CHICAGO SYMPHONY ORCHESTRA ASSOCIATION
RICCARDO MUTI Music Director

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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.

Our offer:

- **Increases** annual base pay each year of the contract for three seasons:
  - 1%/2%/2%
  - $160,606 - $163,818 - $167,094
- **Increases** ancillary payments related to scale by the same percentages
- **Retains** your current medical, dental and life insurance coverage with no increase in your weekly contributions toward the cost of the premiums, and no reduction in the plans' features
- **Retains** your paid time off at a minimum of 12 weeks
- **Increases** the long-term disability benefit from $10,000 to $15,000 per month
- **Increases** paid parental leave from 4 to 6 weeks
- **Puts limits on** the number of times the Association or Ravinia can schedule film concerts
- **Establishes** a requirement for two consecutive days off at Ravinia at least four times each summer
- **Limits the Association** from scheduling daytime services on the day of the downtown St. Patrick's Day parade
- **Guarantees** that *Merry, Merry Chicago!* concerts will be scheduled as "Members Of" services
- **Limits** Saturday rehearsals during the Downtown Season (in all venues) to a total of eight
- **Requires** pre-concert lectures held on stage to conclude 45 minutes prior to the concert start time
- **Removes** the 2nd Harp position from the roster of full time Members, while maintaining the number of full time Members at 106
- The only additional proposed reductions that would produce savings for the Association are:
  - Reducing per diem on international tours by $20 when breakfast is provided by the Association through the hotel, i.e. eliminating double payment for breakfast
  - Eliminating the 4% vacation payment to Temporary Musicians
  - The hourly rate to judge Civic auditions will be $100 per hour and the fee for community workshops will be $120 per hour (with a two-hour minimum for offsite workshops)

<u>Regarding the CSO annual scale</u>: 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.

Please see the attached charts labeled Cost of Living Index Calculator. According to objective data:

- 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.
    - 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)

And of course, the cost of living, especially housing, is much higher in Boston and New York than it is in Chicago.

The attached chart shows the ways in which the CSO contract is better than other orchestra contracts in most categories including paid time off, experience pay, sabbatical weeks, and the maximum number of services that can be scheduled in any one season.

<u>Regarding the pension</u>: 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.

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, i.e. 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.
    - For those who prefer a guaranteed annual income stream in retirement, the new retirement program will offer you the option to purchase an annuity at retirement, with all or a portion of the funds in your account, at a lower cost than you could buy in the market.

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.
- **Additional Transition Payments for Current Members:** During a 3-year transition period after implementation of the new DC plan, the CSOA would make significant additional payments into your account to enhance your transition to the new plan. The additional contributions would

range from 1 – 10% of scale per year based on a combination of your age and years of service at the time of the transition.

- **Lump Sum "Make Whole" Payments:** The new DC plan would be specifically designed to provide that the projected value of everyone's benefit would be at least as valuable as under the DB formula. The CSOA would provide an additional one-time lump-sum contribution to the DC plan for certain Members in order achieve this result. (In limited circumstances, this payment may need to be spread over more than one year due to IRS limits on contributions a participant can receive in a given year.)
- **Rule of 85:** We would continue the "Rule of 85" service enhancement retirement option under the new program.
- **Investment Education and Advisory Services:** The CSOA would also make available, at no cost to you, personalized investment education and advisory services from investment professionals to assist you in making investment choices based on your individual goals, preferences, and risk profiles.
- **403(b):** To supplement your retirement income you would still have the option of contributing a portion of your own salary to the 403(b) plan options currently available to you.

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.

Thank you,

Jeff Alexander
President