Setting the Record Straight on Benefit Reductions and the Multiemployer Pension Reform Act

For the past several months, a group calling themselves "Musicians for Pension Security" (MPS) has spread a mixture of misleading and outright false information about your Pension Fund – the American Federation of Musicians and Employers' Pension Fund (AFM-EPF). Between Friday, February 23 and Monday, February 26, this group made several erroneous claims about potential benefit reductions that have caused understandable confusion and alarm among some participants.

We feel it's important to ensure that all participants are presented with the facts and not political spin. We're providing a summary below to set the record straight. You can find much more detailed information on these topics **on the FAQ page of the Fund website**.

All of us at the Fund—Trustees and staff—understand that the prospect of future benefit reductions is worrisome and stressful. False information such as this only exacerbates the situation.

First, in information posted online Friday, MPS claimed that benefits could be reduced "as early as this summer." That is flat-out false. MPS emailed nearly identical text on Saturday morning without this false claim and removed it online, but this was done with no acknowledgment that they made a mistake. On Monday morning, MPS made additional claims via email and its website, including that a Fund document "calls for cuts in 2018."

Here are the facts:

- By law, the Trustees may not apply to reduce benefits under the Multiemployer Pension Reform Act of 2014 (MPRA) until the Fund enters "critical and declining" status.
- The Fund actuaries project that the Fund will enter "critical and declining" status in the near future, but it is impossible to say with certainty when that will happen. We will know by June 29, 2018 if the Fund has entered "critical and declining" status for the

fiscal year beginning April 1, 2018.
- Even if the Fund enters “critical and declining” status for the fiscal year beginning April 1, 2018, the Trustees must first decide to file an application to the U.S. Treasury Department under the Multiemployer Pension Reform Act of 2014 (MPRA). An application runs thousands of pages and requires significant time to prepare.
- Once an application is submitted, Treasury has 225 days to review the application and render a decision. Even if an application is approved, the law requires a vote by Fund participants.
- Treasury advises large, underfunded plans like the AFM-EPF to select an effective date for benefit reductions that is **at least one year** after the date of application. So, MPS’s fear-mongering claim of imminent benefit reductions is wrong.

MPS also claims, based on documents from Feb. 2016 and Feb. 2017, that the Trustees “are targeting a 25-30% cut to existing benefits.” Again, this claim ignores the facts.

As we have repeatedly stated, the Trustees and Fund actuaries have been preparing for the possibility of “critical and declining” status by analyzing different ways that benefit reductions could be implemented fairly. This includes engaging with the Treasury Department to ensure that our analysis is in line with regulations related to MPRA.

However, we have also made clear that this analysis is preliminary and based on hypotheticals. The size and structure of benefit reductions depend on the Fund’s financial condition at that time it enters “critical and declining” status. Because we don’t know whether the Fund will enter “critical and declining” status for the fiscal year beginning April 1, 2018 (or next year, or the year after that), **it is inaccurate and irresponsible for anyone to publicly guess at a percentage range based on incomplete data that changes from calendar quarter to calendar quarter**.

Guessing at a blanket percentage range also ignores the following important factors that affect possible benefit reductions for many participants:

- Participants age 80 or older are fully protected from benefit reductions. Participants age 75 to 79 are partially protected. The older a participant is within that age range, the less his or her benefits can be reduced.

- Participants receiving a disability benefit cannot have that benefit reduced.

- MPRA imposes a maximum amount for any participant’s benefit reduction. Benefits cannot be reduced below 110% of what the PBGC (the federal corporation that insures a minimum benefit) would pay to a participant if the Fund were to run out of money. Nearly 50% of AFM-EPF participants are fully protected from benefit reductions because their benefits are already less than 110% of their PBGC guarantee.

Moving forward, the Trustees will explore every avenue to protect our participants' benefits to the greatest extent possible, just as they have done in the past. Soon after MPRA became law in late 2014, the Trustees directed the Fund's actuaries to analyze how it could be used to prevent insolvency should the Fund enter "critical and declining" status in the future.

Similarly, when the Butch Lewis Act was introduced in Congress in November 2017, the Trustees immediately directed Fund actuaries to analyze how this bill, if enacted into law, could be used to prevent insolvency. The Trustees have supported the Butch Lewis Act and will actively engage with the new Congressional Joint Select Committee on the Solvency of Multiemployer Pension Plans.

At this point, we must still continue the planning necessary for potential benefit reductions under MPRA. However, if Congress passes legislation that successfully addresses the issues facing our Fund, then reductions required through the MPRA process could be rolled back, or never even imposed if the law passes before the application process is complete.

Again, we understand that the challenges facing the Fund are complicated. We will continue to provide participants with the facts, however difficult they may be, and we will not hesitate to correct misinformation that only serves to sow further confusion and distress.

*Visit **the FAQ page of the Fund website** for answers to questions about potential benefit reductions and a variety of other topics.*

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