

# 2020 TV/Theatrical Contracts

## FAQs

### Q/ **How does this agreement compare to previous contracts?**

This forward looking, record-breaking \$318 million deal – 4% vs. an average of 3.6% over the last few years – is a deal that puts real dollars into all members’ pockets. Our team used their leverage to position us where the growth and the money are. Clearly the industry is shifting to streaming platforms and that is where we focused our efforts to benefit from the greatest area of future profits. The result is the most lucrative deal in motion picture, television, and new media that we have ever achieved.

### Q/ **Break it down for me. \$318 million?**

Our TV/Theatrical contracts are worth \$2.65 billion a year. An increase of \$221 million will be paid to performers in the form of wages and residuals over the next three years, and \$97 million is projected to be paid into the SAG-AFTRA Health Plan, the SAG-Producers Pension Plan and the AFTRA Retirement Fund; and that money will ultimately pay for health and pension benefits that are provided to performers.

### Q/ **What will the total increase in wages be from the beginning of the contract to the end?**

The increases to minimums are worth \$254.6 million over 3 years. This includes \$215 million in wages paid to performers and \$39 million in new contributions to the plans made on those wages.

### Q/ **What does it mean to have an “option to divert” wage increases to the pension, health and retirement funds?**

In the second and/or third years of the agreement, up to 0.5% of the 3% wage increase can instead be used to increase the contribution rate to the SAG-AFTRA Health Plan and the SAG-Producers Pension Plan/AFTRA Retirement Fund. The wage increase would then be reduced by the same percentage. Note that increasing the contribution rate actually generates more money than increasing wages because wage increases only impact performers earning scale, while contribution rate increases impact performers working all the way up to the contribution caps.

## **Q/ Why should I care about the increase in contributions to the pension, health and retirement funds if I'm not eligible to participate?**

You may not be able to participate now, but you want the plans to be there and be financially healthy when you do reach the point that your earnings qualify you for benefits. Earnings qualifications are tested every quarter.

## **Q/ What has been done to improve residuals for streaming platforms?**

- a. The tentative agreement includes historic gains in the residual for high-budget, subscription-based streaming programs that translate into a 26% increase to the fixed residual over the first three years of exhibition:
  - i. This increase was achieved by improving the domestic fixed HBSVOD residuals from 35% to 45% of TAC (Total Actual Compensation, subject to a ceiling) in the first year, 30% to 40% in the second year, and 30% to 35% in the third year.
- b. Increases to the ceilings by 7.5% as of July 1, 2020 make the gain even higher – 35% over the first three years of exhibition – for performers whose earnings are at or over the applicable ceilings, and another 7.5% increase to the ceilings as of July 1, 2021 makes the gain even higher – 45% over the first three years of exhibition – for productions starting in the second year of the contract.
- c. Increases the Foreign Fixed residual to a consistent 35% of TAC each year of exhibition.

## **Q/ Why are the gains focused so heavily on streaming programs vs. broadcast syndication?**

- a. As our industry changes, so has our thinking. Our new agreement improves our formulas for streaming without compromising current syndication licenses. It's the right move at the right time because most shows now skip syndication and move directly to cable or streaming.
- b. Broadcast syndication is in decline, while streaming is on the ascent. It's very clear where the future of the business is going – just look at the number of new streaming platforms our employers have launched just within the past three years: Disney+, HBO Max, Peacock, Apple TV+, CBS All Access and more. The union's own analysis shows that income from syndication will decline by over 50% over the next three years from \$98 million to \$43 million, while income from high-budget, subscription-based streaming will increase from \$75 million to \$126 million with no change to the contract, but up to \$188 million when including new gains.

## **Q/ What qualifies as a high-budget, subscription-based streaming program? And did we make an improvement on these terms?**

- a. A "high-budget" program made for a subscription-based streaming service is at least 20 minutes long and meets a certain budget threshold based on the length of the program.
- b. We did make improvements by lowering the budget thresholds, meaning that more programs will have the benefit of scale and traditional television terms. Budget thresholds decreased in this negotiation as follows: For a half-hour program (20-35 minutes), from \$1,300,000 to \$1,000,000 effective July 1, 2020 and from \$1,000,000 to \$1,030,000 effective July 1, 2022. For a one-hour program (35-65 minutes), from \$2,500,000 to \$1,700,000 effective July 1, 2020 and from \$1,700,000 to \$1,750,000 effective July 1, 2022.

**Q/ Will the new residual rates for streaming apply to new seasons of existing series or will they only apply to new series?**

Unlike the improvements to high-budget, subscription-based streaming residuals negotiated in 2014 and 2017, these improvements have mostly eliminated grandfathering. So, any new seasons, with limited exceptions, of existing series that commence production on or after July 1, 2021 will be subject to the new, improved residual terms.

