chicago federation of musicians

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MUSICIANS RESPOND TO MANAGEMENT DISTORTIONS

March 15 – (Chicago, IL) – On March 8, 2019, members of the Chicago Symphony Orchestra received a letter from CSO Association President Jeff Alexander that contained a number of misstatements and distortions. To make certain that Orchestra members are aware of the facts, the following annotated excerpts were sent to members last evening. As we understand Mr. Alexander sent the letter to the media as well, we share the annotated excerpts with you.

For your information and use, below you will Mr. Alexander's assertions in red and in quotes. The facts are outlined in The REALITY, in black – sorry for the length of this missive but we did not want to take his words out of context.

Please don't be confused: the principles and demands of the CSO Musicians are clear.

- Maintain our compensation package as it has been – top in the nation
- Maintain our pension plan – we will not accept a glorified savings plan
- Protect the future of Chicago's cultural gem and the nation's premier Symphony Orchestra

Jeff Alexander wrote the following on March 8, 2019:

"Dear Ladies and Gentlemen of the Chicago Symphony Orchestra,

I am writing to you today because it is important for you to understand the offer the Chicago Symphony Orchestra Association has made to the Chicago Federation of Musicians for your new contract. It is an offer that increases your wages, improves your working conditions, preserves your earned retirement benefit, adds a generous new retirement benefit, and maintains your excellent contract."

On pay: Alexander asserts that his annual pay raise proposal is a generous offer. "Our offer…increases annual base pay each year of the contract for three seasons by 1%, 2%, 2%"

The **Reality**: This rate of annual increase is exceedingly low, well-below 5 of the 6 other major US orchestras - that includes not only Los Angeles and San Francisco, but also the Boston, Philadelphia and Cleveland orchestras. It is less than the rate of inflation. It will drop the CSO musicians' compensation further below other leading orchestras.

On why Chicago musicians should earn less, Alexander says:

“Regarding the CSO annual scale: During negotiations, your committee expressed the concern that in recent years the annual base pay at the San Francisco Symphony and Los Angeles Philharmonic has surpassed that of the CSO. The fact is that it costs significantly more to live in those cities than in Chicago, and their higher compensation attempts to mitigate that reality. “

“A musician living in San Francisco would need to earn an annual base pay of $248,000 to have the same lifestyle as a musician on the current CSO annual base pay of $159,000 in 2017-2018. Housing costs in San Francisco are 132% higher than in Chicago; groceries are 15.9% higher, and utilities are 27% higher.”

The REALITY: Playing more concerts than any other symphony orchestra in the nation and maintaining its place as the finest symphony orchestra in the U.S., CSO musicians had received the highest compensation of any major U.S. orchestra for decades -- compensation that former leadership realized was necessary to attract and retain the finest musicians.

Since 2015, our salaries have fallen to third place and are in danger of falling further due to management proposals. The future of the orchestra is at stake due to declining compensation relative to other orchestras and the proposed elimination of its guaranteed pension plan.

Alexander has the temerity to tell musicians that we are “much better off than your colleagues in California”. (San Francisco)

“In the 2020-2021 season, the annual base pay in San Francisco will be $178,776 and the CSO’s would be $167,094 based on the current proposal. The extra $11,000 in annual base pay in San Francisco (before tax) only partially mitigates the high cost of living. In reality, it is clear that you are much better off than your colleagues in California.”

“An LA musician would have to earn an annual base pay of $190,000 to have the same lifestyle there as you do in Chicago, e.g., housing costs in Los Angeles are almost 55% higher than Chicago.

When considering the CSO’s annual base pay compared to the traditional Big 5 orchestras, we continue to be at the highest level, and would remain at the lead with our current contract offer as outlined below for the 2019-2020 season:

Chicago	$163,818
Boston	$162,032
New York	$153,490
Cleveland	$140,556
Philadelphia	$132,800 2018-2019 (Season, final year of current contract)

The REALITY: Management conveniently ignores the orchestras in Los Angeles and San Francisco, whose musicians earn higher salaries than those in Chicago. Under management proposals, salaries will soon fall below Boston musicians as well.

Alexander tries to confuse with hocus pocus…but the reality is that Management proposes to do away with our pensions and replace them with nothing more than a contribution to a savings account – no security – no guarantee after a lifetime of service. Remember that nearly half of our members are already fully vested – Playing for the Chicago Symphony Orchestra is a lifetime job.

