



The Newsletter of the Screen Actors Guild –
Producers Pension and Health Plans

Volume XVII, Number 2
Summer 2009

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Pensions are Safe

If you are receiving a monthly pension from the Screen Actors Guild – Producers Pension Plan, the Trustees want to assure you that it is safe. If you are not currently receiving a monthly pension, any benefits you have accrued to date are protected. The Plan maintains reserves to cover these promises. Although recent events in the financial markets have significantly reduced those reserves, they are adequate to cover the benefits promised so long as the Plans take the actions discussed in this newsletter.

To Learn More About Your Pension and Health Plan Benefits

A detailed description of the Pension and Health Plan benefits, including all updates and modifications, is available on the Plan's website: www.sagph.org.

A Message From The Board of Trustees

Dear Participant,

In the last issue of Take 2 (Spring 2009) we reported the impact of the collapsing financial markets on the Pension Plan. Specifically, in 2008 the Pension Plan lost 22.7% of its assets (nationally, pension plans lost between 20% and 29% in 2008). The Plan's performance was good relative to the 38% loss experienced by the S&P 500 in 2008, but the loss was very significant and required a strong and comprehensive response. **That response is outlined in this newsletter.** We reported that the Plan's investment managers warned that rising unemployment and weak demand for products and services could prolong the volatility of the financial markets through 2009 and possibly beyond. We also acknowledged the concern participants might have about the safety of both their current and future pension benefits. Please understand that your pension is safe (see sidebar).

Like the Pension Plan, the Health Plan was not immune to the impact of the 2008 losses in the financial markets and the dramatic drop in the overall economy. In addition, the Trustees have had to consider the uncertain future of industry employment patterns because Producer contributions to both the Pension and Health Plans are based on the earnings of our participants. So far this year, contributions generated from employment-based earnings are down 10%. This represents the largest drop in Plan history and does not account for the full impact of the decrease in SAG-covered television pilots, which has yet to be realized. The Health Plan also faces a continuing threat of inflation as the cost of healthcare continues to rise at about 9% annually.

With the goal of reducing costs and beginning the process of restoring Pension and Health Plan reserves, the Trustees have spent the last six months thoroughly evaluating every option with the Plans' actuary, legal counsel and consultants. In this issue of Take 2, we discuss — and explain the necessity for — a comprehensive strategy for recovery which includes: pension benefit accrual reductions, Health Plan premium increases and other Health Plan changes adopted at the July 2009 Board of Trustees meeting.

Sincerely,

The Board of Trustees

Future Pension Accrual Rate Reduced To Meet Federal Funding Requirements

Effective January 1, 2010

The Problem: The Funding Deficit

For the Screen Actors Guild – Producers Pension Plan, the 22.7% decline in asset value represents a loss of \$800,000,000 (800 million dollars). The loss represents nearly one quarter of the Plan’s value and is the largest decline in the Pension Plan’s 48-year history. Prior to 2008, there had been only four years with negative performance in the Plan’s history, the largest being a loss of 9.1% in 2002.

The 2008 losses have reduced the Plan’s funding percentage from 91% to 78%. According to federal guidelines established by the Pension Protection Act of 2006 (PPA), the Plan is in the orange zone and considered to be seriously endangered (see the note on the PPA on page 3). In 2009, because of investment performance, roughly 80% of pension plans nationally are facing the same challenges as our Plan. Next year, without corrective action, the Pension Plan could enter the red zone, (the most critical status under the PPA) and risk a funding deficiency under federal law, which would require even stronger action to correct. Allowing the Plan’s funding percentage to continue to decline is not a viable option. Remaining idle while the Plan moves to a red zone status next year puts all active participants at risk that some accrued benefits may be cut in the future.

Under the PPA, plans in zones other than the green zone (plans that are at least 80% funded and in no imminent danger of a funding deficiency) are *required* to establish a plan for improving their funding status. There is no quick fix to replace \$800 million. A few good investment years, increased contribution rates through negotiations or simple benefit reductions will not resolve this problem immediately. The purpose of highlighting the funding deficit is to reinforce the magnitude and seriousness of the problem the Plan faces.

