

Report of the Finance Committee to the 101st AFM Convention

The 101st Convention of the American Federation of Musicians was held from June 17, 2019 through June 20, 2019, but the AFM Finance Committee began its study and deliberations days earlier on June 13, 2019. The 15-member AFM Finance Committee took testimony and deliberated on four Recommendations and five Resolutions exclusively assigned to its attention. In addition, the Finance Committee served with the AFM Law Committee as the Joint Law & Finance Committee which heard testimony and deliberated on additional Recommendations and Resolutions. All told the Finance Committee was involved in reviewing matters relating to the financial condition of the American Federation of Musicians, revenue sources contemplated for the AFM's future, the dedication of amounts for specific identified funds, the allocation of work dues between the Federation and Locals relating to AFM bargained agreements, the efficiency and standardization of AFM agreements for touring music performances, the expense and process for musicians crossing the Canadian-US border, the staff and expense to Locals involved in the collection and enforcement of AFM national agreements, the mechanism for rebating per capita dues for musicians who have joined multiple Local chapters, and the criteria for appointment of Trustees to the AFM-EPFund.

The process of the Finance Committee commenced with a comprehensive review of the Annual Report of the American Federation of Musicians, as conducted by the independent accounting service retained by the AFM and the AFM's Comptroller. The Finance Committee concluded that the AFM is

in a positive financial status, which is reassuring but not overwhelming, and significantly that some valuable components of the AFM revenue stream are vulnerable to adverse change over time. The Committee further concluded that the needs of AFM members as served by the Federation occur in the context of a vacillating music industry and that the future budgeting of the AFM, and the assessment of its work dues, initiation fees, and per capita revenue calls for caution.

The Committee explored the strain of the current fees and dues obligations on the membership, the risk that would be imposed by a reduction of their financial obligations, and the difficulty of returning to the membership and the Convention three years hence to try to recoup any reductions which might be contemplated at the 2019 Convention.

The Committee concluded that the prudent course is to maintain the member financial obligations to the AFM at the current level without decrease or increase, as proposed by Recommendation No. 1 submitted by the International Executive Board. This course was adopted by the Convention.

The Finance Committee reviewed with approval a specific dedicated allocation of AFM funds to the AFM Emergency Relief Fund, and it was adopted by the Convention.

The Committee also recommended and the Convention adopted language which applies penalties for delay of loan payments received by members under the ROPA Emergency Relief Fund.

A modest proposal for scrivener clarification of the minimum electronic work dues calculation was supported by the Committee and adopted by the Convention.

Numerous proposals relating to the standardization and work dues division for multi-local productions were considered by the Finance Committee and also in Joint Law & Finance Committee meetings. A Package Resolution for standardization of touring contracts in consultation with the affected Locals, while protecting the standards established in Locals through their local collective bargaining process, was reported favorably by the Committee and adopted by the Convention.

The ongoing consultation with Locals is designed to encourage the preservation of Local wage scales when there is no Local collective bargaining agreement with Local venues.

The Convention approved a Substitute Resolution designed to allocate a modest amount of funds to the Canadian AFM Office for the purpose of lobbying the Canadian government to have the government incur the greater border-crossing expense of Canadian musicians working in the United States as compared with United States musicians working in Canada.

One of the major sized Locals of the AFM presented a Resolution supported by several of its officers where the underlying concern was the expense incurred by that Local in administering, monitoring, and collecting work dues on nationally negotiated AFM agreements. That Local initially sought a recoupment of its costs incurred in this process, and that perspective resulted in lengthy discussions concerning the comparative procedures and technology available to other Locals as well as the separate expense incurred by the Federation in its bargaining, administration, and enforcement of

Federation negotiated agreements. The experience and resources of Locals throughout the Federation obviously varied from one to the next. This resulted in a Substitute Resolution with the concurrence of the original proponents which focused on the standardization of technology and uniform procedures for the administration of AFM electronic media contracts, to decrease the expense of collecting, processing, and remitting payments to the Federation. This Substitute Amendment regarding standardized electronic media administration was adopted by the Convention.

One Resolution dealt with AFM members who work in several Locals and accordingly have membership at several Locals. Existing policy allows those who are members of three or more Locals to apply for and obtain a rebate of the Federation portion of per capita dues; this requires the individual member's application to the AFM accompanied by evidence of that member's multiple memberships. More than 70 AFM members received the per capita dues rebate last year. The Resolution proposed that the Federation conduct that process "automatically" rather than requiring the individual member to submit an application. Unfortunately, the process for reporting and submitting per capita dues varies from Local to Local, and the AFM per capita work dues payments generally do not include a breakdown with the identity or Social Security number of the individual members covered by the Local's lump sum per capita payment to the Federation. The timing of the year end rebates is also different than the timing of the individual member data maintained by the Federation, and Social Security numbers are not always accurately recorded or maintained in affiliation with Federation per capita dues payments. For this

reason, the proposed process of an automatic rebate payment would require a substantial and perhaps costly revision and standardization of the Local practices for submitting Federation per capita payments and an extensive reworking of the relevant Federation per capita data. For these significant practical reasons, the Committee reported disapproval of this Resolution and it was defeated by the Convention, leaving the rebate still available by application.

