



## COMPENSATION AND BENEFIT LIMITS THE SHORT STORY

We often get inquiries about the pension benefits available and what the compensation limitations are for purposes of retirement plan benefits. Here's the condensed version of plan and IRS limitations.

### *The Limits*

- **Compensation** to be considered for your benefit is limited to \$170,000<sup>1</sup> (see below) per year per Employer. Different limits apply for years before 2000.
- There is a maximum **benefit** amount you may receive from the Pension Plan per year per Employer.

<sup>1</sup>This amount is anticipated to increase pending ratification by the WGA membership and adoption by the Board of Directors of the Plan.

- A previous pension plan (not this one) that is no longer in existence may affect your benefit from this Plan.

### *Working For Many EmployerS May Be The Key*

- Multiple Employers that are related as far as the IRS is concerned (e.g. based on ownership interests) are considered as one Employer when applying the limits.
- Different percentage ownership rules apply when it comes to the limit in compensation vs. the limit in benefits. Call the Administrative Office if you would like more detailed information.

- **If you work for a number of Employers (who are not related as far as the IRS is concerned), then you may not actually reach the limit on compensation or benefits.**

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***So what happens if you earn more than \$170,000 per year per Employer?***

Let's take a look at an example.

*Larry wrote a screenplay for Box Office Hits Company in 2003 and earned \$200,000. Box Office Hits Company contributed \$12,000 to the Pension Plan. Unfortunately, only \$170,000 of money earned can be considered for Larry's pension benefit, which means only \$10,200 of the contributions will count when it's time to calculate Larry's benefit. The remaining \$1,800 would be "excess" and remain in the Plan fund and will not be used towards Larry's benefits.*

Let's look at another example.

*Sally wrote a screenplay for Box Office Hits Company in 2003 and earned \$100,000. She also wrote for Tearjerker Movies Company and earned another \$100,000 in the same year. Both Employers contributed \$6,000 each. Since the two Employers are not related as far as the IRS is concerned, all of the \$200,000 can be considered for compensation and all of the*

*\$12,000 in contributions will count towards Sally's pension benefits.*

***Retirement Benefit Limits***

The maximum amount of benefit you may get per year depends on what option you take when you retire, your age when you retire, and believe it or not, when you were born. For instance, the maximum benefit, assuming you were born before 1938, retired at age 65 and chose the Five-Year Certain & Life Annuity option is \$138,434 per year per Employer. These are IRS rules, not ours.

A couple of examples might help.

*Chuck has been working for Stand by Me Production Company all throughout his career. The company has been good to him all these years, as they should, because everything Chuck touches turns to gold. At 65, Chuck's now ready to retire. His total benefit per year with the Plan working at Stand by Me Production Company is \$156,234. Since the IRS Limit for Chuck's age, option and birth year is \$140,000 per year per Employer, he will only receive \$11,666 per month.*

*Wayne's been writing for the last 20 years and at age 55, he's ready to hang up his hat. From working for the top five Hollywood production Employers, Wayne earned compensation yielding \$60,000 in pension benefits with the Plan from each Employer for a total annual benefit of \$300,000. These Employers are not related as far as the IRS is concerned. The IRS limit for Wayne's age, option and birth year is \$62,586 per year per Employer. Since Wayne's benefit from each Employer is less than the IRS limit, he will get \$25,000 per month.*

***What about participation in other industry plans?***

Your benefits earned under another multi-employer plan are not combined by this Plan for this purpose. For example, any benefits you earn under the Directors Guild of America-Producer Pension Plan would not reduce your benefits from this Plan.

***What about participation in other pension plans?***

The limit on benefits is applied by Employer over your entire career. So if your Employer or your own

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company, which was an Employer in the Plan, had a defined benefit plan that has been terminated, your benefits from that plan would be combined with your benefits from this Plan just to check if it exceeds the limit. A defined benefit plan is a kind of plan which meets certain IRS rules. Just like the name, it's special in the way that there is a defined formula for figuring out the benefit.

We'd provide an example of this, but it's so complicated it would take too much room for this article. It doesn't affect many of you, but if you think you may be one of those, please contact us and we'll talk it through with you.

If you were in another company sponsored defined benefit plan that has not been terminated, the benefits earned under this Plan could affect the benefit limits under your company sponsored plan. Your benefits under this Plan would not be affected, however.

Finally, it's important to note that your benefits earned under this Plan will not be affected by any contributions made on your behalf to any

individual account, 401(k) or similar plan.

***How can you find out more about the compensation and benefit limits?***

The benefits website, [www.wgaplans.org](http://www.wgaplans.org), has information about these limits. As always, we're ready to help you about your Plan status and can provide information about your benefits and how it is affected by both limits. You may contact us by calling the Administrative Office and selecting Pension Benefits Department on the main menu.

