Fund

American Federation
of Musicians &
Employers' Pension Fund

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September 5, 2014

United States Senate
Washington, DC 20510
Attention: Labor or Tax LA

Dear Senator:

Re: Support for the NCCMP Retirement Security Review Commission Pension Reform Proposal, *Solutions Not Bailouts*

The American Federation of Musicians and Employers' Pension Fund (the "Plan") is a multiemployer defined benefit pension plan, established and maintained pursuant to collective bargaining agreements and operated through a stand-alone trust managed by a joint labor-management Board of Trustees. The Plan, which was established in 1959, provides pension benefits to musicians working throughout the entertainment industry, including television, motion pictures, advertising, live theater, symphonies, sound recordings, music videos, internet and digital programming.[1] As of March 31, 2014, the Plan had over $1.82 billion in assets, approximately 20,600 active participants, approximately 16,800 deferred vested participants and approximately 12,600 retirees (and beneficiaries) in pay status, located throughout the United States.

We are writing because we are extremely concerned about the sustainability of many multiemployer pension plans in view of losses they incurred in 2008 and the sunset of the Pension Protection Act. In addition, we have grave concerns that, if action is not taken, the insolvency of these plans will have a devastating impact on the Pension Benefit Guaranty Corporation ("PBGC"), eroding the protections that it provides to participants in plans like ours that have a longer-term horizon than these at-risk plans. Therefore, we are requesting your support for a compendium of legislative reforms that will preserve retirement security for current employees and retirees, as well as address challenges that the PBGC has identified as likely to cause insolvency for multiemployer plans in the near future.

While our Plan is not projected to become insolvent, we are well aware from our own experiences in 2008 that volatile markets can have a devastating impact on multiemployer plans. While many plans can withstand this impact, recent events demonstrate that there are a small number of plans that cannot. Those plans should have the tools necessary to confront this impact when insolvency would otherwise become an inevitable alternative.

The existence of the PBGC and its guarantee of a meaningful benefit is a critical backstop to defined benefit plans. However, that backstop is currently at risk. According to the Government Accountability Office (GAO), the projected (and, absent relief, almost certain) insolvencies of just two very large multiemployer plans would effectively reduce the PBGC guarantee to less than $125 per month.

1 The thousands of contributing employers to the Plan include, for example, the Los Angeles Philharmonic Association, National Symphony Orchestra Association, Detroit Symphony Orchestra, New York City Ballet, the Broadway theatre industry, Walt Disney Parks and Resorts US Inc., Warner Bros. Pictures, Universal Music Group, Paramount Pictures, ABC Studios Inc., NBC Universal, CBS Broadcasting Inc. and Sony Music Entertainment Inc.

Thomas Nyhan, Executive Director and General Counsel of one of the aforementioned Pension Plans – the Central States Pension Fund – stated in testimony to the House Committee on Education and Workforce on October 29, 2013: "Unless the Pension Fund substantially reduces its liabilities, or receives a large infusion of assets, or both, the Pension Fund is projected to become insolvent within the next 10 to 15 years."

Mr. Nyhan continued: "At this point, the Pension Fund's options are very limited. It is extremely unlikely that the Pension Fund will grow its way out of insolvency through outsized investment returns . . . The Pension Fund also does not currently have the necessary tools to solve the problem. Because the PPA prohibits benefit reductions with respect to participants who retired prior to 2008, the great majority of the Pension Fund's actuarial liabilities are off limits . . . *In the existing legal landscape, we simply do not have the tools to manage the problem ourselves [emphasis added].*"

It is therefore clear that the anticipated insolvencies of even two plans as described above would decimate the ongoing protections provided to the American Federation of Musicians and Employers' Pension Fund and those like it. Thus, for the sake of the larger defined benefit plan structure as a whole (which includes our Plan), those plans at risk of insolvency must be provided with the tools to modestly adjust their benefits, with surgical precision, to allow them to avoid that insolvency.

We therefore strongly support the recommendations in the report entitled *"Solutions Not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth."* This report was the result of collaboration among a diverse group of stakeholders – unions, employers and plans – that make up the Retirement Security Review Commission (the "Commission"), a group with divergent perspectives but a common goal of developing solutions supported by management and labor to strengthen the defined benefit pension system for the long-term. The Commission correctly recognized in its proposal that its goal was achievable by providing plans with the tools to avoid insolvency (and the necessarily less favorable outcome for all involved that results from insolvency).

Millions of Americans, including those who participate in our Plan, rely on retirement security provided by multiemployer plans. The Commission's approach provides self-help solutions that safeguard these Americans' benefits for the long term and ultimately strengthens the system.

Sincerely,

AMERICAN FEDERATION OF MUSICIANS AND EMPLOYERS' PENSION FUND

By: ______________________
Alan H. Raphael, Co-Chair

By: ______________________
Raymond M. Hair, Jr., Co-Chair