A stirring and enthusiastic dialog at the Convention involved a Resolution for altering the eligibility requirements for Trustee appointment to the AFM-EPFund. This was preceded by an exceptionally detailed and lengthy process of testimony of approximately a dozen separate witnesses before the Joint Law & Finance Committee, with witness backgrounds which included those who have served as lead executives of major Locals, an executive of a small Local, five current Trustees of the AFM-EPFund, two witnesses who have served as ICSOM Chairs, one witness with experience in the administration of ROPA, symphonic musicians, Broadway musicians, recording and streaming musicians, a former ICSOM Chair who had evaluated the AFM-EPFund years ago for consideration by symphony orchestras throughout the United States and now serves on a panel which examines equitable factors to support a solvency plan, and significantly a Trustee who had been a Union Trustee prior to the major economic crisis (which impacted the worldwide marketplace and the investment returns in all multi-employer funds nationwide) and later returned to serve as a Trustee after that crisis. The process of testimony was prolonged and allowed an opportunity for the proponents, who placed great energy and time into their proposal for a change of Trustee

eligibility, an opportunity to state their position at length and to offer statistics and graphs in support of their position. The process involved a review of the history of the AFM-EPFund including the initiative years back to include rank and file Union members as Union Trustees, the legal requirement that the employers have an equal number of Trustees, and the traditional role served by a Trustee as representative of standards and conditions in the music industry while relying on the retained specialized and knowledgeable experts in fields of investment and actuarial science applicable to multi-employer defined benefit programs.

In an adamant and unanimous report, the 30 members of the Joint Law & Finance Committee reported this Resolution in disfavor.

The Joint Law & Finance Committee stated its position that the Pension Trustee's job is to work with employer Trustees and retain, not investment people who are musicians, not actuaries who are musicians, but the best, the brightest, the most reputable and the most experienced multi-employer defined benefit pension fund specialists and advisors in the nation to lend their consultation advice to the Trustees and the Pension Fund. The Committee report also noted that, in the course of the lengthy testimony governing this Resolution, there was not a single statement that criticized the competence or integrity or dedication of those who currently serve as Trustees on behalf of the Union. The report of the Committee also summarized the true causes of difficulty in the Fund, an underfunding problem which is currently addressed through a developing MPRA benefit reduction plan to be submitted to the U.S. Treasury

Department. Those causes included regulations that required the Fund to increase benefits in years when it was overfunded rather than hold and invest that money to protect against unforeseeable downturns in the market, the unique demographics of our industry with an increasing number of older and retiring members without comparable increase in younger members as contributing participants, the difficulty to sufficiently increase employer contributions, the need in the face of unforeseen global economic downturns to incur a level of investment risk in an effort to increase the investment return beyond the previous projected rate, the Fund's reported success of long-term investments at its 7.5% projected annual rate and, importantly, that the proposed Resolution has certain definitional and procedural deficiencies. The Committee Report noted that the term "demonstrable evidence" is unclear but that all of the current Trustees arguably meet that criteria, that the role of the Trustees is not to be experts but instead is to be music industry knowledgeable persons who have personal exposure to the financial challenges of the Fund, and to advocate for their colleagues through consultation with nationally renowned experts. The Committee reported the Resolution unfavorably. Following a lively debate from the Convention the Resolution was defeated.

The Finance Committee conveyed its sincere thanks to assigned AFM legal counsel Jeff Freund and Abigail Carter, to independent accountant Bob Hamilton and AFM Comptroller Michelle Ledgister, to the AFM President and the exceptional staff of the AFM Convention, and to the extraordinary insights of Law Committee Chairperson Eddy Bayens.

This is the report of the Finance Committee.

Brad C. Eggen
Finance Committee Chairperson
101st AFM Convention
June 20, 2019

SECTION 7(a) As a matter of policy, at least three rank-and-file musicians, selected in consultation with the Player Conferences Council and the Freelance Musicians representative(s), shall be included among the Trustees appointed by the President to the Board of the American Federation of Musicians and Employers' Pension Fund (U.S.). SECTION 7(b). To give effect to and fulfill the requirements of this Section, the President, upon learning of a Trustee vacancy or Trustee resignation among the three rank and file musician Trustees shall, at Federation expense, convene as soon as practicable a conference call with the principal officer (or his/her designee) of each Player Conference and Freelance Musicians to initiate the above consultation and selection process. This consultation process shall be repeated for each succeeding vacancy until the number of rank-and-file board members required in subsection (i), above, is satisfied. SECTION 7(c). For purposes of this Section only, rank-and-file musicians are defined as individuals who, at the time of their respective appointments, (1) are vested in the American Federation of Musicians and Employers' Pension fund (U.S.); (2) received AFM-EP-covered wages for the rendering of musical services in each of the three years immediately preceding in an amount at least equal to that required by the Fund to accrue one year's vesting credit for each of the three years; and (3) are neither Federation officers nor hold major elected or appointed union office in an AFM Local (i.e., President, Secretary, Treasurer, Executive Assistant.)