

ORGANIZER



December 2006

Get to Know Your Individual Account Plan (IAP)

THE BEST SUPPLEMENTAL BENEFIT PLAN IN THE INDUSTRY!

Whether you've been working for a West Coast local for decades, or just starting out your career in Hollywood, you've probably heard the acronym IAP (short for Individual Account Plan), and wondered how these three letters will factor into your overall retirement plans, whether that day is months or years away.

The first thing to know about the IAP is that it only applies to IATSE members working for the West Coast locals, and members of Locals 700, 600, 52 and 161. Those who belong to any other IATSE plans outside of the West Coast Locals' jurisdiction, and the locals noted above, are not eligible for participation.

The next most important fact to bear in mind is that the IAP is managed by **financial services professionals**, who have helped the IAP to realize the most rapid growth of any supplemental benefit plan in the entertainment industry.

When expressed purely in dollars and cents, the security the IAP provides, in these uncertain economic times, is nothing short of astounding.

- ◆ During the period 1996–2005, the Individual Account Plan grew from **\$308 million** to **\$1.67 billion**, a gain of nearly **350 percent**
- ◆ Allocation of residuals (from excess Health Reserves) into the IAP during 1997-2001 totaled **\$336 million**
- ◆ During the period 1996–2005, **\$297 million** in IAP benefits were paid out with **\$48 million** paid out in 2005 alone

What makes the Individual Account Plan so unique is that since its inception more than 25 years ago, it has been structured to maximize supplemental benefits for both **new employees** and those **nearing**

retirement. Investment decisions by IAP money managers (who also manage the Motion Picture Industry Pension Plan) have skewed toward a slightly more conservative footprint than the Pension Plan, spreading risk across a wide array of financial sectors and products. When the stock market goes down, as the S & P 500 Index did in 2002, dropping 22.1 percent for the year, the IAP only fell 8.9 percent, blunting the market's losses by more than half. The financial services professionals who manage the IAP know the last thing workers want to see as retirement approaches is a decrease in the value of their benefits.

The IAP is also looking out for younger workers. In fact, given its track record of tremendous financial growth over the last ten years, Motion Picture Industry Pension & Health Plan (MPIPHP) experts feel the IAP may even have the potential to one day provide benefits that equal or surpass primary Pension Plan benefits (by the time younger participants reach retirement age). Options for realizing those benefits within the IAP structure are more plentiful than most other primary or supplemental benefit plans. These choices include:

- ◆ Claiming benefits in a lump cash sum
- ◆ Annuity purchase directed by IAP professional money managers
- ◆ Roll-over of benefits into a tax-exempt IRA account

What exactly is the IAP and how did it come to be such a valuable part of your benefit package? One of the best ways to help understand the Individual Account Plan is to highlight how it differs from supplemental benefit plans favored by employers in other industries, i.e. corporate 401 (k) plans.

(continued on page 2)

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(continued from page 1)

- ◆ The IAP is managed by a Finance Committee (comprised of the plan's directors), which acts upon the **professional guidance** of Merrill Lynch Consultants; participants signed in to corporate 401 (k) plans are 100 percent responsible for making their own investment decisions.
- ◆ IAP vesting requirements provide for **immediate vesting upon achieving one qualified year**. Most employer contributory 401 (k) Plans require **multiple years** of participation to gain 100% vesting
- ◆ Employer contributions into the IAP have been **collectively bargained** since the plan's inception in 1979. Employers contribute \$.305 (30 and 1/2 cents) per hour; as well as percentage contributions (which began in 1996)—1 percent of base salary rate in 1997, increasing to 5 percent in August 2005 (additional increases were negotiated in 2000 and 2003), increasing to 6 percent by 2008. **In a 401 (k) plan**, employers are under **no legal obligations** to make contributions and may cancel contributions at will.
- ◆ The professional management of the IAP provides for a balanced allocation across several asset classes—equities, fixed income, real estate, etc.—which limits risk, particularly for workers who need to retire during a down period in the stock market. At the end of 2005, according to one of the world's largest human resources firm Hewitt Associates, the proportion of 401 (k) participants' total balances in stock investments stood at 67 percent, indicating a **higher element of risk than the IAP**.

The fact that the IAP is professionally managed cannot be overstated as a **strategic and long-term advantage** over other supplemental benefit plans. A recent study by the Pension Research Council at the Wharton School of Business tracked 1.2 million participants in more than 1,500 different 401 (k) plans. The years measured, 2003-2004, was a period when the S & P 500 Index averaged more than **35 percent compound annual growth**. The Wharton study found that **80 percent of 401 (k) plan participants initiated no change** in their investment portfolios during this period, and concluded that participants were inattentive when it came to ensuring the financial health of their own benefits.

IAP professional money managers, by comparison, have ensured that investments **mirror or surpass the**

growth of market indices. Annualized average returns for the IAP during the past three years were 11.4 percent, average five year returns were 8.8 percent, ten year average returns were 8.1 percent, and twenty year annual returns averaged 9.2 percent, less than one percentage point off the compound annual growth rate of the S & P 500 Index for the last twenty years.

HOW DID THE INDIVIDUAL ACCOUNT PLAN COME ABOUT?

The IAP was created in August 1979 as a supplemental benefit to the Motion Picture Industry Pension Plan. Its goal was to increase retirement benefits for West Coast IATSE members, while also giving contributing employers an alternative to withdrawal liability incurred under the Pension Plan. According to MPIPHP benefits experts, IAP founders wanted to be fair to new workers entering the industry, as well as those nearing retirement, an IAP hallmark that has remained in place for more than 25 years.

