

Report of Investigation

U.S. Department of Labor Employee Benefits Security Administration



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Subject: Pension Plan	Date: DEC 15 2016
Case Name: Screen Actors Guild – Producers Pension Plan	By Investigator/Auditor: (b) (6), (b) (7)(C)
Address: 3601 W. Olive Street, Suite 200 Burbank, CA 91505	Approved By:
EIN/PN: 95-2110997/001	Status: CLOSED

(b) (7) (E)

II. Background

Plan Sponsor: Screen Actors Guild – Producers Pension Plan
Plan Type: Defined Benefit Pension Plan

As of December 31, 2014 Assets: (b) (4) Participants: (b) (4)
Period of Investigation: January 2006 – December 2014
Other Plans Reviewed: Screen Actors Guild – Producers Health Plan

Plan

The Screen Actors Guild (Union) and the Association of National Advertisers, Inc. (ANA) and American Association of Advertising Agencies (AAAA) Joint Policy Committee on Broadcast Talent Union Relations and Alliance of Motion Picture & Television Producers (Employer Association) established the Plan for the purpose of providing retirement benefits for eligible actors. The Plan was a defined benefit pension plan, and benefits were funded by contributions from member-employers of the Employer Association based on hours worked by bargaining unit employees in accordance with the Collective Bargaining Agreement (CBA). On March 30, 2012, the Union merged with the American Federation of Television and Radio Artists, forming SAG-AFTRA.

Related Plans and Investigation

In addition to the Plan, the Union and the Employer Association maintained the Screen Actors Guild – Producers Health Plan (Health Plan), an employee benefit plan covered by ERISA. The Union and the Employer Association also maintained the Screen Actors Guild – Producers Industry Advancement and Cooperative Fund (IACF), a non-covered ERISA fund that was established for the purpose of improving relations between actors and producers. The investigation indicated that certain administrative expenses were shared among the Plan, the Health Plan, and the IACF. Administrative expenses unique to the Plan were allocated solely to the Plan, whereas shared expenses of the Plan, the Health Plan, and IACF were calculated and assessed based on a percentage allocation approved by the Trustees. LARO simultaneously conducted an investigation of the Health Plan (Case No.: 72-033089(48)). Accordingly, this investigation revealed certain issues that were also identified in the investigation of the Health Plan.

Plan Fiduciaries

According to the CBA, the administration of the Plan was the responsibility of the Board of Trustees (Trustees), comprised of 18 Management Trustees appointed by the ANA and AAAA Joint Policy Committee on Broadcast Talent Union Relations and the Employer Association, and 18 Union Trustees appointed by the Union, with an additional alternate for each side. During the period covered by the investigation, the following individuals served as Management Trustees and Union Trustees:

Management Trustees	Union Trustees
Helayne Antler	Daryl Anderson
Ted Bird	Timothy Blake
J. Nicholas Counter, III	Leonard Chassman
Pamela DiGiovanni	Joyce Gordon
Alan Fendrick	Al Hubbs
Marla Johnson	Bob Kaliban
Sheldon Kasdan	Melvin B. Karl
David Korduner	Larry Keith
An T. Le	Warren Kemmerling
Carol Lombardini	John T. McGuire
John A. McGuinn	Ken Orsatti
Wayne Metcalf	Joseph Ruskin
Edward G. O'Neil	William Schallert
Alan H. Raphael	John H. Sucke
John E. Rhone	Yale Summers
Ira M. Shepard	Claudette Sutherland
Robert Todd	Kathryn Swink
Samuel P. Wolfson	Joan Warren
Jay Barnett	Doug Allen

Elhanan C. Stone	John Carter Brown
Marc Wisot	Robert Carlson
Tracy Cahill	Leigh French
Eryn Doherty	Eileen Henry
Robert W. Johnson	Sallie Weaver
Shelley Landgraf	Amy Aquino
Stacy K. Marcus	Jim Bracchitta
Diane P. Mirowski	Duncan Crabtree-Ireland
Paul Muratore	Barry Gordon
David Weissman	Richard Masur
	Kim Sykes
	Ned Vaughn
	David P. White

The investigation also indicated that (b) (6) served as the Plan's (b) (6) from at least 2006 to April 30, 2012. As the (b) (6) had discretionary authority over the management and supervision of the Plan, including the Plan's accounting, administrative affairs, and office facilities.

