around and around with MPS every time they release yet another misguided attack. We hold out little hope that they will refrain from such attacks in the future, but when they do attack, participants should evaluate them with the source in mind.

Our focus remains the preservation of our Pension Fund. That includes prudent management of the Fund's investments. Strong investment returns are crucial to the health of our Fund, but it is clear that investment returns alone cannot prevent the Fund from becoming insolvent in the future. The imbalance between benefit payments and contributions will continue to escalate as the Fund inches towards insolvency unless we take the steps available under MPRA. That is why we are taking additional action to address the Fund's underlying challenges so that the Fund will be there to provide benefits to musicians for many decades to come.

The decision to pursue benefit reductions was heartbreaking and not taken lightly. It was based on a disciplined review of the facts before us. Many participants rightfully have reasonable questions about the direction of our Pension Fund. **Participants deserve the facts—nothing less.** We encourage participants to pose these questions to the Fund. And we ask that all of us concerned about the future of our Fund act and speak responsibly.

*Participants can find accurate information about the Fund **on the AFM-EPF website**, including answers to frequently asked questions. Participants can also **register** to **log in to the Participant Portal** and access a variety of Fund documents, including the latest quarterly investment information, by clicking on "Financial Information" at the bottom of the page.*

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[1] All cited investment returns are net of fees.
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