

ORGANIZER



September 2006

Defined Benefit Plans vs. 401(k) Plans

WHY FIGHTING TO MAINTAIN YOUR PENSION IS SO IMPORTANT!

For nearly a quarter of a century American workers have been fed a steady diet about the advantages of 401 (k) plans. They're portable, they're liquid, they create gangbuster earnings during a bull market. **Don't believe the hype!**

The most solid, safe, stable and secure way to build and **ensure** retirement savings is through a **Defined Benefit Plan**, also known as a pension plan. IATSE members are currently enrolled in a Defined Benefit Plan via the Motion Picture Industry Pension Plan (MPIPP).

Why are Defined Benefit Plans such an important part of your retirement plan?

Defined Benefit Plans are backed by federal guarantees. They offer confidence (not confusion) for workers who expect their accrued pensions to be there in retirement. They are the very foundation of your future because, like the bedrock core of a mountain, they cannot be moved or taken away.

The differences between 401(k) plans and Defined Benefit Plans are, in fact, so glaring, it's amazing the Bush administration has tried to market 401(k) plans as a substitute for pensions, given the wide chasm that separates the two.

Here are just some of the advantages offered by a Defined Benefit Plan:

- ◆ Defined Benefit Plans provide workers with a **secure, set monthly benefit** upon retirement. The amount is based on factors such as age, earnings, years worked, rather than on performance of fund investments.
- ◆ **You don't have to do anything** to make the investments in a Defined Benefit Plan grow! They are watched over by financial services professionals whose full-time jobs are to manage assets for the Plan.
- ◆ **Employers are required** to make sufficient annual contributions to ensure that the plan will contain enough assets to pay the promised retirement benefits to employees. **Your assets and retirement are never at risk.**
- ◆ Because Defined Benefit Plans are insured by a federal agency, the Pension Benefit Guaranty Corporation (PBGC), workers enjoy a high degree of confidence when it come to their retirement savings.
- ◆ Defined Benefit Plans can be structured to provide for spousal benefits in the event of death and disability benefits. *(continued on page 2)*

Home Plans Resolution Takes Effect

IMPORTANT NOTICE!

You have one more reason to boast about participating in one of the nation's most secure and well-directed health and pension plans.

The Home Plans Resolution allows qualified members working outside of their Local's geographical jurisdiction on projects covered by an IATSE

Agreement (that provides for contributions to other IATSE pension and health plans) to have contributions made on their behalf to the Motion Picture Industry Pension and Health Plans (MPI Plans), rather than to such other IATSE plans.

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Defined Benefit Plans vs. 401(k) Plans

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- ◆ Defined Benefit Plans can be designed to protect benefits from the negative effects of inflation. They can be structured for cost-of-living adjustments and a wide array of economic uncertainties.
- ◆ Since the benefit value reaches its highest level nearing retirement, Defined Benefit Plans minimize payouts to workers with a low-level of service or those who elect to stop working after a short period of time.

The advantages to having a solid pension plan are clear and numerous, particularly when stacked up against 401(k) plans, also known as defined contribution plans. Why do 401(k) plans come up short in protecting your retirement savings?

Here are some of the key reasons:

- ◆ **Employers are under no legal obligation** to create or fund 401(k) plans. They can spend as much (or as little) as they like and can cancel 401(k) plans at will.
- ◆ The burden of selecting investment options, **and maintaining those investments through the life of plan**, is on each individual employee.
- ◆ According to recent studies, nearly 1/4 of employees with 401(k) plans have an outstanding loan taken out against the plan. One in four workers who participate in a 401(k) plan have less than \$5,000 in their account.
- ◆ Even when employers offer matching contributions into 401(k) plans, one in five workers can't contribute enough to get the full match.
- ◆ Only one in five employees actually made a transfer within their 401(k) accounts in 2004, indicating workers do not have the time or necessary information to manage and optimize earnings in 401(k) plans.
- ◆ Shattering the myth of "portability" touted by 401(k) supporters, more than 42 percent of workers age 40-49 elect to cash out of 401(k) plans upon changing jobs.
- ◆ 401(k) plans rise and fall with the volatility of the stock market; workers who need to retire during an economic downturn face vastly diminished retirement funds.

These comparison checklists should be on every IATSE member's refrigerator as a reminder why your Motion Picture Industry Pension Plan is far superior to the 401(k) plans being floated as an adjunct to Social Security.

In fact the move by America's largest corporations to abandon employee pension plans is a troubling sign of the times. Once used as a last-ditch effort by companies inching toward insolvency, the strategy of freezing pension contributions has become an economic shears to cut costs and raise earnings.

Earlier this year, IBM announced plans to freeze its pensions. Verizon, Lockheed Martin, and Motorola, have already frozen their pensions and **eliminated all pensions for new hires**. Each of these companies has announced their intentions to use 401(k) plans as a stand-in for pension benefits.

