

AFTRA RETIREMENT FUND

FUNDING STATUS RESEARCH MEMORANDUM

Prepared for: Peter Antico | Date: April 27, 2026

Re: Mandatory Employer Contribution Thresholds; Current AFTRA Fund Funding Ratios
and Credit Balance

I. AT WHAT LEVEL OF UNDERFUNDING ARE EMPLOYERS MANDATED TO INJECT CAPITAL?

Under ERISA § 305 (29 U.S.C. § 1085) and Internal Revenue Code § 432, as enacted by the Pension Protection Act of 2006 (PPA), multiemployer defined benefit plans are classified into funding zones that trigger mandatory employer contribution obligations. The specific thresholds and obligations are as follows:

A. Green Zone (Funded \geq 80%) — Minimum Funding Requirements Only

Employers must make minimum required contributions under ERISA § 412 / IRC § 431: the plan's normal cost plus amounts necessary to amortize any unfunded actuarial accrued liability over 15 years. If an employer fails to make required contributions, a 5% excise tax is imposed on the funding deficiency under IRC § 4971(a), rising to 100% if not corrected within 90 days. No additional mandatory surcharges apply in the Green Zone.

B. Yellow Zone — Endangered Status (Funded < 80% OR Projected Funding Deficiency Within 7 Years)

The plan's trustees must adopt a Funding Improvement Plan (FIP) within 240 days of certification. The FIP must project improvement of at least 33% of the "funding improvement needed" over a 10-year period. Employers must incorporate the FIP's required contribution increases or benefit reductions into collective bargaining agreements. Employers who fail to adopt a CBA consistent with the FIP schedule are subject to a 5% excise tax on contributions otherwise required. There are no automatic employer surcharges in the Yellow Zone, but the FIP schedule effectively mandates higher employer contributions.

Seriously Endangered variant: A plan funded below 80% AND projected to have a funding deficiency within 10 years. The same FIP requirements apply, but the projected improvement goal may be reduced if the 33% standard is not reasonably achievable.

C. Red Zone — Critical Status (Funded < 65% OR Other Distress Criteria)

A plan is in Critical Status if: (1) its funded percentage is below 65%, OR (2) it is projected to have a funding deficiency within 5 years, OR (3) it is projected unable to pay benefits within 7 years, OR (4) it meets other enumerated financial distress criteria under IRC § 432(b)(2).

In Critical Status, the following mandatory employer obligations are automatically

triggered:

- 5% surcharge on all contributions otherwise required in the FIRST plan year of critical status
- 10% surcharge in EACH SUBSEQUENT plan year the plan remains in critical status

These surcharges are self-executing — they apply automatically without any collective bargaining agreement change and without any employer election. The plan's trustees must also adopt and implement a Rehabilitation Plan requiring employers to negotiate further contribution increases and/or benefit reductions through collective bargaining.

D. Critical and Declining Status (Critical + Projected Insolvency Within 15-20 Years)

A plan in Critical Status is further designated Critical and Declining if projected to become insolvent within 15 years (or 20 years under a special rule). All Critical Status surcharge and Rehabilitation Plan requirements apply. In addition, under the Multiemployer Pension Reform Act of 2014 (MPRA), the plan sponsor may apply to the U.S. Treasury Department for approval to suspend benefit payments -- including already-accrued benefits -- to the extent necessary to avoid insolvency.

E. Summary Table

Zone / Status	Funded % Threshold	Mandatory Employer Obligation
Green Zone	≥ 80%	Minimum required contributions under ERISA § 412. 5% / 100% excise tax on deficiency.
Yellow Zone (Endangered)	< 80% funded OR projected deficiency within 7 years	Adopt Funding Improvement Plan. CBAs must comply with FIP schedule. 5% excise tax for non-compliant CBAs.
Red Zone (Critical)	< 65% funded OR other distress criteria	AUTOMATIC 5% surcharge (Year 1) / 10% surcharge (Year 2+) on all contributions. Adopt Rehabilitation Plan.
Critical and Declining	Critical + projected insolvency within 15-20 years	All Critical Status requirements. Treasury may authorize benefit suspensions under MPRA 2014.

