



Notice of Critical and Declining Status
American Federation of Musicians and Employers' Pension Fund
For Plan Year Beginning April 1, 2019 and Ending March 31, 2020

The purpose of this notice is to inform you that, on June 28, 2019, 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 and declining status for the Plan year beginning April 1, 2019. Federal law requires that you receive this notice.

Critical and Declining/Critical Status

The Plan is in critical and declining status because it is projected to become insolvent during the Plan year ending March 31, 2037 and has a funded percentage of less than 80%.

The Plan also remains in critical status because it has funding or liquidity problems, or both. More specifically, the Plan's actuary determined that (i) the Plan was in critical status last year and it is projected to have an accumulated funding deficiency over the next nine years (including for the Plan Year ending March 31, 2020) 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 the Plan is projected to have an accumulated funding deficiency over the next four plan years (including in the Plan year noted above).

Possibility of Benefit Reductions in Critical and Declining Status

Under a federal law, known as the Multiemployer Pension Reform Act ("MPRA"), if a pension fund is in "critical and declining" status, the Trustees can apply to the Treasury Department for approval to reduce benefits by an amount sufficient for the Fund to avoid insolvency. The Board of Trustees has decided to submit such an application.

There are several rules and conditions that must be satisfied before a fund is permitted to reduce benefits. The Plan will first have to submit a detailed application to the Treasury Department and demonstrate that the proposed benefit reductions are necessary and are expected to actually keep a fund from running out of money over the long haul. When the application is submitted, the Fund must also mail to its participants and beneficiaries of deceased participants a notice that includes an individualized estimate of the impact on their benefits of the proposed reduction. The Secretary of Treasury, in consultation with the Pension Benefit Guaranty Corporation ("PBGC") and the Secretary of Labor, can approve, reject, or not provide comment on any benefit reduction applications that they receive. Plan participants are permitted to submit comments to the Federal government regarding any possible benefit cuts, and a participant vote is required before any reduction of benefits may take effect.

Until all that happens, benefits will be paid without any change in the amount. Both before and after the Fund's application is approved, you can continue to earn new benefits through covered employment. MPRA also 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 Fund. For example, participants who are at least 80 years old or receiving a disability pension cannot have

any reduction to their benefit. Those who are between 75 and 79 will receive partial protection from benefit reductions, calculated on a sliding scale based on age. These same age protections apply to beneficiaries receiving survivor benefits at the time that the benefit reductions are effective. In addition, there will be no reduction for participants whose benefit is below 110% of what the PBGC would pay if the Fund ran out of money (assuming the PBGC does not run out of money itself). Taking all of these protections into consideration, the Fund's actuaries estimate that nearly 60% of the Fund's participants are completely protected from benefit reductions under MPRA.

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 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 was not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity). 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 ever from critical status, the Rehabilitation Plan was restated in 2016 to employ reasonable measures to forestall insolvency.

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.

A separate notice was sent to you July 16, 2018, entitled Benefit Change Effective August 1, 2018. This notice described the new 10% increase in the rate of contributions on scale wages and the fact that those increases in contributions will not generate any new benefits on your behalf. Remember, however, that, the contribution rate increase will not affect any benefits you had already accrued when the new collective bargaining agreement became effective or becomes effective in the future.

Adjustable Benefits

The Plan previously offered the following adjustable benefits that the rehabilitation plan could have reduced or eliminated:

- ☐ 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 a number of these 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.

There have been no further changes to adjustable benefits, but, as noted above, the Plan is preparing to submit an application to the Treasury Department at the end of this calendar year for approval of a MPRA reduction of benefits. The proposed plan for the reduction in benefits is expected to provide a uniform percentage cut to all benefit multipliers other than the \$1 multiplier and is not expected to become effective until late 2020 or the beginning of 2021 at the earliest. The reduction plan is not expected to include any reduction in the \$1 multiplier for future covered service. Other protections are described briefly above. You can find out more information about the MPRA process for reducing benefits on the Fund's website.

Employer Surcharge

When the Plan was first certified in critical status, 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 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