Don't let this wave of corporate greed and cost-cutting wash up on the shores of the entertainment industry. IATSE has fought aggressively to maintain and improve your Defined Benefit Pension Plan and **you must join the fight to protect your retirement savings!**

Consider that from 1996 to the present period in 2006, your Motion Picture Industry Pension Plan has seen the greatest increases in its 50-year history. An 18 percent rise in 1996, a 23 percent jump in 2000, a 15 percent in 2003 and a 10 percent increase in 2006. On a compounded basis, these represent an 84 percent surge from 1996 levels. In other words, a \$1,000 monthly benefit earned at the end of 1995 is worth nearly double that amount today!

During those same ten years, your MPIPP has returned an average of 8.6 percent per year, enabling the Plan to double in size from \$1.1 billion to \$2.2 billion in the investment portfolio. Moreover, the average monthly benefit received by new retirees in 2005 was \$1,179, a 70 percent increase over the average monthly benefit paid out ten years ago. As of December 31, 2005, the Pension Plan is fully funded, helped in part by stellar investment returns over the last twenty years of 9.8 percent annually.

Make no mistake: your Motion Picture Industry Pension Plan should be the cornerstone of your retirement plans. Social Security and personal savings are suitable to enhance your retirement income. But nothing can replace the stability, security, and confidence provided by your MPI Pension Plan. Your MPIPP offers **guaranteed lifetime income**, regardless of how long you live. It is the most important asset you own and cannot be taken for granted at any cost.

Home Plans Resolution Takes Effect

(continued from page 1)

Prior to the Home Plans Resolution, IATSE members who worked on productions under an "Away Local's" agreement had contributions on their behalf directed toward the individual plans of the "Away Locals" who employed them, or into the national plan, administered on the East Coast.

This groundbreaking resolution permits individual employees (not an entire crew or significant portion of the crew) to have their contributions directed toward the MPI Plans (even when working outside their West Coast jurisdiction, i.e. on a distant location like Texas or Louisiana), providing they meet these requirements:

- ◆ The IATSE employee must be 100 percent vested in the Motion Picture Industry Pension Plan.
- ◆ The employee is working in a classification that would be covered by the IATSE Basic Agreement, the Local 52 Majors Agreement, or the Local 161 Majors Agreement.
- ◆ The production the employee is working on, must be covered by one or more of the above agreements.
- ◆ The IATSE employee must provide to the MPIPHP, the Sideletter Form (MPI Plans Participation and IAP Percent Contribution Election Form) with his or her own signature and the signature of his or her employer.
- ◆ The "Away Local" employer must submit a properly executed, full copy of the applicable collective bargaining agreement to the MPIPHP.
- ◆ If the "Away Local" employer is not a current Employer Party to the MPI Plans, the employer becomes a party to the MPI Plans by executing a Trust Acceptance Document (in addition to any other documents the MPI Plans may require).
- ◆ The Away Plans that the employer would normally contribute to must be an IATSE plan in which you, the employee, would otherwise participate. Those Away Plans must maintain a reciprocal agreement with the MPI Plans that allows for contributions to be made in accordance with the Home Plans Resolution.

"The MPI Plans

as Home Plan

Resolution is just

one more example

of your union's

steadfast resolve to

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the workplace."

That's it! Just two signatures and proof that you are vested now ensures that the benefits you accrue while working outside your jurisdiction will **continue to build for your retirement plans and maintain your ongoing health coverage**. What does your employer, i.e. the company signed with the "Away Local", need to do to qualify for participation in the Home Plans Resolution?

- ◆ The "Away Local" employer must be a signatory to an IATSE collective bargaining agreement requiring contributions to the Away Plan.
- ◆ The "Away Local" employer must sign the Sideletter in the form specified in the Resolution.

The Sideletter Form that allows "Away Local" employers to direct your benefits into the MPI Plans was recently revised in March 2006. Those **revisions simplified the criteria** (see above) and **reduced the number of signatures** from seven, down to just **two—the employee and the employer**. Some important things to bear in mind regarding the Sideletter Form:

- ◆ The Sideletter must provide for contributions to be made at the rates and for the hours specified in the Home Plans Resolution.
 - ◆ The Sideletter must cover only one or no more than a few employees who are working outside of their normal jurisdiction on the production, rather than a full crew or significant portion thereof.
- Make no mistake: health and pension benefits are in the crosshairs of the nation's biggest and most profitable companies. The MPI Plans as Home Plan Resolution is just one more example of your union's steadfast resolve to ensure and protect your benefits in the workplace. It provides confidence that no matter where you work, the hours you bank and the benefits you accrue will be directed into the Motion Picture Industry Plans—one of the most well-administered and secure health and pension plans of any in the nation.

Phil Angelides for Governor



"He envisions a California with even more jobs in the entertainment industry, first class schools, affordable health care for working families, and protections for our environment. The welfare of all Californians is his only special interest."

THOMAS C. SHORT, INTERNATIONAL PRESIDENT

The courage of his convictions and the consistency of his political beliefs have earned Phil Angelides the support of the IATSE's California Locals and the IATSE General Executive Board. Mr. Angelides took on the current Governor when he attempted to silence labor's voice with last year's ballot propositions and is prepared to continue his support of working families throughout the State of California.

The State of California may set the stage for the rest of the country when all is said and done on Election Day, leading up to the next Presidential Election in 2008. Let's help to set that stage as one that works for us!

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