ORGANIZATION OF STAFF ANALYSTS WELFARE FUND

220 EAST 23rd STREET - SUITE 707
NEW YORK, N.Y. 10010
WEB: WWW.OSAUNION.ORG

TEL.: (212) 686-1229
FAX: (212) 686-1231

Trustee
Robert J. Croghan
Thomas Anderson
Michael J. Mackey

Counsel
Joan Stern Kiok, Esq.

Welfare Fund Analysis 2005

The Welfare Fund Analysis table continues our tradition of reporting to our members on a per capita basis, the amounts due to be received and the amounts actually spent on benefits. The City often pays late, but we count contractual monies whenever actually due, even if the City is late paying.

PER CAPITA ANALYSIS
INCOME

Year	No. Covered Members	Contract Rate	Investment Income	Total Income
90	598	825.00	9.60	834.60
91	941	825.00	6.39	831.39
92	3016	925.00	3.48	928.48
93	3578.5	975.00	8.32	983.32
94	3499	1075.00(+20.00)	19.22	1114.22
95	3355	1125.00	28.64	1153.64
96	3547	1125.00	43.98	1168.98
97	3505	1125.00	48.65	1173.65
98	3491	1181.25	66.93	1248.18
99	3691	1275.00	42.20	1317.20
00	3937	1275.00	57.90	1332.90
01	4665	1275.00	97.44	1372.44
02	4896	1375.00	78.53	1453.53
03	5025	1475.00	72.64	1547.64
04	5187	1475.00(+32.50)	74.32	1581.82
05	5289	1475.00(+82.50)	84.00	1641.50

OUTGO AND RESERVES

Year	Life Ins.	LTD Ins.	Vision	Major Med	Dental	Post 1999 Benefits	Admin	Total	Reserves
90	78.33	66.63	59.66	137.28	443.62		15.97	801.49	33.11
91	72.79	62.67	72.27	110.50	434.62		4.13	756.98	74.41
92	61.07	59.50	67.75	110.53	381.73		9.09	689.67	238.81
93	49.49	52.53	64.73	143.36	422.67		42.87	775.65	207.67
94	45.63	53.87	75.67	148.33	507.44		70.31	901.25	212.97
95	45.20	48.20	89.85	151.11	552.46		93.56	980.38	173.26
96	46.97	40.61	84.88	130.84	549.73		129.56	982.59	186.39
97	40.45	37.83	84.89	158.08	528.97		119.85	970.07	203.58
98	57.25	34.86	83.06	134.93	521.00		96.64	927.74	320.44
99	65.55	45.41	79.18	101.76	532.24	4.92	106.10	935.16	382.04
00	151.04	39.30	75.86	77.12	537.93	21.80	101.26	1003.81	329.08
01	153.12	38.86	67.94	69.76	489.68	29.98	114.35	963.69	408.75
02	167.79	105.36	82.19	93.38	592.19	42.49	137.60	1221.00	232.53
03	147.98	94.09	138.00	102.84	674.76	63.10	132.87	1353.64	244.00
04	157.51	91.48	131.66	110.51	798.79	73.06	132.77	1495.78	86.04
05	172.62	88.47	155.36	105.30	757.85	89.45	137.14	1506.19	135.31

On behalf of the Trustees and Fund Staff. Fraternally,

Sheila Gorsky, Fund Administrator

Rose Collins, Yolanda Milanes, Michelle Rivas, Employee Benefits

Robert J. Croghan, Thomas Anderson, Richard Guarino, Frances Fultz, Bill Douglas, Trustees;

Russ Taormina, Observer

INTRODUCTION

The big news for 2005 was the approach of Medicare Part D (Med D). By 2006, the impact of Med D had affected every Welfare Fund dramatically.

Med D was intended by Washington to help our nation's elderly and disabled population deal with the ever-increasing cost of drugs. The intentions were good, but the program is a disaster.

