AFM-EPF Remains in “Critical” Status for Another Fiscal Year Due to Higher Than Expected Investment Earnings

At today’s meeting of the Board of Trustees of the American Federation of Musicians and Employers’ Pension Fund, our actuaries advised that better than expected investment earnings will keep the Fund in "critical" and not yet "critical and declining" status for another fiscal year. We know that many participants are closely following the status of the Fund, so we wanted to share this news immediately.

“Critical” status means that, while the Fund can pay benefits for the next 20 years, our funding status is sufficiently low that the law requires a rehabilitation plan (which the Fund has had in place since 2010) aimed at improving the Fund’s funding status or forestalling insolvency. If the Fund were in “critical and declining” status, as of the first day of any fiscal year, it would mean that the Fund was projected to run out of money, that is, become insolvent, within the following 20 years.

Because the Fund is not in “critical and declining” status, the Trustees by law cannot take action to submit to the US Treasury Department an application (under the Multiemployer Pension Reform Act or MPRA) for benefit reductions to stabilize and protect the Fund.

As a reminder, the law requires the Fund actuary to determine the Fund’s status once a year, following the March 31 end of the fiscal year and to file that determination with the IRS by June 29.

It remains likely that the Fund will enter “critical and declining” status at some point in the future. Whether that happens at the start of the next plan year (beginning April 1, 2019) will depend on investment earnings, contributions and other factors. The Trustees and Fund actuary will continue to prepare for the possibility of “critical and declining” status by analyzing different ways that benefit reductions could be implemented fairly if they became necessary.

As we have described in our prior Pension Fund Notes, we continue to take the steps we can to protect your hard-earned pension benefits and improve the health of our Fund. One immediate priority is to continue to actively engage with the Congressional Joint Select Committee on the Solvency of Multiemployer Pension Plans to impress upon its members the urgency of developing legislation that fully and fairly solves the crisis afflicting many multiemployer pension funds that face insolvency, including ours. The Joint Select Committee is tasked with producing a legislative solution by November 30, 2018. If a majority of Democrats and a majority of Republicans on the Joint Select Committee agree on the solution, the bill is guaranteed expedited consideration in the US Senate.

Through our website and emailed Pension Fund Notes, we'll also continue to alert you to key times when it's most important that you reach out to your own Members of Congress and the Joint Select Committee, so your voices can be heard to achieve maximum impact.

We also know that you'll be looking for more information on the financial status of the Fund. So please watch for the required annual notices you will be receiving by postal mail or by electronic delivery for those registered on the Fund's website for that option. These notices will also be posted to the Fund website at **www.afm-epf.org**. You can also go to the website at any time for answers to your most Frequently Asked Questions.

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