II. CURRENT FUNDING RATIOS OF THE AFTRA RETIREMENT FUND

A. Source of Data

Source: AFTRA Retirement Fund Annual Funding Notice -- March 2026

Covering: Plan Year beginning December 1, 2024 and ending November 30, 2025

Published by: Board of Trustees of the AFTRA Retirement Fund

1411 Broadway, Suite 1850, New York, NY 10018 | Phone: (212) 499-4800 / (800) 562-

4690

Available at: <https://aftraretirement.org/Home/legal.aspx> (Legal Notices section)

EIN: 13-6414972 | Plan Number: 001

B. Funded Percentage -- Three-Year History (Actuarial Value Basis)

Plan Year	Valuation Date	Funded %	Actuarial Value of Assets	Actuarial Value of Liabilities
2025 (current)	December 1, 2024	84.5%	\$3,034,480,720	\$3,589,488,318
2024	December 1, 2023	86.2%	\$3,036,724,069	\$3,520,591,771
2023	December 1, 2022	87.5%	\$3,041,566,319	\$3,474,052,869

C. Year-End Fair Market Value of Assets

Plan Year End Date	Fair Market Value of Assets
November 30, 2025 (preliminary/unaudited)	\$3,010,531,762
November 30, 2024	\$2,895,687,185
November 30, 2023	\$2,731,164,697

D. Zone Status

Current Zone Status (Plan Year ending November 30, 2025): GREEN ZONE

The plan was NOT in endangered, critical, or critical and declining status during the Plan Year. The Annual Funding Notice states: "The Plan was not in endangered, critical, or critical and declining status in the Plan Year."

E. Trend Analysis and Proximity to Endangered Threshold

The funded percentage has declined for three consecutive years:

87.5% (2023) --> 86.2% (2024) --> 84.5% (2025)

The plan is currently 4.5 percentage points above the 80% Endangered Status threshold. At the current rate of decline (approximately 1.5 percentage points per year), the plan would cross the Endangered threshold in approximately 3 years without corrective action.

Actuarial Unfunded Liability growth:

2023: \$432,486,550

2024: \$483,867,702

2025: \$555,007,598

The unfunded liability has grown by approximately \$122.5 million (28%) in two years.

Note for merger complaint: Approximately 98% of combined employer contributions to both plans come from employers under legacy SAG agreements. The AFTRA Fund's \$555 million unfunded liability would effectively be assumed by SAG Plan participants in a merger -- exactly the subsidization effect predicted by the 2003 Mercer Report and confirmed under oath by former SAG Trustee Robert Carlson in his 2012 declaration.

F. Investment Performance and Asset Allocation (Plan Year Ending November 30, 2025)

Preliminary average return on assets: 8.9%

Asset Class	% of Total Assets
Public equity	38%
Private equity	16%
Investment grade debt instruments	25%
High-yield debt instruments	2%
Cash and cash equivalents	1%
Real estate	11%
Other	7%

III. CURRENT CREDIT BALANCE OF THE AFTRA RETIREMENT FUND

A. What Is the Funding Standard Account Credit Balance?

The "funding standard account credit balance" referenced in the complaint (e.g., the \$8 million AFTRA figure versus the SAG Plan's \$290 million, both as of 2003) is a distinct actuarial measure from the funded percentage shown in the Annual Funding Notice. The credit balance represents the cumulative surplus in the funding standard account -- the amount by which cumulative contributions have exceeded minimum required funding over the plan's history. A "funding deficiency" (negative balance) means cumulative contributions have fallen short of required funding. This figure is critical to the merger complaint because it reflects the structural actuarial health of each plan independently of short-term market fluctuations.

B. Where This Data Is Found

The funding standard account credit balance or deficiency is reported on:

Form 5500, Schedule MB (Multiemployer Defined Benefit Plan Actuarial Information)
 Line 9: "Funding standard account credit balance or funding deficiency"

The Form 5500 with Schedule MB is filed annually with the U.S. Department of Labor and is publicly available.