The cost of Med D to the nation is far more than estimated by the President. The fact that the government is prohibited from negotiating lower costs with the drug companies does little to slow the rise in the cost of drugs. The design of the program is odd to say the least, and the fact that Med D is marketed by a host of companies offering "equivalent" but not identical plans is confusing.

Med D does help some of our retirees. If you use some relatively inexpensive prescriptions drugs, you may find Med D to be a big help. A retiree enrolled in GHI Senior Care in 2005 was paying over $180 per month in premiums alone. There was also a deductible to satisfy and co-pays, as well, if you actually needed a prescription filled.

That same retiree faces a deductible and co-pays under the GHI Med D equivalent, but the premium has dropped by $100/month. Saving $1,200 a year is a pretty good deal, as long as your drug needs are not great.

Unfortunately, Med D plans are not so helpful for those of our members who use many different prescription drugs regularly. Our union has received many letters from retirees complaining bitterly about the increased cost, to them, of prescription drugs thanks to Med D.

Not only are many of our retired members hurt by the gap in coverage (the doughnut hole) that affects all equivalent plans at a certain point of usage, but there are two far worse problems built into the plan.

The first problem is TROOP ("true out-of-pocket expenses"). Our Welfare Fund used to cover our retirees' major medical needs, including drugs, in "catastrophic" (i.e. over $500 out-of-pocket) situations. Most of our members, active or retired, do not reach $500 in out-of-pocket medical expenses during any one year. Some do, and it is those persons who are helped by our Superimposed Major Medical benefit.

Unfortunately, Med D requires a person to spend true out-of-pocket expenses of $3,600 in order to reach the point where the federal plan's catastrophic coverage kicks in. Moreover, any help provided by an employer and/or a union Welfare Fund affects TROOP. In other words, if the OSA Welfare Fund reimburses Med D retirees for out-of-pocket expenses before the $3,600 point is reached, the Federal government is "off the hook," and no catastrophic coverage will be provided.

The OSAWF trustees can and did vote to provide major medical reimbursement for out-of-pocket drug coverage expenses over $3,600 for 2006. We will also continue to assist any retiree whose (non-drug) medical out-of-pocket expenses exceed $500, so long as the retired member is enrolled in any of the approved health plans.

A second serious problem is that Med D has its own lists of approved drugs and, if your drug is not on this list, you receive no help at all. The OSAWF has received a number of complaints in this area and at least one case is extreme.

One of our members took part in an experimental program six years ago and the drug treatment she received saved her life. Subsequently, she did have difficulty with continuing drug coverage because hers was an "off book" usage of a drug approved for a different medical problem. With a little help from her friends at the OSAWF and some of their contacts, the problem was resolved each time it arose, until now.

GHI approved the drug as needed, but Med D has refused to pay any of it. As a result, GHI is bearing 25% of the cost of the drug, but the annual cost is $350,000. The OSAWF has asked our lawyers to assist our retired member in her battle with Medicare.

The final bit of fallout from Med D was its impact on recipients of our "Post 1999 " benefits.

Six years ago, OSA began paying the full cost of our Medicare-eligible retirees' drug premiums if they were enrolled in HIP or another HMO. We also paid $50 a month towards the cost of those premiums for members in GHI Senior Care. The benefit was invisible to the retiree, because the money was paid directly to the plans.

Two years ago, the OSAWF reported that the existing practice was becoming ever more unaffordable as the number of retirees increased gradually and the cost of drug premiums soared radically. By last year, HIP drug premiums had reached $129 per retiree per month, more than our fund actually receives per member per month for all Welfare Fund benefits. Some HMO's were far higher still. As of last year, members were notified that, once Med D was in place, the OSAWF would limit all reimbursements to the "GHI" level of $50 per month.

The shock that hit some of our retirees in January was extreme. A married couple using CIGNA in Nevada is now paying $270 per month for drug coverage. The OSAWF will be mailing them the $600 per person subsidy at the end of this year, and the couple will probably be switching to a lower cost health plan. Incidentally, had Med D not gone into effect, the CIGNA rate would have been far more than it now is. The cost of drugs in our country is a major problem.

