

AFTRA **H&R** FUNDS

BENEFITS UPDATE

July 2007

This newsletter contains important information regarding changes to the plan of benefits (the "Plan") of the AFTRA Retirement Fund (the "Fund"). You should take the time to read this carefully and share it with your family. Keep it with your copy of the Fund's 2006 Summary Plan Description.

Retirement Plan Improved: Effective December 1, 2007

The Board of Trustees of the AFTRA Retirement Fund is very pleased to inform you that the AFTRA Retirement Plan is now being improved in three ways:

- The percentage rate used to accrue benefits for Covered Earnings in each Base Year up to \$50,000 will increase from 1.5% to 1.7%.
- The maximum Covered Earnings used by the Plan to calculate benefits will increase from \$170,000 to \$200,000 for each Base Year.
- The annual maximum benefit that can be accrued under the Plan will increase from \$96,000 to \$108,000.

In general, all of these increases are effective December 1, 2007, but you should review the remainder of this notice to understand how the effective date will work and for a more detailed description regarding the changes.

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2 Increase in the Percentage Rate

The amount of the benefit that you will receive when you retire is determined by applying a percentage rate to the Covered Earnings in each Base Year in which you earn a Pension Credit.

3 Increase in the Maximum Covered Earnings Limit

Your retirement benefits are calculated based on the compensation you receive from your Covered Employment. That compensation, however, is limited by both tax law and the Plan itself.

3 Increase in the Maximum Benefit

The Plan imposes a maximum amount of benefits that may be paid to you annually from the Plan.

Increase in the Percentage Rate

The amount of the benefit that you will receive when you retire is determined by applying a percentage rate to the Covered Earnings in each Base Year in which you earn a Pension Credit. Following is a chart (updating the chart on page 15 of the *2006 Summary Plan Description*) showing the applicable percentage rates used in determining your benefit amounts. As you can see, this rate has been

1.5% since December 1, 2004. Higher percentage rates applied to Covered Earnings before December 1, 2004.

Beginning December 1, 2007, this percentage will be **increased** to 1.7% for your first \$50,000 in Covered Earnings in each Base Year. The percentage rate will remain at 1.5% for Covered Earnings over \$50,000.

Beginning	12/1/1954 -	12/1/1995 -	12/1/1997 -	12/1/2002 -	6/1/2003 -	12/1/2004 -	12/1/2007 -
Ending	11/30/1995	11/30/1997	11/30/2002	5/31/2003	11/30/2004	11/30/2007	Forward
\$0-\$50,000	3.1%	3.1%	3.6%	3%	2%	1.5%	1.7%
\$50,000-\$100,000	3.1%	3.1%	3.1%	3%	2%	1.5%	1.5%
\$100,000-IRS MAX*	1.05%	3.1%	3.1%	3%	2%	1.5%	1.5%

*The maximum earnings taken into account for the purposes of the Plan are calculated based on your earnings from all employers contributing to the Plan, not on an employer-by-employer basis. The maximum compensation for each Base Year is as follows:

Base years ended before December 1, 1992:	\$200,000
Base year ended November 30, 1993:	\$228,860
November 30, 1994:	\$235,840
November 30, 1995:	\$242,280
November 30, 1996:	\$245,000
November 30, 1997:	\$250,000
From Dec. 1, 1997 to Nov. 30, 2000:	\$160,000
From Dec. 1, 2000 to Nov. 30, 2007:	\$170,000
From Dec. 1, 2007 and thereafter:	\$200,000

Here are two examples of a benefit determination:

Example 1: Suppose you have Covered Earnings of \$60,000 for the Base Year ending November 30, 2008. Under the prior rule, for that Base Year, you would have earned an annual amount of \$900 (1.5% x \$60,000) credited towards your Regular Annuity. However, with the new increased percentage rate, your annual benefit for the Base Year ending November 30, 2008 will be \$1,000 (1.7% x \$50,000 plus 1.5% x \$10,000).