Employees who were 55 or over in August 1979, and nearing retirement, were not included in the Individual Account Plan. Instead, they were given an increase in their Pension benefits that was greater than the amount initial IAP participants (who would have many employable years before reaching retirement) received. For the first ten years of the IAP, benefit formulas were weighted toward those workers who were nearing retirement. By 1990, the books had been balanced and all IAP benefit formulas were placed on equal footing, regardless of seniority.

Given market conditions and calculation formulas, benefits for the first 15 years of the Individual Account Plan averaged a modest \$13,000 per worker. **But in 1996 everything changed**. Thanks to the negotiated actions of President Tom Short, employers began **making a percentage contribution** of a worker's base rate, **in addition to the 30 and 1/2 cents established at inception**. The added percentage contributions, along with expertly managed investments that accounted for \$595 million of investment income (7.8 percent per annum) from 1996-2005, as well as allocation of residuals of excess Health Reserves, has been the jet fuel that has rocketed the IAP into stratospheric financial growth.

Allocations of excess Health Reserves into the IAP (which accounted for **\$336 million** from 1997-2001) have been a win-win consideration for both IAP partici-

pants and their employers. Reserves in the Motion Picture Industry Health Plan have been measured at the end of the third quarter each year to determine what percentage is excess, thereby allowing future reserves to be directed into the IAP. These allocations have allowed employers to reduce contributions in those years when excess health reserves were directed into the IAP.

The bottom line is this: Whether you're making plans to fix up your boat and set sail for Hawaii, or working the phones every weekend to increase your circle of job contacts, the IAP functions as a **vital part of your overall benefit package**. It is the most comprehensive and stable supplemental benefits plan in the motion picture and television industry. Those three simple letters—I-A-P—mean your retirement benefits are safe, solid, and steadfastly working to protect your future.

*“The American people
saved this country.”*

Congressman George Miller [D-CA]

CHAIRMAN, COMMITTEE ON EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

Congressman George Miller (D-CA)

*made this statement as he reflected on the
recent mid-term elections across the United
States, when he recently addressed the AFL-CIO
Executive Council in Washington, D.C.*

*Congressman Miller now serves as Chairman
of the Committee on Education and the Workforce
in the U.S. House of Representatives.*

Brother Tim Wade Retires

After 42 years of working in the industry Brother Tim Wade, a second generation IATSE member, has made the decision to retire.

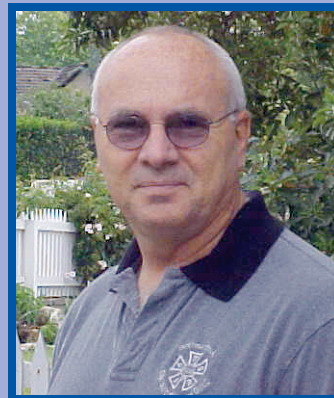
At Camera Local 600, Tim started as a 2nd Assistant Photographer and worked his way up to become a Director of Photography. For the past 13 years Tim has worked as a Business Representative.

Starting in 1994 with his involvement with the Industry-Wide Safety Committee (responsible for providing notices and updates for the industry's Safety Bulletins), Brother Wade became well known for both his efforts to promote and enforce safety throughout the industry, and for his excellent understanding of our industry's core safety issues. In February 2003, Tim was appointed by International President Tom Short to serve as Chairman of the IATSE Safety Committee and Co-Chair of the Industry-Wide Safety Committee. In that capacity, Tim has written many safety articles for the IATSE Official Bulletin and has supported and assisted in the planning of the industry's Safety Pass Program for the safety training of over 40,000 entertainment workers in Southern California. This work has resulted in an

increased attention by members for on-the-job safety awareness.

He has been seated on many safety related boards, and has represented the industry on various councils and committees such including the CAL-OSHA Advisory Board where he assisted in writing the Title 8 regulations affecting our industry); Entertainment Technicians Certification Program (ECTP) Council; and Entertainment Services Technology Association (ESTA)—especially for his work on the camera crane and smoke/fog committees.

President Short was recently quoted as saying that “Tim's outstanding service to the membership has improved the safety in the workplace.” The IATSE's membership is fortunate that Tim has agreed, at the request of the International President, to complete his ongoing safety projects and be available to lend his expertise for safety related projects.



Organizing Update

American East	King of California	Salomaybe
Believers, The	LA Dark Streets	Single Minded
Combat Systems 2006 Project	Lincoln Heights	Slipstream
Crossing Paths	List, The	Smiley Face
Darlene Westgor Project, The	Lovespring	Solstice
Desire: Table for Three and Secrets	Mama's Boy	Take, The
Domestic Imports	Mind of Mencia	Talk Show With Spike
Farce of the Penguins, The	My Sexiest Year	Tripper, The
Game Show Marathon	Nines, The	Underdog, The
Grand, The	Ocean's 13	Underground
How To Rob A Bank	One America	What Love Is
K Town Super Frog,	Parental Guidance Suggested	Wizard Of Gore
All God's Children	Pink Collar	
Killer Pad	Rest Stop	

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International Alliance of Theatrical Stage Employees,
Moving Picture Technicians, Artists and Allied Crafts
of the United States, its Territories and Canada

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