**Q/ According to the DGA, the analogous improvements they achieved for high-budget, subscription-based streaming residuals represent a “nearly 50% increase” over the first three years of exhibition. Why do those improvements amount to only a 26% increase for us?**

The starting point for calculating the residual due for high-budget, subscription-based streaming is how much the performer earned for their work on the program or episode, i.e., “total actual compensation,” subject to a cap. The way the residual bases work for directors means they are always “at the cap,” whereas performers may or may not be at the cap.

For performers who don’t reach the cap, the improvements will generate a 26% increase over the first three years. For performers who reach or exceed the cap, the increase is much higher. After the second 7.5% increase to the caps goes into effect in the second year of the agreement, the improved residual formula generates a 45% increase over the first three years for performers who meet or exceed the cap, which is comparable to the improvement cited by the DGA.

**Q/ What improvements were made regarding nudity and simulated sex? And, do they apply to all performers or just principal?**

The improvements to nudity and simulated sex are historic and include principal performers and background actors. Never in the history of SAG-AFTRA or either predecessor union has so much been achieved in this area. These improvements include:

- a. Clarifying that our Agreements do not and have never allowed Producers to request that performers engage in real sex acts and that our Nudity and Simulated Sex protections extend to simulated sex even if the performance is not nude.
- b. Improvements to the Audition/Interview process including: Earlier notice that nudity or sex acts are expected of a role; prohibiting simulated sex at auditions/interviews; limiting “nude” (modesty garment) auditions to only one final callback — no more “nude cattle calls”; requiring written consent for recording or still photography; limiting those present for the audition and requiring that they identify themselves and be visible to the performer, even when viewing remotely; and prohibiting recording with personal devices like cell phones.
- c. Improvements regarding “Nudity Riders” including: requiring that the Nudity Rider be provided at least 48 hours in advance; requiring more information to be provided about the nudity and/or simulated sex required; and ensuring that if you exercise your right to revoke consent at any time (except as to photography already shot) and the Producer exercises their corresponding right to double you, that doubling will still be limited to what was negotiated in your nudity rider.

- d. Improvements during production of scenes involving nudity and/or simulated sex including: A more restrictive “closed set” definition; a prohibition on recording with personal devices like cell phones; requiring performers to be provided with a “cover-up,” like a bathrobe, when not actually rehearsing or shooting a scene that requires nudity; requiring written consent for still photography or for promotional use of nude photography; and ensuring the director and UPM are advised of the parameters of performers’ consent to appear nude or engage in simulated sex acts.
- e. All of the foregoing changes apply to background actors except the audition requirements (background actors generally are not auditioned) and the 48-hour notice provision (background actors are generally engaged at the last minute) and the requirement to notify the director/UPM. The improvements do include a requirement, however, that background casting agencies provide “as much information as possible” about any required nudity or simulated sex prior to booking.

### **Q/ How does the new agreement help address sexual harassment?**

Our agreements have always prohibited sexual harassment indirectly as a form of discrimination, but they now address harassment prevention directly. The new provision explicitly states the Producer’s obligation to maintain a workplace free from unlawful harassment, investigate complaints promptly and take appropriate action, make reasonable efforts to maintain the confidentiality of the complaint and investigation and refrain from retaliating against those who bring bona fide complaints in good faith or participate in an investigation.

### **Q/ What about stunt performers in the new agreement?**

Weekly stunt performers hired on episodic productions under Schedule H-II will no longer lose their weekly overtime if they receive a stunt adjustment that pushes their compensation over the threshold into Schedule H-III. Stunt performers will also benefit from the significant improvements in high-budget subscription-based streaming residuals, the record-setting gains in pension, health and retirement contributions and the overall wage increases. [Click here for additional details.](#)

### **Q/ What about background actors in the new agreement?**

Background actors benefit from an additional covered position for background actors working in episodic productions under Schedule X-I (the West Coast zones) effective in the second year of the deal, resulting in an additional 2100 background jobs per year under historical employment patterns. Background actors also benefit from meaningful improvements in the area of nudity and simulated sex. The general wage increase will also translate into millions of dollars for background actors and the improved funding of the benefit plans helps anyone who qualifies.

### **Q/ Can producers cite the pandemic to undermine the value of the additional covered position for background by using “digital doubles”?**

The Industry has agreed as part of this tentative agreement to meet with the union during the term to work through issues related to scanning and digital doubles.

Even prior to negotiations, however, the union has taken and enforced positions in the area: The use of a “digital double” of a background actor does not count toward the satisfaction of the required minimum number of background positions covered by the contract. When producers engage a background actor, and then scan the background actor on set to create a “digital double”, the use of that “digital double” is limited to the program or picture for which the scan was taken. Any use of the “digital double” in another picture or program requires written consent and compensation.

Therefore, if Producers intend to reuse digital scans of our background actor members created for one picture or program to avoid hiring background actors on another picture or program, our position is that members must grant consent and be compensated for the use of their “digital double.” The pandemic has not changed the union’s position on these issues.

That said, our contracts do not and have never required that producers engage a minimum number of background actors (or of any other category of performer) on a day. The contracts require that when producing in the background zones, producers apply the contract to a minimum number of background actors from among the background actors that they do engage. If the Producer chooses to shoot with fewer background actors, we cannot compel them to hire more, and this has always been the case for background actors as it has been for every other category.