This article is only a brief summary of some very complex rules. If anything described in this article conflicts with the terms of the Plan, the terms of the Plan (rather than this article) will govern. Also, depending on your circumstances, additional limits not fully addressed in this article may apply to your Plan benefits.

**DEAR DOROTHY**

Dear Dorothy:

I recently moved from sunny California to chilly North Dakota and notified the

WGA, west of my address change. Unfortunately, when I called the Administrative Office they had no idea I had moved. Should I have notified the Administrative Office as well?

- Distraught in Devils Lake

Dear Distraught:

It certainly is not mandatory, but extremely helpful to my friends at the Administrative Office. There are several reasons why it is important to keep the Administrative Office notified of your living situation. First, we want to ensure that your monthly pension check is sent to the proper address. Secondly, the Pension Plan sends all Participants in pay status with the Plan tax reporting forms. This form is extremely important in completing your taxes. Even if you are not yet receiving a benefit from the Plan, you may miss out on important mailings if your address is not up-to-date. To notify my friends at the Administrative Office of your recent move all you have to do is mail or fax a letter with your new address, Attention: Data Processing. Be sure to sign the letter. You can access a change of address form on our website at [www.wgaplans.org](http://www.wgaplans.org). Enjoy chilly North Dakota!

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Dear Dorothy:

Every month I receive my pension check on the 5<sup>th</sup> or 6<sup>th</sup> of the month. I need that money to pay my mortgage on the first of every month. Can you help me with this problem?

- Waiting in Waikiki

Dear Waiting:

My suggestion would be to sign up for Electronic Funds Transfer Authorization ("EFT"). By signing up, you will have access to your monthly pension on the first bank business day of each month. This way you will never be late paying your mortgage and you can spend more time enjoying the sun and those great piña coladas. To sign up, just log on to our website at [www.wgaplans.org](http://www.wgaplans.org) and download and complete the Electronic Funds Transfer Authorization form. (You can also call the Administrative Office to have a form sent to you.) Mail or fax the completed form to the Administrative Office. Don't forget your sunscreen!

Dear Dorothy:

My wife and I recently had a baby girl. How do I make sure she is covered by the Pension Plan in case something happens to me?

- Proud Papa in Pittsburgh

Dear Proud Papa:

Congratulations! It's great that you are already planning for the future. The best way to make sure your new bundle of joy is taken care of is to complete a new Designation of Beneficiary Form for the Pension Plan. You can download a new form from our website at

[www.wgaplans.org](http://www.wgaplans.org) during one of those 4 am feedings. You'll need to find some time to complete the form and return it to the Administrative Office. If you have any further questions, please feel free to call the Administrative Office. Congrats again!

Dear Dorothy:

I was lying awake the other night and was thinking about my pension. I know that you only work 8:30 am to 5 pm, so besides calling the Pension Department is there any other way for me to learn more about the Plan and my benefits?

- Night Owl in Norwalk

Dear Night Owl:

Actually, the Plan unveiled the benefits website over a year ago. The website is a great way to familiarize yourself with the Plan. My favorite item on the website is the Pension estimator. Just plug in your monthly benefit

from your statement and your age and the desired date you want to retire and the estimator will provide you with all the amounts under each of the options. The website can be found at [www.wgaplans.org](http://www.wgaplans.org). If you have any further questions, please feel free to call the Administrative Office.

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Please feel free to write to Dorothy at the Producer-WGA Pension Plan and The Writers' Guild-Industry Health Fund, 1015 North Hollywood Way, Burbank, CA 91505 with your questions. Also, Dorothy is now online: e-mail Dorothy at [DearDorothy@wgaplans.org](mailto:DearDorothy@wgaplans.org). Your questions may be answered in the next issue of "Let's Talk" or published on the website.

## Holiday Closures

**Our offices  
will be closed:**

**November 25 & 26  
December 24 & 31**

## THE MOVE TO MEDCO: DID THIS REDUCE MY PHARMACY BENEFITS?

Feel like the move to Medco reduced your pharmacy benefits? Well, in a word, the answer is, “No.”

The Benefits Committee of the Trust made some changes to the Fund’s prescription plan of benefits that became effective on May 1, 2004. Because that timing was so close to the July 1, 2004 switch-over to Medco, it well may have seemed as though Medco was the culprit, but this is not the case. The change to Medco was made because it saves money for both you and your plan, while providing broader coverage and better service. The reasons for the benefit changes were explained in a prior mailing, a copy of which is included with this newsletter. To help you sort everything out, we offer below “The Good, The Bad & The Ugly” of both the “Move to Medco” and the May 1, 2004 benefit changes:

### The Move to Medco: “The Good”

- Larger “preferred drug” list with Medco means lower co-pay costs for participants.