The Options For Rebuilding Plan Reserves

There are three areas that impact the finances of the Pension Plan:

- **Investment performance**
- **Contribution income**
- **Benefit levels**

Investment performance, which has the most impact on the overall financial health of the Pension Plan, is the least controllable area of Plan financing, as illustrated by the 2008 Plan losses. The Plan’s investment strategy has always attempted to balance risk and return. In the current volatile markets, to materially alter our strategy in an attempt to achieve more aggressive returns represents an unacceptable level of risk.

Contribution income is determined by Collective Bargaining Agreements between the Producers and the Screen Actors Guild, and because Producer contributions are based on earnings from employment, a decline in production activity produces a corresponding decrease in contributions to the Plan. The fluctuation and uncertainty of both our investment performance and contribution income limit their effectiveness in resolving the funding deficit.

At present, SAG-covered production as measured by employment-based earnings reported to the Plans has dropped nearly 10%.

Benefit levels, which have the most impact on Pension Plan costs, offer the most substantive opportunity to reduce expenses. The “anti-cutback rules” under the Employee Retirement and Income Security Act (ERISA) and the Internal Revenue Code prohibit pension plans from cutting accrued benefits once those benefits have been earned. Working within these rules leaves the option of modifying *future* benefits, so the Trustees focused on this area.

Continued on page 3

The Best Option For Recovery

The Trustees reviewed future benefit modifications that would have the best chance of restoring the Plan's funding in the timeframe required under the PPA. It was determined that the most effective modification would be to reduce the future pension accrual rate.

Accordingly, effective January 1, 2010, the pension accrual rate will be reduced from its current 3.5% to 2.0% of Covered Earnings.

When financial conditions improve, the reduced accrual rate will be restored to a level that allows the Plan to maintain, for at least 10 years, a minimum 85% funding level and no funding deficiency.

This action does not reduce or in any way affect the benefits currently being paid to pensioners and their beneficiaries, nor does it reduce or in any way affect the amount of vested benefits accrued prior to January 1, 2010. The new 2.0% accrual rate applies only to earnings on or after January 1, 2010. Your monthly benefit will continue to grow as you continue to work in Covered Employment under the Plan. However, until funding levels improve and accrual rates are restored, benefits will grow at a slower rate.

For example, an actor who made \$50,000 per year for 20 years *prior* to 2010 would have an annual accrued benefit of \$32,846. An actor who made \$50,000 per year for 10 years *prior* to 2010 and then makes \$50,000 per year for 10 years beginning in 2010 would have an annual accrued benefit of \$27,500. An actor beginning his or her career in 2010 who makes \$50,000 per year for 20 years would have an annual accrued benefit of \$20,000.

The Future

The Board of Trustees has a solemn obligation and a fiduciary duty to protect the assets of the Pension Plan, and depending on economic conditions may have to consider additional benefit modifications in the future. Lowering the accrual rate was not an easy decision to make, but it was the correct choice in light of the serious funding deficit facing the Plan and the regulatory environment under which it is legally obligated to operate. We will continue to update you in future issues of Take 2.

The Pension Protection Act of 2006 (PPA)

What The Law Requires

	Green Zone: Plans more than 80% funded and with no projected funding deficiency within seven years are considered to be in the green zone and financially healthy (a funding deficiency occurs if contributions do not meet the minimum funding requirements under federal law).
	Yellow Zone: Plans less than 80% funded or projecting a funding deficiency within seven years are in endangered status.
	Orange Zone: Plans less than 80% funded and with a projected funding deficiency within seven years are considered seriously endangered.
	Red Zone: Plans with more severe funding problems that fail any one of five tests are in critical status.

The PPA requires Trustees of plans in the yellow, orange or red zones to develop plans for improving their funded status within specified timeframes. Pension plans that are significantly underfunded are subject to restrictions which limit the plan's ability to improve benefits as long as the plan is not in the green zone.

The Worker, Retiree, and Employer Recovery Act of 2008, passed last December, allowed plans that would be in the yellow, orange, or red zone for 2009 to be treated as if the plan's 2008 status had not changed. The Pension Plan's Trustees elected this treatment for 2009, as previously communicated to you. However, as discussed earlier, delaying corrective action for the Plan's funding problems could have necessitated stronger actions in the future.

