



Notice of Critical Status
American Federation of Musicians and Employers' Pension Fund
For Plan Year Beginning April 1, 2018 and Ending March 31, 2019

The purpose of this notice is to inform you that, on June 29, 2018, the actuary for the American Federation of Musicians and Employers' Pension Fund (the "Plan") certified to the U.S. Department of the Treasury, and also to the Plan's Board of Trustees ("Board"), that the Plan is in critical status for the Plan year beginning April 1, 2018. Federal law requires that you receive this notice.

Critical Status

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan's actuary has determined that the Plan is in critical status because (i) the Plan was in critical status last year and, over the next nine years, it is projected to have an accumulated funding deficiency for the Plan Year ending March 31, 2019 and (ii) the sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan year exceeds the present value of all expected contributions for the year, the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants and over the next four plan years, the Plan is projected to have an accumulated funding deficiency in the Plan year noted above.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The Plan remains in critical status and has been in critical status since April 1, 2010. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On April 30, 2010, you were notified that the Board had adopted a rehabilitation plan (the "Rehabilitation Plan") that reduced or eliminated adjustable benefits. As of June 1, 2010, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. The Rehabilitation Plan originally employed reasonable measures to enable the Plan to emerge from critical status at a later date than the 10-year rehabilitation period. As the Plan is currently not projected to emerge from critical status (either during the 10-year rehabilitation period that began April 1, 2013 or otherwise), the Rehabilitation Plan was restated in 2016 to employ reasonable measures to forestall insolvency and it does not have a definite term.

If the Board determines that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Under current law, any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement, and the reductions apply only to participants and beneficiaries whose benefit commencement date is on or after June 1, 2010. Different rules will apply if the Plan enters critical and declining status in a future year. See the Annual Funding Notice for further information about critical and declining status.

The Board has **not** made additional reductions of adjustable benefits since the adoption of the Rehabilitation Plan. However, in June 2018, the Trustees updated the Rehabilitation Plan to require a non-benefit bearing 10% increase in the rate of contributions in collective bargaining agreements

(and extensions thereof) that expire on or after August 1, 2018. This increase is in addition to the 9% additional increase in the rate of contributions previously required by the original Rehabilitation Plan.

You are receiving simultaneously with this notice a separate notice of the reduction in future benefit accruals to the extent that the new 10% increase in the rate of contributions on scale wages will not generate any additional benefits for you or any other participants. This will not affect any benefits you have already accrued, but when your employer increases its rate of contributions in its new collective bargaining agreement, as required under the 2018 Update to the Rehabilitation Plan, you will not earn any additional benefit for that 10% increase in the rate of contributions.

Adjustable Benefits

The Plan previously offered the following adjustable benefits that could be reduced or eliminated as part of any rehabilitation plan adopted by the Board:

- Post-retirement death benefits/guarantees
- Disability benefits (if not yet in pay status)
- Early retirement benefit or retirement-type subsidy
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA)
- Post-normal retirement age subsidy

As noted above, the Rehabilitation Plan eliminated adjustable benefits as described in the notice entitled Important Notice of Benefit Changes, which was sent to you April 30, 2010. Those changes and others were incorporated in the restated Pension Plan (2014) and Summary Plan Description (“SPD”). The SPD was distributed to all participants. Both the restated Pension Plan and the SPD are available on the Fund’s website at www.afm-epf.org under Plan Documents or by written request to the Fund Office.

Employer Surcharge

The law required that all contributing employers pay to the Plan a surcharge to help correct the Plan’s financial situation until the bargaining parties amended their collective bargaining agreement to include terms consistent with the schedules set forth in the original Rehabilitation Plan. The amount of the surcharge was equal to a percentage of the amount an employer was otherwise required to contribute to the Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge was applicable in the initial critical year (Plan year ended March 31, 2011) and a 10% surcharge was applicable for the Plan year beginning April 1, 2011 and remained applicable for each succeeding Plan year thereafter in which the Plan was in critical status. Further information regarding the employer surcharge can be found in the Rehabilitation Plan Effective June 27, 2016, which is available at www.afm-epf.org/RehabPlan.aspx or by written request to the Fund Office.

Where to Get More Information

For more information about this Notice, you may contact the Fund Office at 1-800-833-8065 (extension 1311) or email us through the “Contact Us” link on the Fund’s web site (www.afm-epf.org). Copies of the following are available by written request to the Fund Office and can also be accessed on the Fund’s website:

- Rehabilitation Plan Effective June 27, 2016 which is available on the website at www.afm-epf.org/RehabPlan.aspx
- Update to the Rehabilitation Plan June 2018 which is available on the website at www.afm-epf.org/RehabUpdate2018.aspx