Example 2: Suppose you have Covered Earnings of \$100,000 for the Base Year ending November 30, 2008. Under the prior rule, for that Base Year, the annual amount added to your Regular Annuity would have been \$1,500 (1.5% of \$100,000). With the new increased percentage rate, your Regular Annuity benefit accrued for the Base Year ending November 30, 2008 will be \$1,600 (1.7% x \$50,000 plus 1.5% x \$50,000).

It is important to understand that these examples are intended to illustrate how your pension benefit grows in a single year. As explained in the 2006 Summary Plan Description, your total monthly pension amount will be based on pension benefits you have already earned in prior years plus those you will accrue in future years.

IMPORTANT: Benefits you accrued before December 1, 2007 are not affected by this change. Also, keep in mind, you must earn a Pension Credit (at least \$7,500 in Covered Earnings) on or after December 1, 2007 for the change to apply to you.

Increase in the Maximum Covered Earnings Limit

As you saw from the previous examples, your retirement benefits are calculated based on the compensation you receive from your Covered Employment. That compensation, however, is limited by both tax law and the Plan itself. Currently, the Plan recognizes Covered Earnings only up to \$170,000 per year. Beginning December 1, 2007, for anyone with a Pension Credit on or after that date, the Plan will recognize Covered Earnings up to \$200,000 for future benefit accruals.

As is currently the rule, this limit will continue to apply to total earnings from all contributing

employers, not on an employer-by-employer basis.

Example: You have Covered Earnings from all employers of \$250,000 in the Base Year ending November 30, 2008. Your Regular Annuity benefit accrual for the Base Year will be based on the \$200,000 maximum (not \$250,000) in Covered Earnings and will be \$3,100 (1.7% of \$50,000 plus 1.5% of \$150,000). If you had the same amount of Covered Earnings in the prior Base Year, your Regular Annuity benefit accrual would only have taken into account \$170,000 in Covered Earnings and would have been \$2,550 (1.5% of \$170,000).

Increase in the Maximum Benefit

The Plan imposes a maximum amount of benefits that may be paid to you annually from the Plan. Currently, the Plan's maximum annual pension benefit is \$96,000 for a Regular Annuity payable at Normal Retirement Age. **For anyone who earns at least one Pension Credit on or after December 1, 2007, this maximum annual pension benefit will increase to \$108,000.**

If you previously accrued a benefit that was higher than \$96,000 but were limited by the \$96,000 maximum (or a higher "grandfathered" amount in effect on November 30, 2002), once you earn a Pension Credit on or after December 1, 2007, your benefit will increase to the amount it would have been if the \$96,000 maximum were not in effect, plus your additional benefit earned on or after December 1, 2007. However, your total annual accrued benefit will not go above the new \$108,000 maximum.

As is currently the rule, your Regular Annuity will be reduced if you choose to receive it earlier than age 65, or it will be actuarially increased if you wait to receive it until after age 65. Moreover, your benefit will be further adjusted if you decide to take it in an optional form of payment other than a Regular Annuity, such as a Life Benefit Only option. Therefore, the annual benefit you receive may be more or less than \$108,000, depending on the age at which you commence benefits and on the payment option you choose.

Here are a few examples to illustrate the rules so you can understand how they work:

Example 1: Your Covered Earnings prior to December 1, 2007 would have resulted in a Regular Annuity benefit of \$100,000, but your benefit was capped by the \$96,000 maximum. Assume you have earnings of \$60,000 in the Base Year ending November 30, 2008, resulting in an additional Regular Annuity accrual of \$1,000 for that year. Since you had a Pension Credit in that Base Year, you will be subject to the new \$108,000 maximum. Your prior accrual above \$96,000 will be restored (giving you \$100,000) and you will have an additional accrual of \$1,000, for a total Regular Annuity of \$101,000, payable at age 65, subject to adjustment for the payment option you elect.