Health Plan Modifications

Effective January 1, 2010

As we discussed on page one, the Health Plan was not immune to the impact of the 2008 losses in the financial markets. In order to continue offering a comprehensive package of health benefits, and to ensure coverage for the largest number of participants and their dependents, the Trustees made the following modifications to the Health Plan effective **January 1, 2010**.

Changes To Health Plan Premiums Effective January 1, 2010

The Health Plan did not begin charging a premium until January 1, 2003. Despite continually rising costs, the Health Plan over the last six years has never increased the monthly premium participants pay for benefits. Because of the economic realities discussed above, those premiums will be increased effective **January 1, 2010**. The new premiums are shown in the chart below. For perspective, the far right column illustrates what the cost of the premiums would be if they had been raised according to projected healthcare trend rates.

Health Plan Premiums Effective January 1, 2010

	Current Premiums	Effective January 1, 2010	Premiums Based on Rising Costs*
Plan I	\$50/mo or \$150/qtr	\$83/mo or \$249/qtr	\$108/mo or \$324/qtr
Plan II	\$65/mo or \$195/qtr	\$98/mo or \$294/qtr	\$141/mo or \$423/qtr
Plan II age & service**	\$65/mo or \$195/qtr	\$125/mo or \$375/qtr	\$141/mo or \$423/qtr

* Trend rates are from the annual Segal Health Plan Cost Trend Survey.

** This premium applies to participants who qualify at the lower earnings amount because they are at least age 40 and have at least 10 years of Earned Eligibility.

New Senior Premium

Also, for the first time the Plan will charge all **Senior Performers** a premium. Senior Performers are pensioners who are age 65 or older and participate in the retiree health plan. This premium will be effective **January 1, 2010** and will be **\$25 per month** for Senior Performers with at least 20 pension credits or who had at least 10 pension credits as of December 31, 2001 and were at least age 55 or older as of December 31, 2002. Premiums will be due on the first of each month. Premiums for Senior Performers who have 15 to 19 pension credits and do not meet the grandfather requirements outlined above will remain at 25% of the cost of health coverage. These premiums will also apply to dependents of deceased participants who are covered

under the Extended Spousal benefit. If you have Senior Performers or Extended Spousal coverage, you will receive a letter and payment coupons in the mail mid-November.

\$250 Calendar Year Deductible Added to Mental Health and Chemical Dependency Outpatient Services

Effective **January 1, 2010**, a new calendar year deductible will be added for outpatient services under the Mental Health and Chemical Dependency Benefits. These services include provider visits and chemical dependency treatment visits. Expenses for mental health or chemical dependency treatment may be used to satisfy this outpatient deductible. All other benefits, co-payments and maximums remain unchanged, including the requirement for ValueOptions to pre-authorize this type of care.

Mental Health Counseling Services – Outpatient Only

	NEW Calendar Year Deductible (effective 1-1-2010)	Plan Payment	Your Co-payment	Maximums
Plan I	\$250 (combined with chemical dependency)	100% of contracted charges after your co-payment	\$20 per visit	40 visits per calendar year
Plan II	\$250 (combined with chemical dependency)	50% of contracted charges	50% of contracted charges	20 visits per calendar year

Chemical Dependency Treatment Benefits – Outpatient Only

	NEW Calendar Year Deductible (effective 1-1-2010)	Plan Payment	Your Co-payment	Maximums
Plan I	\$250 (combined with mental health)	100% of contracted charges	\$0	Annual: one course of treatment Lifetime: two courses of treatment or \$37,500
Plan II	\$250 (combined with mental health)	100% of contracted charges	\$0	Annual: one course of treatment or \$7,500 Lifetime: two courses of treatment or \$10,000

Continued on page 5

Health Plan Modifications, *continued from page 4*

Effective January 1, 2010

Prescription Drug Calendar Year Deductibles Increased To \$150 Per Person/\$300 Per Family

The current deductibles for Prescription Drug Benefits are \$100 per person/\$200 per family for each calendar year. These deductibles have remained the same since January 1, 2003. Effective **January 1, 2010**, the calendar year deductibles will increase to \$150 per person/\$300 per family. The Prescription Drug deductibles apply to the retail pharmacy program, Medco by Mail and Accredo, Medco's specialty pharmacy. There are no changes to the co-payments at this time.