OUR 2005 REPORT

We did well last year. We were worried about a continued increase in dental costs, due to expanded benefits but, as it happened, costs actually dropped slightly.

And now, given space limitations, brief details:

1. The ***Number of Covered Members*** included 4,154 active and 1,135 retired members. Both numbers show a small increase since 2004.

2. The ***Contract Rate*** was $1,475, but we added $82.50 due to Municipal Labor Committee special negotiations. The $1,475 is predictable, but the $82.50 is subject to negotiations.

3. The ***OSAWF investments*** are conservative (t-bills, notes, etc.). As interest rates are rising our return has improved over the past year.

4. ***Total Income*** is the contract rate plus investment income.

5. ***Our Life Insurance*** is for $50,000 for actives and $5,000 for retired members.

6. ***Long Term Disability***. Last year, due to a switch in carrier, we announced an improvement in minimum payout and predicted a decrease in cost. We were correct.

7. Our ***Vision Benefit*** improved noticeably last year. The allowance for "out of network" providers rose to $150 and equivalent improvements went into the "panel" contract. At present, unless you insist on designer frames, you should be able to get a pair of glasses for free from any optician who is part of the Davis Vision panel. Those of us still actively employed, can also get a second pair (VDT) at the same time with a form from your employer.

8. The ***Superimposed Major Medical*** benefit is one of our self-insured benefits. As you can see from the chart, the benefit is subject to wide variations in cost. The reason is that some individual cases, when they do occur, can cost the Fund a small fortune to assist. Other years, we get lucky and only a few serious cases arise

   In a sense, it is nice to note that the Fund has paid out (more than once) over $50,000 to a single member during a single year. We all like to know that we are covered if total tragedy strikes. It is still nicer, however, when a couple of years go by and we don't have anyone in such need.

9. Our ***Dental*** coverage is handled by Self Insured Dental Services of Valley Stream, Long Island and they have done a very good job. Their "Metrodent" panel provides a long list of dentists and the costs are controlled.

   Controlling costs is very important for a self-insured fund, but it is not the only issue. The Trustees increased dental reimbursement for providers on 7/1/02 and also raised the annual limit from $2,500 to $3,000 per member or dependent on 7/1/03. As you can see from the chart on the front page, these increases led to an increase in per capita cost from almost $500 in 2001 to nearly $800 in 2004.

   The increase in per capita cost seems to have leveled off and the trustees believe it is possible to adjust the dental benefit once more.

   Our existing benefit for implants requires adjacent teeth to be sound and natural. Numerous appeals have been received by the trustees on this restriction.

   As a result, the trustees, as an experiment, have modified the rule for 7/1/06 through 6/30/07. The new rule is "maximum one implant payable per plan year, two per jaw in a lifetime." This rule, if not changed next year, would allow a maximum of four implants per individual. Please note, some members have already had two or more implants.

   Why would it be modified next year? We do not know how many members will be requesting implants, so this is definitely an experiment.

10. The ***Post 1999 Benefits*** are:

    Pension Counseling, a popular benefit, with costs both predictable and low. OSA's counselors will sell you no insurance, stocks, bonds or annuities. Their only concern is to explain your pension benefits and options.

    The ***Survivor Benefit*** has been increased to provide three years' paid healthcare (COBRA) for your spouse and children. Thus far, costs have been reasonable.

    The ***Drug Rider*** reimbursement for retirees is clearly the most expensive of the "Post '99" benefits. Medicare-eligible retirees get a $50 per month subsidy payable annually from the Fund toward the extremely high cost of drug riders for those over 65 years of age.

11. Our *Administrative* expenses are the normal rent, salaries, office supplies and equipment you would expect. As a benchmark, the Comptroller of NYC figures an admin cost of between 10% and 15% is acceptable. Our earliest figures on this column are deceptive because, at first, the union subsidized the Fund to get it going.