In addition, the investigation indicated that (b) (6) served as the Plan's (b) (6) from 2002 to 2009. As the (b) (6) had the discretionary authority to manage the Plan's budget for the information technology department as well as negotiate contracts for services related to information technology.

Service Providers

During the period covered by the investigation, the Plan's service providers included the following:

Custodian or Other Parties Holding Plan Assets:	(b) (4)
Accountants/Auditors	
Actuary	
Legal Counsel	
Consultants	

Investment Managers/Advisors	(b) (4)
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As indicated in the table above, the Plan utilized several investment managers that each managed a separate class of investments. Other than with respect to (b) (4) the investigation did not reveal any apparent conflicts of interest or issues relating to the selection, compensation, or performance of investment managers or other service providers. (b) (4) is discussed further below in the “Issues” Section.

Plan Assets/Number of Participants

According to the Annual Report Form 5500, the Plan had the following assets and participants at the end of each year.

Plan Year	2006	2007	2008	2009	2010
Assets	(b) (4)				
No. of Participants					
Plan Year	2011	2012	2013	2014	
Assets	(b) (4)				
No. of Participants					

Plan Investments

The investigation indicated that the Plan invested in a variety of stocks, bonds, mutual funds, common/collective trusts, and alternative investments, including real estate. The investments varied in investment style, ranging from growth to income and conservation of capital.

Rate of Return

The Table below shows the Plan’s rate of return in comparison to other benchmarks and rates:

Plan Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Plan rate	(b) (4)								
IRC Rate									
Actuarial									
Target									

Although the Plan’s rate of return was negative in 2008, such a rate of return did not appear to be inconsistent with the overall market and significant economic downturn at the time. Overall, the investigation did not reveal any apparent issues with the Plan’s performance. Furthermore, the rate of return achieved by the Plan’s investments appeared to exceed the Plan’s stated Investment Policy goal of outperforming the actuarial target of 7.50% in six out of nine years reviewed.

Investment Policy

The Plan’s Investment Policy detailed target asset allocations, overall long-term goals, target rate of returns, and methods for measuring performance. The investigation indicated that the Trustees regularly updated the Investment Policy to reflect any changes in their investment approaches. The following chart summarizes the Plan’s asset allocation targets:

Asset Class Totals	Minimum	Target	Maximum
Total Equity	(b) (4)		
Total Fixed Income			
Total Real Assets			
Total Alternative Investments			

The investigation indicated that the Plan’s asset allocation appeared to fall within the corresponding permissible ranges identified in the applicable Investment Policy.

Funding

The chart below shows the Plan’s funding percentage, which was calculated using the Annual Report Form 5500. Based on the chart, the Plan’s funding percentage was above (b) (4) for Plan Years 2006-2008, 2010-2014, and above (b) (4) for 2009. The Plan did not appear to have any funding deficiencies during the period covered by the investigation.

Year	2006	2007	2008	2009	2010
Actuarial Value of Assets	(b) (4)				
Accrued Liability					
Funding Percentage					
Funding Deficiency					
Year	2011	2012	2013	2014	
Actuarial Value of Assets	(b) (4)				
Accrued Liability					
Funding Percentage					
Funding Deficiency					

408b-2 Disclosures

LARO’s review indicated that the Plan’s investment managers and service providers provided the required disclosures to the Plan’s Trustees pursuant to Department Regulation 2550.408b-2 (Regulation) in a timely manner. Furthermore, LARO’s review indicated that disclosures appeared to meet the Regulation’s formatting requirements. Accordingly, no issues were noted.

Employer Contributions

The Plan was funded by contributions from member-employers of the Employer Association based on hours worked by bargaining unit employees in accordance with the CBA. The investigation indicated that member-employers were required to submit contributions to the Plan no later than 30 days from the date the employees were paid. LARO’s review of the Plan’s procedures for monitoring employer contributions as well as the Plan’s collection efforts of delinquent contributions did not reveal any issues.