## **Q/ What is the difference between the current fixed residual and new revenue-based residual formula for broadcast syndication? Will I be making more now or less?**

- a. Broadcast syndication is a declining market, with most programs leaping straight to basic cable or streaming platforms with a DGR (revenue-based) residual. The current “fixed” or “per run” broadcast syndication residual is calculated as a percentage of “total applicable minimum” which is what the performer would have earned at scale, regardless of their actual salary. Under the new formula, the cast shares 6% of “Distributor’s Gross Receipts,” i.e., the revenue achieved from exhibiting the program in broadcast syndication. There is no absolute statement that can be made about which formula generates a higher residual because that answer will depend on a number of variables, including the amount of the license fee and the size of the cast sharing the 6% residual.
- b. Considering, however, that the new formula has become necessary due to declines in the revenue that can be achieved from broadcast syndication, it is likely that payments under the new formula will be less than the payments received by performers on the 17 scripted, dramatic live action series that are presently in broadcast syndication. Those series, however, will pay under the old formula for the duration of the existing licenses. And after those licenses expire, there is no guarantee that any of those series will continue to be exhibited in broadcast syndication at all. [Click here for additional details.](#)
- c. The new formula makes it more likely that new and existing series will generate broadcast syndication residuals in the future. In reality, therefore, even if the new residual formula pays less than the current formula, the actual alternative may be a zero residual as series cease to be exhibited in broadcast syndication at all because declining revenues in that market no longer support broadcast syndication of scripted dramatic programming under the existing formulas.

**Q/ How many shows are affected by the syndication change?**

Each year there are approximately 1,500 covered live action series running on streaming platforms; only 17 of these are running in broadcast syndication (about 1%). There are over 100 new high budget series being produced each year for streaming platforms.

**Q/ What is the financial impact of eliminating advance paid syndication residuals? How will it impact me?**

The financial impact of prohibiting the advance payment of the new syndication residual for performer contracts entered into on or after July 1, 2020 depends on a number of factors. Only certain types of programs would be allowed to advance pay that residual, and then only if your compensation is high enough and you are not engaged as a day player. But, we know that advance pay is often used to essentially lower initial compensation. When the negotiation about your compensation can also include advance payment of residuals, it gets harder to achieve your quote – the rate you want for your services. Making sure that performers are not advance paid for the new residual has other value as well because it enables the union to see more clearly how much revenue the new residual is producing for performers and better enforce the residual obligation.

**Q/ What is the financial impact of the new streaming residuals formula?**

The improvements to the residual formula for high-budget, subscription-based streaming residual will increase the residual by 26% for the first three years of availability. The increase is even higher – 35% over the first three years – for performers whose earnings are at or over the applicable caps and even higher – 45% over the first three years – for productions starting later in the term.

**Q/ What are the greatest benefits of the new streaming residuals formula?**

The new streaming residuals formula will benefit nearly every principal performer who appears on a high-budget program made for a subscription-based, streaming platform – the fastest growing segment of our business. The categories of performer who benefit the most include performers whose programs are exhibited for at least three years, performers whose programs are exhibited on a related foreign streaming service and performers whose compensation is at or above the applicable caps.

**Q/ What are the greatest benefits of the new broadcast syndication formula?**

The performers who will benefit most from the new formula are those whose programs could not be licensed into broadcast syndication under the existing formula (because the license fee is less than the total residuals due) but whose programs will now be licensed into broadcast syndication under the new formula. For those performers, any broadcast syndication residual that they receive is additional money that they would not have been paid under the existing formula.

**Q/ How will the changes to the short trip, international flight provisions affect most actors?**

The change to the air travel rules was part of the pattern and a condition of achieving the gains to the high-budget, subscription-based streaming residual. The union was also able to negotiate additional

protections by requiring that producers provide access to first-class lounges and priority boarding privileges when available for coach class travel outside North America. This protects the security and personal space of performers who may be recognizable.

## **Q/ What is the difference between TAC, TAM and DGR?**

TAC, TAM and DGR are all used as a basis for calculating residuals. “TAC” or “Total Actual Compensation” refers to how much a performer actually earned for their work on the program for which you are calculating residuals, but subject to a specified maximum or “ceiling” that is contained in the television agreement. Some formulas (*e.g.*, the formula for continued availability of a high-budget subscription-based streaming program on its original platform) use “TAC” as the basis of the residuals calculation. “TAM” or “Total Applicable Minimum” refers to what the performer would have earned at scale for their work on the program, regardless of their actual salary. Some formulas (*e.g.*, the formula for repeats in basic cable of a program made for basic cable) use “TAM” as the basis for calculating the residual. “DGR” or “Distributor’s Gross Receipts” refers to how much revenue was achieved in exchange for granting the exhibitor the right to exhibit the program (*e.g.*, the formula for exhibition of programs on pay television). Some formulas pay a specified percentage of DGR that is shared by the cast of that program.

---