12/13. ***Total and Reserves.*** The total of all costs is subtracted from yearly income to generate the addition yearly to reserves on a per member basis.

Why do we need reserves? We need reserves because our Welfare Fund is largely a self-insured fund. In 1989, OSA priced Dental and Superimposed Major Medical insurance through actual insurance carriers. The Dental estimates were nearly double the expected costs for self-insurance and the Major Medical was out-of-sight. We chose to follow the Management Benefit Fund example and self-insure.

The NYC Comptroller recommends a two-year reserve be held by all self-insured funds and we have never yet quite achieved that goal. In our first reporting year, 1990, the fund income from our contract was $825 per capita. A two-year reserve would have been $1,650 "in the bank." (That year, we had $33.11 "in the bank.")

As of July 2006, the contract rate is $1,475 a year and a two-year reserve will be $2,950 per person. This year we do have about $2,700 invested on behalf of each of our members, far better than our situation fifteen years ago, but not yet meeting the criteria set by the New York City Comptroller. A few years back, the Fund actually had to "loan" the City $200 a member to cover a City cash shortfall, as did all other City unions. We did get the money back eventually. The recent fear of a City deficit led to us offering no-interest loans to the City to avoid layoffs. The Mayor preferred layoffs. We used some of our reserves to cover our laid-off members through their unemployment.

• • • • •

PLANNING AHEAD

Our fund has been similar to, and generally based upon, the Management Benefits Fund. We have never been identical and we are becoming less similar as time goes along. Most recently, MBF improved their major medical by eliminating the deductible. Our own trustees chose not to do so. The trustees have always considered the major medical to be a "catastrophic" benefit; one designed to give a lot of help to a small number of members in dire need. Removing major medical deductible just as the Mayor is driving for an increase in member co-pays for office visits and tests, etc., seems imprudent.

The major medical benefit, please note, is a highly documented benefit. Members must keep and submit copies of bills and receipts and our staff has to create confidential folders and maintain records.

The trustees, after serious consideration, opted to spend the extra money on an equivalent (in cost) benefit that would require little or no paperwork. They raised the dental cap to $3,000 from $2,500; the first such increase in the cap in thirteen years.

Another benefit we did not adopt was the "Health Club Reimbursement Program" or as we call it, the free gym. MBF, as of July 2001, offered a benefit, retroactive to six months earlier, worth up to $1,000 a year as a part of their superimposed major medical plan. The benefit is taxable, indicating that the IRS does not see the free gym as equivalent to eyeglasses or dental work. We do not, either.

IN TRIBUTE: MICHAEL MACKEY (1947-2006)

At first, in 1989, none of us wanted to run a Welfare Fund. When, after ten years of effort, the Analysts finally won the right to become a recognized bargaining unit, we were all deeply pleased. Even so, we did not want to run a Welfare Fund.

The OSA leadership approached Jim Paul, Fund Administrator of the Management Benefits Fund. We suggested, and he agreed, that it would make sense for the Analysts to remain a part of MBF. The mayor disagreed.

OSA had to form its own Welfare Fund for a few hundred members. The members were polled and some preferred the DC37 type of fund and benefits, others SSEU Local 371, others IBT Local 237 or CWA 1180, etc. All did agree that the MBF was pretty good, so that became our consensus.

Michael Mackey, treasurer of OSA, was involved with the effort that went into the creation of the OSA Welfare Fund. It was a tense and scary period for all the trustees but, finally, it all worked out.

Michael took enormous pride in the success of our Welfare Fund and he loved being involved with every detail. He began to miss meetings of the Fund for the first time due to illness last year. He passed away in January of 2006 and was "waked" wearing his full Scots outfit, kilt and all, reflecting his Newfoundland heritage.

We will miss Michael and will do our best to keep "his" Fund going, sound fiscally, and always of service to the members.