(b) (7)(E)

(b) (7)(E)

VI. Issues Identified & Resolution

(b) (5)

Plan Expenses

LARO's investigation indicated that the Plan's fiduciaries caused the Plan to incur certain expenses that did not appear to be reasonably necessary for administering the Plan. The specific expenses identified by LARO are indicated below.

Automobile Maintenance Expenses

The Plan issued key Plan office executives an (b) (4) credit card, which could be used for all reasonable Plan-related expenses, including automobile expenses. The investigation indicated, however, that on several occasions, key Plan office executives, including (b) (6) had their (b) (4) personal vehicles serviced at (b) (4) dealerships and charged the entire cost to their (b) (4) credit card. These services included regular maintenance and repairs, as well as new tires, new sun visors, and new trunk nets.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was

deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) automobile expenses.

Automobile Insurance and Registration Expenses

LARO's investigation indicated that on several occasions, (b) (6) had his car insurance and registration fees charged on the Plan's (b) (4) credit card. Both the car insurance and registration were in the name of (b) (6) and (b) (6), (b) (7)(C)

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) automobile insurance and registration expenses.

Executive Retreat

LARO's investigation indicated that an expense claim was submitted to the Plan for an "Executive Retreat" at a (b) (4) hotel. The invoice attached to the monthly statement disclosed that the retreat incurred (b) (4) in "miscellaneous charges," (b) (4) in food charges, and (b) (4) in room charges. The invoice, however, failed to disclose the attendees of the retreat, the purpose of the retreat, as well as what the "miscellaneous" charges were for. Additionally, the investigation indicated that the Plan's office in Burbank, California, had a large conference facility available at no cost to the Plan.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) executive retreat expenses that had been allocated to the Plan.

Meal Expenses for (b) (4) Meetings

LARO's investigation indicated that (b) (6) charged several personal meal expenses on the Plan's (b) (4) credit card, a majority of which involved meals with persons affiliated with (b) (6), (b) (4) (b) (6), (b) (7)(C) On several occasions between 2006 and 2011, (b) (4) had lunch meetings with (b) (6), (b) (7)(C) In addition,

there was no evidence or documented Plan-related business that justified these expenditures.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that some of the meal expenses were Plan-related business and provided additional documentation, including expense reports and receipts. LARO's review of the additional documentation indicated that certain expenses previously cited may not have been (b) (4). Accordingly, after further discussions with LARO, (b) (4) was deposited to the Plan on April 10, 2015, representing reimbursement for the remaining (b) (4) Plan expenses.

Moving Costs

The investigation indicated that the Plan maintained an Employee Policy Manual on relocation expenses. The Employee Policy Manual provided, in pertinent part, (b) (4)

(b) (4)

LARO's investigation indicated that in 2008, (b) (6) sold (b) (6) house in (b) (6), (b) (7)(C). Relying on the Employee Policy Manual, (b) (6) had (b) (6) moving expenses paid, in part, by the Plan. However, according to interviews conducted with Plan employees, after (b) (6) sold (b) (6) house in (b) (7)(C), (b) (6), (b) (6) continued to work from (b) (6) current Burbank office and only visited the Ventura Office once or twice year.

(b) (4)

According to a review of (b) (6) own work calendar from 2008 to 2011, (b) (6) visited the Ventura Office a total of six times, one of which was only to attend the Ventura office's 10 year anniversary celebration.

Correction:

During the course of LARO's investigation, but prior to the issuance of LARO's VC Letter, (b) (6) paid back to the Plan (b) (4) on March 27, 2012, representing reimbursement for the (b) (4) moving expenses and associated lost earnings.

Holiday Parties, Anniversary Parties, and Farewell Parties

LARO's investigation indicated that (b) (4) were held at the Plan's office in Burbank and funded by the Plan, Health Plan, and IACE. The (b) (4) consisted of a catered lunch and included (b) (4)

(b) (4) In addition, the (b) (4)
(b) (4)

The investigation also revealed several instances where the Plan gave anniversary gifts and held anniversary dinners for its employees. Furthermore, the investigation revealed several other instances where the Plan held farewell dinners for its employees and spent as much as (b) (4) on a single dinner.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) parties. In addition, the Trustees drafted and adopted administrative procedures and policies relating to employee activities and acknowledgements, which also outlined specific expenses that were and were not permissible.