Alexander says: "Regarding the pension: This is a complex topic. The challenge with the current Defined Benefit (DB) Plan is the funding requirements as proscribed by the IRS have grown dramatically in recent years. As you most likely have read, sustaining DB plans has become a critical topic in for-profit, not-for-profit and government organizations across the country. A significant majority of employers with DB plans have frozen their DB plans and replaced them with Direct Contribution (DC) plans. In certain instances, employers with ongoing DB plans have had to file for bankruptcy, in which case the pension benefit decreases dramatically. In the case of the CSO, for example, two years ago we were required to put $803,000 into the DB pension fund. This year we will be required to put in $3,800,000. Projections indicate we will have to contribute $5 to $6 Million per year into the DB fund over the next several years, and $36,000,000 into the fund over the next eight years."

The **REALITY**: Pensions are not complex. They are a promise to pay a guaranteed benefit, and if they are regularly and responsibly funded they are affordable. The CSO has maintained a pension plan for its musicians for almost 50 years, and every current orchestra member was hired with the promise of a pension with a guaranteed benefit.

CSO management wants to replace pensions with a savings plan that does not provide guaranteed benefits. It wants to break the promise of a secure, dignified retirement that it has made for the last 50 years. As many workers have discovered to their dismay, 401(k) savings plans do not provide the same secure retirement benefit as a pension plan.

The CSO can well afford its pension plan, and its claim that the pension plan will imperil its future is untrue. Annual pension expenses represent only about 5% of its current budget. Ironically, the CSO savings plan proposal actually costs more money over the next 10 years than the cost of maintaining its current pension plan ($38 million more according to documents shared six months ago). CSO management has already committed to spend about $9 million more for its 401(k) plan than it would be required to contribute to its pension plan, which further belies its claim that the pension plan is unaffordable.

Alexander says: "We agree it is vital for you to have an excellent retirement benefit. It is also important to make certain that the weight of the funding requirement of a DB plan does not cripple the Association and put the CSO and your current DB benefit in jeopardy. Here are important facts about our retirement proposal:

- First, the benefits you have already earned under the DB plan based on your years of service remain intact, and are not being taken away, including Early Retirement subsidies, and the Rule of 85 Retirement option. The proposed new DC benefit is in addition to the DB benefit you have already accrued.
- The new Defined Contribution plan would become effective for the period beginning on July 1. At your retirement, the two components of the retirement benefits you have earned will both be yours, e.g., your accrued DB benefit and your new DC benefit. Members joining the Orchestra after July 1, will receive their entire retirement benefit through the DC plan.
- Conservative actuarial projections show that the DC plan is projected to provide you with retirement benefits that are as good as—or better than—the current pension.

- The new DC plan includes many features that are more flexible and desirable than the current DB plan and are better than the 401(K) retirement plans offered by most non-profit, and even for-profit, companies today. For instance:
- Unlike your current DB plan, under which you stop earning benefits at 35 years of service, there is no cap under the DC plan and the Association would continue to make contributions to your DC account for each year you remain employed, with no maximum.
- The DB plan provides a 50% death benefit only to a spouse or domestic partner. Whereas, 100% of your DC account balance will transfer to any named beneficiary upon your death. Beneficiaries such as children or estates can be named, providing added financial security for your family members.

How the proposed DC plan would work:

- Regular Contributions: In the new DC plan, each payroll period the CSOA would contribute 7% of scale (more than $11,000 annually) to an individual account in your name, to be invested as you choose. These contributions into your account would be in addition to your regular compensation. The contributions and any investment earnings would not be taxed until you start withdrawing funds at retirement."

The **REALITY:** The musicians are satisfied with the current pension plan and don't need to be "sold" on a savings plan that guarantees nothing beyond the rosy projections that management offers. If CSO management cares about its musicians as much as it claims, it will provide them the salary that befits the nation's leading orchestra and a guaranteed pension that will allow them a secure retirement.

Alexander says: "In conclusion, as you know, we greatly admire and support the work you do. We believe these proposals will sustain and improve your current contract, while stabilizing the long-term financial health of the Chicago Symphony Orchestra Association. "

The **REALITY**: Taking care of the Musicians of the CSO is the most important strategy for maintaining the health of the orchestra. Our pensions represent only 5 Percent of the CSO's budget; the Management spends little more than 1/3 of its revenue on the Orchestra – with 2/3 going to other endeavors. The yearly payment for pensions is actually less that the $5 million a year that the Board pays on the $145 million it borrowed in 1997 and still owes. And the Board's payment to the pension fund would be even less if it had fully funded the pension fund each year for the past ten years.

We are certain that even with a staff that is larger than the Orchestra itself, management should recognize that the Orchestra is the priority. Management should take advantage of its highest ever ticket sales and donations, 300 million endowment, and should not deprive the very entity that drives the success of these ticket sales and donations. It is clear for all to see that the motivating source of this success is the Orchestra, and due recognition and financial acknowledgement should be given to the Orchestra.

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