Coverage for Sleep Aids Limited to 21 Days Per Month

Many people experience transient or short-term insomnia, which lasts from a few days to a few weeks. Based on drug manufacturer guidelines and clinical research, 7-10 nights of drug therapy with medications such as Ambien and Lunesta is considered sufficient to treat transient insomnia. Food and Drug Administration guidelines state that patients with persistent insomnia should undergo additional clinical review.

Effective **January 1, 2010**, medication prescribed for sleep-aid therapy is limited to a quantity sufficient to treat 21 days per month. Patients requiring medication in excess of this limit will need a prior authorization for possible approval of extended benefits from the Plan Office. Otherwise, you must pay the total cost of the medication above the limit.

Coverage Eliminated For Non-Sedating Antihistamines

Effective **January 1, 2010**, the Health Plan will eliminate coverage on all prescription non-sedating antihistamines. This includes Allegra, Clarinex, Xyzal and all other medications in this class.

Two major medications classified as non-sedating antihistamines (NSA) are Claritin and Zyrtec. Both of these drugs are now available over-the-counter and no longer require a doctor's prescription. Just prior to becoming available over-the-counter, Claritin and Zyrtec were replaced with new brand-name prescription-only medications: Clarinex replaced Claritin and Xyzal replaced Zyrtec. Both of the new replacement prescrip-

tion drugs were produced with only minor chemical changes to the originals. In both cases, the effective active ingredient is identical to the over-the-counter versions.

Be sure to discuss any questions you may have regarding prescriptions with your physician.

Plan II and Lower Cost Self-Pay Non-California Hospital Coverage Limited To Network Hospitals Only

Hospital coverage in California has been restricted to network hospitals for **Plan II** and the **Lower Cost Self-Pay Plan** for many years. However, these restrictions were never applicable to Plan II and Lower Cost Self-Pay participants who resided outside California due to concern over the availability of network facilities under PHCS (the non-California network provider prior to April 1, 2007).

As a result of the change from PHCS to the Nationwide BlueCard Network on April 1, 2007 there has been a significant expansion of network hospitals available to participants who reside outside California. A utilization review showed that virtually all out-of-state hospitals used in 2008 were in the BlueCard network. Because of the expanded network and rising costs, the Trustees have eliminated the exception for non-California Plan II and Lower Cost Self-Pay participants effective **January 1, 2010**.

Allowable Charges Reduced For Injectable and Infusion Drugs Paid Under The Major Medical Plan

When your physician administers a prescription drug in his or her office, your benefit is paid through the Plan's Major Medical Benefit instead of the Prescription Drug Benefit. Currently the Plan reimburses the cost of drugs covered under the Major Medical Benefit up to a maximum of 150% of the drug's Average Wholesale Price (AWP). Effective **January 1, 2010**, the Health Plan will consider charges for these medications up to a maximum of 100% of the AWP. This change brings the Health Plan in line with standard industry practices, and we expect minimal impact to participants. Remember: oral and topical medications dispensed in a doctor's office are not covered.



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**Women’s Health
and Cancer
Rights Act of 1998
Annual Notice**

As required by the Women’s Health and Cancer Rights Act of 1998, the Health Plan provides benefits for mastectomy-related services including reconstruction and surgery to achieve symmetry between the breasts, prostheses, and complications resulting from a mastectomy (including lymphedema).

For more information contact the Plan Office at (818) 954-9400 or (800) 777-4013.



PENSION AND HEALTH PLAN DIRECTORY

Burbank Plan Office: (818) 954-9400
From outside the Los Angeles area: (800) 777-4013
Fax: (818) 953-9880
E-mail address: psd@sagph.org
website: www.sagph.org

IF YOU NEED:ASK FOR:

Benefit and Eligibility Information..... Participant Services

Pension Plan Information Pension Department,
Ext. 2020

Information on Medical Claims..... Participant Services

Information on Dental Claims

 Delta Dental – Member Services..... (800) 846-7418

 – Directories..... (800) 846-7418

Information on Prescription Drugs

 Medco Health..... (800) 903-4728

 Prescription Pre-Authorizations..... (800) 753-2851

24/7 Toll-Free Nurseline (866) 670-0691

NEW YORK Plan Office (212) 599-6010
275 Madison Ave. #1819, New York, NY 10016