Employee Lunches

LARO's investigation indicated that employee lunches were occasionally funded by the Plan, Health Plan, and IACF with no apparent Plan-related purpose. Such expenses included food trucks for employee picture day and Halloween that cost approximately (b) (4) each.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that some of the employee lunches were associated with Plan-related business and provided additional documentation, including expense reports and receipts. LARO's review of the additional documentation indicated that certain expenses previously cited may not have been (b) (4). Accordingly, after further discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the remaining (b) (4) employee lunches.

(b) (4) Services

Prior to May 1, 2013, the Plan's Expense Policy did not contain any specific provisions relating to ground transportation. However, the Expense Policy provided that (b) (4)

(b) (4)

LARO's investigation indicated that on several occasions while attending meetings or conferences, the Trustees and key Plan office executives utilized a (b) (4) to travel between their homes and the airport or between the airport and a hotel.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing the difference between the cost of using a (b) (4) (b) (4) and the estimated cost that would have been incurred by using a standard taxi service.

Trustee/Committee Meetings

During the period covered under investigation, the Trustees held quarterly meetings at the Plan's office located in Burbank, California. The Plan's Trustee meetings were held concurrently with the Health Plan's Trustee meetings and lasted between one to two days, beginning in the morning and continuing through the following day. The investigation indicated that for each day a Trustee meeting was held, breakfast and lunch was catered and delivered to the Plan's office. A review of catering invoices indicated that breakfast (b) (4)

(b) (4)

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that the cost per person was reasonable given that several staff members and service providers attended these meetings in addition to the Trustees. Plan Counsel also provided additional documentation, including a list of attendees at each meeting. Based on LARO's review of the additional information provided, it appeared the expenses may not have been (b) (4). Accordingly, LARO took no further action with respect to this issue.

Unsubstantiated Expenses

LARO's investigation revealed that key Plan office executives who had been issued (b) (4) credit cards were required to submit expense claims with receipts attached to the monthly statements detailing their monthly expenditures. However, LARO's investigation indicated that on several occasions, certain hotel charges did not have receipts or other supporting documentation attached to the monthly statements.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that the hotel charges were Plan-related expenses and provided additional documentation, including expense reports, credit card statements, and hotel receipts. Based on a review the additional documentation, LARO took no further action with respect to this issue.

Excessive Investment Management Fees

LARO's investigation indicated that in 2005, the Trustees retained (b) (4) as the Plan's investment manager solely with respect to the Plan's assets invested in the (b) (4). (b) (4) According to the service provider agreement, (b) (4) as investment manager, had the authority to manage, supervise, and administer the Plan's assets invested in the (b) (4) in its absolute discretion, provided that all investments made by (b) (4) were in accordance with the Investment Policy attached to the Trust Agreement. According to the Investment Policy, if (b) (4) determined that some or all of the Plan's assets invested in the (b) (4) should be liquidated, (b) (4) could sell the shares, but the proceeds could only be invested in a money market mutual fund.

However, LARO's investigation indicated that during the period (b) (4) was retained as an investment manager, (b) (4) did not reallocate or dispose of the Plan's assets. Furthermore, based on interviews with (b) (4) personnel, (b) (4) did not actually have any discretion to dispose of the Plan's assets unless directed by the Trustees.

LARO's review of the actual services provided by (b) (4) revealed that on a bi-annual basis, (b) (4) produced a three page report explaining whether the (b) (4) was performing in line with objectives stated in its prospectus and whether there had been a change in the investment portfolio manager. In addition, the investigation indicated much of the information contained in the report was available on the fund's public internet website.

(b) (4)

The Trustees eventually terminated (b) (4) services in March 2010.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing the estimated difference between the fees paid to (b) (4) and the fees that should have been paid based on the services actually provided.

Self-Dealing by Plan Fiduciary

LARO's investigation indicated that the Plan's former (b) (6) on behalf of the Plan and Health Plan, entered into an agreement with (b) (4) wherein (b) (4) was to provide security consulting and audit services to the plans. Subsequently, several additional agreements were entered into with (b) (4) between 2006 and 2009 for consulting services. (b) (6), (b) (7)(C)

Similarly, in 2002, (b) (6) on behalf of the Plan and Health Plan, entered into an agreement with (b) (4) wherein (b) (4) was to provide security networking services to the plans. (b) (6), (b) (7)(C) The investigation indicated that (b) (6) approved all compensation paid to (b) (4) and signed-off on the invoices.

