

THE AFM EP FUND: AN OVERVIEW By Heather Boehm and Leo Murphy

The American Federation of Musicians and Employers' Pension Fund was established on October 2, 1959 when the American Federation of Musicians of the United States and Canada (AFM) and contributing employers entered into an agreement and declaration of trust establishing the fund. The fund's assets are used for the exclusive purpose of providing retirement and related benefits to vested participants (and their beneficiaries). The fund's assets are also used for defraying the reasonable administrative expenses attributable to the operation of the Fund.

Pension plan benefits can basically be categorized into two types: defined contribution or defined benefit. A defined contribution plan, such as a 401k, specifies the dollar amount an employer is obligated to pay into a participant's individual retirement account. The employer agrees to contribute up to a certain dollar amount into an individual's retirement account and the employee may also be allowed to contribute. After paying that defined contribution, the employer's responsibility is done. Whatever happens to those monies whether gains or losses occur the employer has met their obligation.

A defined benefit plan, such as the AFM EP Fund, works differently. The following is from the AFM EP Fund website: "A defined benefit plan specifies the benefits to which participants may become entitled. Defined benefit plans do not have individual participant accounts into which Employer contributions are paid (even though your benefit is based on the contributions made on your behalf)". In other words a defined benefit plan pays a participant (and possibly their beneficiary) a specified monthly benefit upon retirement. This monthly benefit is calculated using a formula that is applied to the contributions made to the fund based on a participant's Covered Earnings.

The AFM EP Fund is a multi-employer pension fund. Unlike many pension funds, which have only one source of contributions, our Fund has many sources. Opera companies, orchestras and symphonies, theaters, contractors and leaders are all sources for contributions to the Fund. The use of LS-1 is another source of contributions to the Fund.

Within the CFM jurisdiction pension contributions can range from 11% to 15% of covered wages, depending on the terms of the CBA or Musical Services contract that one works under. The employer pays the contributions directly to the Fund; the pension fund check passes through the Local's office only to ensure that the amount is correct.

Participants' contributions are credited according to Covered Earnings reported to the Fund. If a CBA specifies a pension contribution of 11%, and the wages are \$210.00, then the employer pays the Fund \$23.11 on that musician's behalf. Participants receive a yearly statement of Covered Earnings so that they can follow their contributions and check the statement for accuracy.

The assets of the Fund are currently over one and a half billion dollars. They are invested in a diverse array of investment products and overseen by investment advisers and the Trustees of the Fund. The AFM-EP Fund is insured under U.S. law by the Pension Benefit Guaranty Corporation and protected under the Employee Retirement Income Security Act (ERISA) and is, therefore, subject to close scrutiny by the federal government.

While ERISA is a federal statute, the term is sometimes used to refer to the body of laws and tax codes governing employee benefit plans and ERISA is not the only statute aimed at pension reform and protection. The Pension Protection Act of 2006 is a recent law that is currently impacting many pension funds.

For contributions to the Fund, on or after January 1, 2010, the AFM-EP Fund established a new pension benefit multiplier of \$1.00 at a retirement age of 65. The monthly benefit that AFM-EP Fund participants receive is determined by multiplying every \$100 of contributions made on behalf of the individual by a dollar amount known as the pension benefit multiplier. The multiplier varies based not only on the age when the individual begins collecting benefits, but also on the time period in which contributions were earned.

The figures below in the \$4.65 column are the newly adjusted benefit multipliers. They went into effect on February 24, 2010 and will apply only to new retirees. Those already receiving their pension will not be effected. The figures in the \$4.64 column were actuarially adjusted to be inline with the amounts in the other columns.

Age at Annuity Starting Date	Benefits earned before Jan 1, 2004	Benefits earned on or after Jan 1, 2004 and before April 1, 2007	Benefits earned on or after April 1, 2007 and before May 1, 2009	Benefits earned on or after May 1, 2009 and before Jan 1 2010	Benefits earned on or after Jan 1, 2010
65 or older	\$4.65	\$3.50	\$3.25	\$2.00	\$1.00
64	\$4.16	\$3.13	\$2.91	\$1.79	\$0.90
63	\$3.75	\$2.82	\$2.62	\$1.61	\$0.80
62	\$3.36	\$2.53	\$2.35	\$1.45	\$0.72
61	\$3.04	\$2.29	\$2.13	\$1.31	\$0.65
60	\$2.75	\$2.07	\$1.92	\$1.18	\$0.59
59	\$2.48	\$1.87	\$1.74	\$1.07	\$0.53
58	\$2.26	\$1.70	\$1.58	\$0.97	\$0.49
57	\$2.05	\$1.54	\$1.43	\$0.88	\$0.44
56	\$1.86	\$1.40	\$1.30	\$0.80	\$0.40
55	\$1.70	\$1.28	\$1.19	\$0.73	\$0.37

The fund's assets are jointly administered and governed by a Board of Trustees in which both musicians and the employers are represented. There are six Trustees on each side, musicians and employers. Regardless of who appoints the trustees, they are required to act in the sole and exclusive interest of the plan and its participants.

The Fund also employs actuaries and investment advisers. It is the job of both groups to keep the Fund healthy, making recommendations to address the workings of the Fund. Those recommendations are then brought before the Board of Trustees and voted upon using unit voting. Each set of Trustees (6 musician Trustees and 6 employer Trustees) gets only one vote for their side, so there is the possibility of a tie. The process for settling a tie is arbitration unless some terms of compromise can be reached.

The Fund has revamped its website: <http://www.afm-epf.org/> Upon registering online you can access a variety of information: contributions on your Covered Earnings, a plan summary, documentation of plan changes, notices and much more. It is very important to register and stay informed, especially in regards to changes that may effect the Fund. Visit their website and get registered.