AFM-EPF Plans to Submit Second MPRA Application by End of the Year

Participants to receive benefit reduction estimates in January 2021;
Benefit reductions would take effect in January 2022

As you know, the U.S. Treasury Department denied the American Federation of Musicians and Employers' Pension Fund's (AFM-EPF, the Plan) first application to prevent insolvency by reducing benefits under the Multiemployer Pension Reform Act (MPRA). Since then, the Trustees have been working with the Plan's advisors to prepare a new application to save the Plan. Here's what you need to know:

- **The Trustees plan to submit a second application to Treasury by the end of 2020 for a benefit reduction effective January 1, 2022.** All participants and beneficiaries of deceased participants will receive a notice in January 2021 with their estimated reduced benefit.
- The new MPRA application will address the technical issues that were the basis for the denial of the first application. However, the basic structure of the reduction will be the same.
- Unfortunately, the across-the-board flat percentage reduction to multipliers above $1.00 will be higher than the first application. This is due largely to how our industry has been affected by the COVID-19 pandemic.
- As before, MPRA includes specific protections that limit benefit reductions for different categories of participants based on their age, the amount of their benefits and whether they are receiving a disability benefit from the Plan.
- Because of these MPRA protections and because the basic structure of the benefit reduction will remain the same, we estimate that the number of participants who receive no reduction at all under the second application will be about the same as it was under the first application.

We understand that reducing benefits will cause a significant hardship for many participants and beneficiaries. Unfortunately, these reductions remain the only way to prevent the Plan from becoming insolvent. Faced again with the difficult decision to either let the Plan become insolvent or to reduce benefits, the Trustees determined that it was far preferable to keep doing everything in their power to save the Plan.

Indeed, the need to take action is even more pressing now than it was when the Trustees submitted the first MPRA application. The COVID-19 pandemic and related industry shutdowns have significantly reduced employer contributions needed to support benefit payments.

Structure of Proposed Benefit Reductions

After many hours of consideration, the Trustees concluded that the structure of reductions proposed in the first application continues to be the most equitable way to address this no-win situation. Therefore, the different components of the proposed benefit reduction will remain the same as they were in the first MPRA application. These include:

- Eliminating some of the Plan's unique benefit features that were instituted when the Plan was in excellent financial condition and could afford them, such as the early retirement subsidy.
- An across-the-board flat percentage reduction to the benefit multipliers—except for the $1.00 multiplier that has been in place since January 1, 2010 and will remain protected.
- A maximum benefit reduction of 40%. No participant can have his or her benefit reduced more than this amount. Even with a higher across-the-board reduction to the multipliers this time around (other than $1.00), the Trustees wanted to ensure that no participant's benefit was reduced more than 40%.
  - Because the basic structure of the benefit reduction will remain the same as it was under the first application, we expect that very few participants will receive a reduction as high as 40%.

As the necessary calculations are currently being performed to prepare the second application, **we do not yet know the amount of any individual's proposed benefit reduction**. After the MPRA application is completed and submitted to Treasury at the end of December 2020, participants will receive a personalized benefit statement in early January 2021 with their estimated reduced benefit as of January 2022.

Prospects for Relief from Congress

Since May, the fate of multiemployer pension relief had been tied to Congressional negotiations over additional government stimulus support in response to the COVID-19 pandemic. When those negotiations broke down this fall, pension relief legislation was also put on hold. We are watching closely to see if there will be an opportunity to pass legislation during the “lame duck” session of Congress this year, or if this matter will need to be taken up in 2021 under a new President and Congress. We will continue to advocate strongly for a legislative solution that protects the AFM-EPF and your pension benefits.

As always, if Congress passes and the President signs legislation that allows us to withdraw our MPRA application or roll back benefit reductions while still avoiding insolvency, then the Trustees plan to pursue that course.

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