The investigation also indicated that (b) (4) in turn wrote several checks to a company named (b) (4) totaling hundreds of thousands of dollars from 2004 to 2008. (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) A review of these checks also indicated that (b) (6) endorsed the back of each check.

Further, the investigation indicated that in 2009, (b) (4) performed an audit, the results of which indicated that (b) (4) appeared to have performed some but not all of the work that it was compensated for.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that after (b) (6) fraudulent activities were discovered, the Trustees cancelled all further work by (b) (6) terminated (b) (6) employment, and recovered losses in the amount of (b) (4) after filing a claim with the insurance carrier. Plan counsel also provided proof of payment by the insurance carrier to LARO. Based on the additional information provided, LARO took no further action with respect to this issue.

(b) (4) Use of Plan Facilities

LARO's investigation indicated that (b) (6) held personal meetings with his (b) (4) (b) (4) in the Plan's conference facility. Furthermore, according to (b) (6) work calendar, (b) (6) personal meetings with his (b) (4) occurred on a regular basis. For example, on May 5, 2009, 2:00 pm to 5:00 pm, there was a (b) (4) Board Presentation." Also on November 19, 2008, 9:00 am to 6:00 pm, and again the following day on November 20, 2008, 9:00 am to 2:00 pm, there was a (b) (4) Board of Directors Meeting."

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that conference facility was not leased by the Plan, but instead common property of the building itself and was utilized by all tenants. Plan Counsel also provided additional documentation, including the lease agreement. Although (b) (6) personal use of the conference facility may not have been reasonable, LARO took no further action with respect to this issue given that (b) (6) no longer served as the Plan's (b) (6) and given that the Plan did not appear to suffer any loss as a result of such use.

Services by a Party in Interest

LARO's investigation indicated that the Plan's former (b) (6) (b) (5), (b) (7)(C) retained (b) (4) as the insurance agent for the Plan and Health Plan's fiduciary liability insurance policies. In addition, LARO's investigation

indicated that (b) (6), (b) (7)(C) was an account representative at (b) (4) and began serving as the account representative for the Plan and Health Plan's fiduciary liability insurance policies prior to 2006. (b) (6), (b) (7)(C) received commissions paid out of the Plan's and Health Plan's assets.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that (b) (6) had no responsibility or involvement with the Plan's relationship with (b) (4) and provided additional documentation to LARO, including service agreements and an affidavit from (b) (4). Based on the additional documentation provided, LARO took no further action with respect to this issue.

(b) (4) Employee

(b) (6), (b) (7)(C) was employed by the Plan as its (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) was a (b) (4) employee that did not have any real responsibilities. However, the investigation indicated that (b) (6), (b) (7)(C) was responsible for the Plan newsletters, the SPDs, as well as any other communications material needed or requested by management.

(b) (6), (b) (7)(C) mainly worked from home and communicated via email and phone but attended all board meetings as well as internal plan change meetings, as these were topics he needed to communicate to members in the newsletter. (b) (6), (b) (7)(C) performance had been excellent. Accordingly, LARO did not take any further action with respect to this issue.

(b) (4) Trip with Plan Funds

(b) (6), (b) (7)(C) in 2010, the International Foundation of Employee Benefit Plans (IFEBP) conducted a conference in (b) (4), and several employees' family members attended the conference using Plan funds. LARO's investigation, however, did not indicate that any Plan assets were used to pay for (b) (4) trips of family members. Accordingly, LARO did not take any further action with respect to this issue.

(b) (4) Surgery with Plan Funds

(b) (6), (b) (7)(C), had (b) (6), (b) (7)(C) medical bills for (b) (4) procedures paid by the Plan. LARO's investigation, however, did not indicate that Plan assets were used to pay for (b) (6), (b) (7)(C) (b) (4) procedures. Accordingly, LARO did not take any further action with respect to this issue.

(b) (7)(E)

