Pension Fund Notes

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

Taking Action on Behalf of our Participants

The Co-Chairs of the Board of Trustees of the American Federation of Musicians and Employers' Pension Fund (AFM-EPF) have sent a letter to Musicians for Pension Security, which responds to statements made at a recent event held by the organization. ***This letter can be found here****, and the text of the letter is included below.*

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At a recent event, Musicians for Pension Security (MPS) presented a plan of action it claims will address the financial challenges facing the American Federation of Musicians and Employers' Pension Fund (AFM-EPF). Unfortunately, the plan described is one of delay based on a distortion of the facts and inspired by a political agenda to blame and divide. The Trustees felt the need to respond.

Contrary to what MPS told participants, reducing benefits is not the easy solution. Absolutely the opposite; it is the most difficult, heart-wrenching path the Trustees would take only if it were the last remaining option to stabilize the Fund and protect its ability to pay benefits and protect the retirement security of its participants. MPS' actuary himself acknowledged that benefit reductions may be necessary to save the Fund.

Since the 2008 global financial recession, the Trustees have consistently taken action to preserve the Fund, such as requiring additional employer contributions as part of the Rehabilitation Plan and terminating underperforming investment managers. These actions and the challenges faced by the Fund are described in much greater detail in the **State of the Fund**, which was recently posted to the Fund website for everyone to see. The Trustees are also planning for the future and are currently considering many options.

The easy route would be to embrace a plan that relies so heavily on delay and fantasy as proposed by MPS - to stick our heads in the sand and reject realistic actions that could be taken to save the Fund. That is not the best we can do. Our participants deserve much better. They deserve real solutions. The MPS "plan" delivers none:

- MPS recommends delaying benefit reductions for three years. This is just empty rhetoric. If the Fund does enter "critical and declining" status, of course, the Trustees would do everything to make reductions as small and equitable as possible. Delay for its own sake, however, might result in deeper cuts.
- MPS says the Union should bargain for a 6% increase in pension contributions each year for five years and 2.9% each year thereafter. While the Union traditionally bargains for pension increases in its negotiations, bargaining unit employees have to support such efforts and we have heard directly from Union conferences, locals, musicians and employers that MPS' propaganda and smear tactics are detrimental to the Union's ability to get members behind negotiating increases to contributions. Moreover, as anyone with any experience in collective bargaining knows, increases of pension contributions affect the overall financial package the Union can bargain.
- The Trustees also know that requiring more contributions as part of their Rehabilitation Plan is complicated, although they are of course considering all options. Musicians themselves are often the contributing employers in this Fund, and, if contributions are increased too high, they may simply stop contributing to the Fund with little or no financial consequence, unlike employers in other industries that MPS talked about.
- MPS claims that the Fund's Industry Activity Assumption is too low. This assumption, which is reviewed annually, is based on historic averages and a careful forward-looking analysis. This claim by MPS shows a lack of understanding of our industry or the Fund's actual experience.
- The MPS plan calls for increasing contributions and reducing expenses. However, even with the contribution increases and expense reductions proposed by MPS, the Fund will eventually reach "critical and declining" status. Indeed, MPS' own actuary stated clearly that expenses were not the issue and noted that, even with their recommended changes, "cuts will likely be needed without Congressional help."
- Instead, MPS acknowledges that investment returns are key to improving the financial condition of the Fund. We agree, and that is why the Trustees retained a highly respected Outsourced Chief Investment Officer to, among other duties, implement a sophisticated investment portfolio to generate consistently strong returns.

The Trustees of the AFM-EPF are far from the only ones wrestling with these tough, but necessary decisions. As MPS' own actuary has said, more than 100 multiemployer pension funds across the U.S. are projected to become insolvent within the next 20 years and hundreds more remain unhealthy even 10 years after the financial crisis - not the "only 15" referenced by MPS who submitted applications to reduce benefits under MPRA. Indeed, many troubled funds are in much worse shape and are not eligible for MPRA because their financial condition is so dire that even benefit reductions won't save them. Again, MPS' misleading claims show its goal is fueling anger rather than working on solutions.

It is in response to this national crisis that Congress established a Joint Select Committee on Solvency of Multiemployer Pension Plans. At its event, MPS bizarrely implied that the Trustees might abandon a legislative solution that would lessen or eliminate the need for reductions. The Trustees are simply at a loss to understand MPS' rhetoric, except as a political tactic. As we have said before, the Trustees will strongly advocate to this Committee for a remedy that fully addresses the financial issues facing our Fund, while treating our participants fairly. The Committee is still in its early days, and the Fund will provide tools and resources to help participants connect with their Members of Congress in a variety of ways, at key points this year.

We will continue to provide participants with accurate information, not political spin, and with the resources to fully understand the issues affecting the Fund and the pension benefits of its participants. In particular, we are glad to hear that MPS appreciates our first **AFM-EPF webinar**, and we look forward to holding more throughout the year. We will not waver in our commitment to act decisively and responsibly in our participants' interest.

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