- Better Customer Service Coverage. You can reach Medco’s customer service team 24 hrs a day/363 days a year.
- Better Customer Service Non-Covered Discount Drug Card Program\*\*
- Low Option Plan Discount Drug Card Program\*\*

### The Move to Medco: “The Bad”

- Some Advance PCS “preferred drugs” are not on the preferred list with Medco – but alternative drugs are. Check with your physician to see if you can substitute.

### “The Bad” –Benefit Changes Effective May 1

- Proton Pump Inhibitors (PPI) and Non-Sedating Antihistamines are no longer covered because alternatives are now available over the counter – *The Fund will continue to cover these in select cases only\**

### “The Ugly” – The Move to Medco

- Refills – Advance PCS Rx numbers are not recognized using Medco.com or Medco’s automated phone system. You must call and speak to a Medco representative to process your first refill request. Once you have a Medco Rx number – no problem!

Adjusting to any change takes time. We acknowledge there were some hiccups in the transfer of refills for a small percentage of you. And for that, we apologize.

Our staff is ready, willing and able to answer any questions you may have regarding the recent changes to your benefits or the move to Medco, so please give us a call if you’re still having any trouble.

*\* A copy of the participant notice announcing the May 1<sup>st</sup> changes is enclosed.*

*\*\* Contact the Fund Office for more information on this program.*

## RETIREMENT OPTIONS: IT'S YOUR MONEY - HOW DO YOU WANT IT?

Previously LET'S TALK discussed the Joint and Survivor Annuity Option. In this issue, we examine (drum roll please): the Joint and Survivor Annuity with Pop-Up Option. This may sound the same, but the Pop-Up Option is a key feature that determines how your pension will be paid both to you and your survivor.

The basics of the Joint and Survivor Annuity with Pop-Up Option are the same as the Joint and Survivor Annuity Option:

- A reduced benefit is paid for the Participant's life time.
- When the Participant passes away, 50%, 66-2/3% , or 100% of the Participant's benefit will be paid to the Joint Annuitant for the Joint Annuitant's lifetime, depending on the election you make. (Note: "Joint Annuitant" is pension talk for "Your Beneficiary.")

- The higher the percentage of that benefit that goes to your Joint Annuitant when you pass away, the lower the benefit amount paid to you while you are alive.
- The choice of percentage and Joint Annuitant must be made before you retire; you can't change your election after retiring.
- If the named Joint Annuitant is not a spouse, the Joint Annuitant cannot be more than 24 years younger than the Participant for the 66-2/3% option or ten years younger for the 100% options.

**So what's different?** The amounts paid to the Participant under these Pop-Up Options are less than the amounts that would be payable under the "regular" Joint and Survivor Annuity Options.

***So why would I want to elect a smaller pension?*** Because if the Joint Annuitant should die before the Participant, the Participant's monthly benefit would be "popped-up" to the amount otherwise payable under the higher Five-Year Certain and Life Annuity Option.

(A discussion of that option is available in the Fall 2003 newsletter or on our website at [www.wgaplans.org](http://www.wgaplans.org).) This increased monthly amount would start with the month following the Joint Annuitant's death and continue for the remainder of the Participant's lifetime. Again, neither this election or the named Joint Annuitant may be changed on or after the Participant's Retirement Date.

***Whew! That is complex stuff; let's talk about an example:***

Paul (the Participant) is eligible for a monthly retirement benefit on June 1, 2000 that will be paid under one of three options:

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- Five-Year Certain and Life Annuity Option: \$1,400.00
- 100% Joint and Survivor Annuity Option (naming his wife, Paris, as Joint Annuitant): \$1,134.00
- 100% Joint and Survivor Annuity with Pop-Up Option (naming his wife, Paris, as Joint Annuitant): \$1,113.00

<b>What if:</b>	<b>Result:</b>
Paul elected the <b>100% Joint and Survivor Annuity Option</b> (no Pop-Up) and receives \$1,134.00 per month. Paris passes away on April 7, 2008. What happens to the benefit?	<b>Nothing.</b> Paul will continue to receive the same monthly benefit, <b>\$1,134.00</b> for the rest of his life. When Paul dies, the benefits will stop and no further benefits will be payable.
Paul elected the <b>100% Joint and Survivor Annuity with Pop-Up Option</b> and receives \$1,113.00 per month. Paris passes away on April 7, 2008. What happens to the benefit in this case?	<b>Paul's benefit would increase.</b> Beginning May 1, 2008, Paul's benefit would increase to <b>\$1,400.00</b> per month and continue for his lifetime. When Paul dies, the benefits will stop, and no further benefits will be payable.

Remember: only one option can be chosen at retirement. And once your retirement date comes, you can't change your option.

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