Example 2: Your Covered Earnings prior to December 1, 2007 would have resulted in a Regular Annuity benefit of \$107,500, but your benefit was capped by the \$96,000 maximum. Assume you have earnings of \$60,000 in the Base Year ending November 30, 2008. Since you had a Pension Credit in that Base Year, you will be subject to the new \$108,000 maximum. Your prior accrual will be restored (giving you \$107,500) but your additional accrual will be capped at an additional \$500, giving you a total Regular Annuity of \$108,000 as of

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Increase in the Maximum Benefit *continued from page 3*

November 30, 2008, payable at age 65, subject to adjustment for the payment option you elect. Because you hit the new increased maximum, additional Covered Earnings in future years will not increase your benefit.

Example 3: Your Covered Earnings prior to December 1, 2007 would have resulted in a Regular Annuity benefit of \$105,000, but your benefit was capped by the \$96,000 maximum. You have Covered Earnings of \$5,000 in the Base Year ending November 30, 2008 and none after that. Your Regular Annuity benefit will remain at \$96,000, payable at age 65 and subject to adjustment for the payment option you elect, because you did not earn a Pension Credit on or after December 1, 2007.

Example 4: As of November 30, 2002, you had accrued a Regular Annuity benefit of \$110,000. As a result, your benefit was “grandfathered”, meaning that it was capped at that amount and not subject to the \$96,000 maximum. Regardless of whether you earn any further Pension Credits, your Regular Annuity benefit will remain at \$110,000, payable at age 65 and subject to adjustment for the payment option you elect.

Example 5: As of November 30, 2002, you had accrued a Regular Annuity benefit of \$105,000. As a result, your benefit was “grandfathered”, meaning that it was capped at \$105,000 and not subject to the \$96,000 maximum. If you have \$60,000 in Covered Earnings in the Base Year ended November 30, 2008, your Regular Annuity benefit will be increased by \$1,000 (1.7% of \$50,000 plus 1.5% of \$10,000) to \$106,000 as of November 30, 2008, payable at age 65 subject to adjustment for the payment option you elect.

Special note for retirees: If you are already retired (that is, you commenced receiving your benefit prior to December 1, 2007), but you earn a Pension Credit on or after that date, the new maximum will apply when your monthly benefit is recalculated (as described on pages 30 and 31 of the 2006 Summary Plan Description). That means that any additional monthly benefit that results from the recalculation will become payable on June 1 following the Base Year in which you earned the additional Pension Credit. The increases under the amendment will not apply to benefit payments before that date.

Example: You retire on July 1, 2007 at age 65. Your Covered Earnings prior to your retirement would have resulted in a Regular Annuity benefit of \$100,000, but your benefit was capped by the \$96,000 maximum. So, you are receiving monthly payments of \$8,000. In the Base Year ending November 30, 2008, you have additional Covered Earnings of \$60,000. In the spring of 2009, your Regular Annuity benefit will be recalculated based on your previous accrued benefit of \$100,000 (which is lower than the new cap of \$108,000), plus the additional accrual of \$1,000 for the Base Year ending November 30, 2008 based on the \$60,000 of Covered Earnings and the new percentage rate). Thus, starting June 1, 2009, your Regular Annuity benefit will be \$101,000 per year, and your monthly payment will be increased from \$8,000 to \$8,417.

If you have any questions regarding these benefit improvements, please contact Participant Services at 1-800-562-4690.

This Benefits Update is a Summary of Material Modifications (“SMM”) intended to notify you of important changes made to the Plan. While every effort has been made to make this description as complete and as accurate as possible, this SMM, of course, cannot contain a full restatement of the terms and provisions of the Plan. If any conflict should arise between this summary and the Plan, or if any point is not discussed in this SMM or is only partially discussed, the terms of the Plan will govern in all cases. The Board of Trustees (or its duly authorized designee) reserves the right, in its sole and absolute discretion, to amend, modify, terminate or interpret and decide all matters under the Plan, or any benefits provided under the Plan, in whole or in part, at any time and for any reason.