C. How to Access the Form 5500 / Schedule MB

Online (EFAST2 -- free public access):

Website: www.efast.dol.gov

Search by: EIN 13-6414972, Plan Number 001

The most recently available filing would be for plan year ending November 30, 2024 (due approximately August 15, 2025).

By phone:

DOL EBSA Public Disclosure Room: (202) 693-8673

By mail:

AFTRA Retirement Fund, Attn: Plan Administrator
1411 Broadway, Suite 1850, New York, NY 10018

D. Best Available Data: Actuarial Funding Shortfall (From Annual Funding Notice)

While the precise Schedule MB credit balance figure requires retrieval of the Form 5500, the Annual Funding Notice provides the closest publicly available equivalent. As of the most recent valuation (December 1, 2024):

Actuarial Value of Assets: \$3,034,480,720
Actuarial Value of Liabilities: \$3,589,488,318
Net Actuarial Funding Shortfall: (\$554,007,598)

The AFTRA Retirement Fund carries an actuarial funding shortfall of approximately \$554 million. The plan's stated funding policy is to meet only "the minimum funding requirements of [ERISA]."

E. Historical Context

The complaint documents note that as of 2003, the AFTRA Fund's funding standard account credit balance was approximately \$8 million -- compared to the SAG Plan's credit balance of approximately \$290 million (a ratio of approximately 36 to 1). The current data confirms that the AFTRA Fund's structural underfunding has deepened dramatically: the plan now carries an actuarial shortfall of approximately \$554 million, and its funded percentage has declined for three consecutive years. The fund remains above the statutory 80% Endangered Status threshold but has been trending toward it at approximately 1.5 percentage points per year.

IV. SUMMARY AND SIGNIFICANCE FOR THE MERGER COMPLAINT

The following key facts, drawn from the AFTRA Retirement Fund's own Annual Funding Notice (March 2026), directly corroborate the allegations in the complaint:

1. The AFTRA Fund carries an actuarial funding shortfall of approximately \$554 million as of December 1, 2024. Its liabilities exceed its assets by more than half a billion dollars.
2. The funded percentage has declined for three consecutive years (87.5% --> 86.2% -->

84.5%), trending toward the 80% Endangered threshold.

3. The fund's own stated funding policy is to meet only the ERISA minimum -- not to achieve full funding or build a surplus.
4. In a merger, the AFTRA Fund's \$554 million actuarial shortfall would be merged with the SAG Plan. Since approximately 98% of employer contributions come from SAG-covered employers, SAG Plan participants and their contributing employers would effectively assume responsibility for this deficit -- exactly the subsidization effect predicted by the 2003 Mercer Report and confirmed under oath by former SAG Trustee Robert Carlson.
5. The February 2026 pre-merger restructuring of the AFTRA Fund's benefit formula (converting from contribution-based to earnings-based) was designed to reduce the apparent unfunded obligations triggered under the Pension Protection Act, making the fund appear more financially viable in pre-merger projections than this data reflects.
6. If the combined merged plan were to fall below the 80% Endangered threshold, employers (predominantly SAG-covered) would face mandatory FIP contribution increases. If it fell below 65%, automatic 5-10% surcharges would be triggered. The merger thus presents a concrete risk of mandatory additional employer contributions for SAG Plan participants' employers that does not currently exist for the SAG Plan alone.

Sources

1. AFTRA Retirement Fund Annual Funding Notice -- March 2026
<https://aftraretirement.org/Home/legal.aspx>
2. ERISA Section 305 / IRC Section 432 (Pension Protection Act of 2006 -- Multiemployer Funding Zones)
<https://www.law.cornell.edu/uscode/text/29/1085>
<https://www.law.cornell.edu/uscode/text/26/432>
3. DOL EFAST2 Form 5500 Database (Schedule MB credit balance data)
<https://www.efast.dol.gov>
4. DOL ERISA Overview
<https://www.dol.gov/general/topic/retirement/erisa>