



# ORGANIZATION OF STAFF ANALYSTS

## WELFARE FUND

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### Welfare Fund Analysis 2007

We continue 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
1990	598	825.00	9.60	834.60
1991	941	825.00	6.39	831.39
1992	3016	925.00	3.48	928.48
1993	3578.5	975.00	8.32	983.32
1994	3499	1075.00 (+ 20.00)	19.22	1114.22
1995	3355	1125.00	28.64	1153.64
1996	3547	1125.00	43.98	1168.98
1997	3505	1125.00	48.65	1173.65
1998	3491	1181.25	66.93	1248.18
1999	3691	1275.00	42.20	1317.20
2000	3937	1275.00	57.90	1332.90
2001	4665	1275.00	97.44	1372.44
2002	4896	1375.00	78.53	1453.53
2003	5025	1475.00	72.64	1547.64
2004	5187	1475.00 (+ 32.50)	74.32	1581.82
2005	5289	1475.00 (+ 82.50)	84.00	1641.50
2006	5455	1475.00 (+ 115.00)	116.41	1706.41
2007	5752	1575.00 (+ 65.00)	149.48	1789.48

#### PER CAPITA ANALYSIS: OUTGO AND RESERVES

YEAR	LIFE INS.	LTD INS.	VISION	MAJOR MED	DENTAL	POST-1999 BENEFITS	ADMIN	TOTAL	RESERVES
1990	78.33	66.63	59.66	137.28	443.62		15.97	801.49	33.11
1991	72.79	62.67	72.27	110.50	434.62		4.13	756.98	74.41
1992	61.07	59.50	67.75	110.53	381.73		9.09	689.67	238.81
1993	49.49	52.53	64.73	143.36	422.67		42.87	775.65	207.67
1994	45.63	53.87	75.67	148.33	507.44		70.31	901.25	212.97
1995	45.20	48.20	89.85	151.11	552.46		93.56	980.38	173.26
1996	46.97	40.61	84.88	130.84	549.73		129.56	982.59	186.39
1997	40.45	37.83	84.89	158.08	528.97		119.85	970.07	203.58
1998	57.25	34.86	83.06	134.93	521.00		96.64	927.74	320.44
1999	65.55	45.41	79.18	101.76	532.24	4.92	106.10	935.16	382.04
2000	151.04	39.30	75.86	77.12	537.93	21.80	101.26	1003.81	329.08
2001	153.12	38.86	67.94	69.76	489.68	29.98	114.35	963.69	408.75
2002	167.79	105.36	82.19	93.38	592.19	42.49	137.60	1221.00	232.53
2003	147.98	94.09	138.00	102.84	674.76	63.10	132.87	1353.64	244.00
2004	157.51	91.48	131.66	110.51	798.79	73.06	132.77	1495.78	86.04
2005	172.62	88.47	155.36	105.30	757.85	89.45	137.14	1506.19	135.31
2006	158.55	77.23	154.19	115.22	721.61	60.34	124.08	1411.22	295.19
2007	148.81	79.23	167.20	107.03	725.95	62.69	119.44	1410.35	379.13

## INTRODUCTION

OSA's Welfare Fund is in its eighteenth year of existence as a full-scale welfare fund and it is in very good fiscal shape.

Part of the credit for this, appropriately, goes to the team of persons who have signed these letters over the years – the Trustees and staff of the Fund. Some credit is also due to sheer luck. The benefits we do have come about almost as a matter of chance in the first place. And, none of the benefits covered by OSA have spiraled upward in cost faster than our income has risen to pay for them.

Nineteen years ago, OSA had a decision to make. We would soon add 650 covered members to our then-tiny, 25-person Welfare Fund. The question was, upon which existing welfare fund should we model our fund? Alternatively, should we create our own new plan without regard to any others?

Initially, there was no consensus. There were many well-known civilian City union welfare funds in existence. OSA members were familiar with District Council 37's, CWA Local 1180's, Teamsters Local 237's and AFSCME Local 371's plans. Members who had come from titles covered by each of these funds argued in favor of their own prior experiences. Curiously, no one argued in favor of OSA starting from scratch.

Most commonly, members argued for one or another existing union plan somehow to be combined with crucial parts of the Management Benefits Fund (MBF). As the discussion progressed, a consensus did arise. It turned out that virtually all of us felt that one or another part of the MBF must be kept. Some argued hard for the MBF's generous dental provisions, others insisted on the value of the major medical. No one seemed to find fault with the vision plan and members were split on the life insurance, some wanting more insurance and others wanting none at all.

In fact, the only part of the MBF plan that we did not like was the disability insurance plan. That policy was worded to favor employees who had not chosen to pay Social Security or pension deductions prior to becoming disabled. Most unfair.

Since most of us liked the MBF plan, perhaps OSA should try to match that plan and see how well we did. The interesting question arises as to why OSA even bothered to set up its own fund since the MBF did exist.

The MBF would have benefitted from OSA agreeing not to remove 600 of the MBF's members at a single stroke. Actually, Jim Paul, director of the MBF, was very agreeable to the idea of unionized analysts remaining

in his fund and so, in fact, was the entire union leadership. Had the mayor at that time, Ed Koch, not been so hostile to unions, the OSA Welfare Fund might never have been created. No one on the union side wanted the hassle.

As matters played out, no choice was given. OSA had to establish a tiny fund for our first group of unionized analysts, and then establish the current fund starting in 1990.

There were some very rough moments as the union leadership and legal counsel sought to recreate the MBF, only smaller. At that time, the MBF insured 20,000 members and we counted less than 600 members all told. We did make some mistakes at first, had to scramble to correct them, and there was at least one very worrisome month for both the members and the elected leaders.

OSA has never sought to hide its adventures or misadventures from its membership and, as a result, one evening the chairperson arrived home from a day-long search for proper fund vendors or suppliers, only to discover 38 telephone messages from members in need of return calls. All were on the topic of the Welfare Fund, how was it doing, would it be in place by the end of the month, and so forth.

The very next evening the number of messages was again 38, but on this occasion, Jessica Woodcock, a member of our executive board agreed to answer all the calls. Jess, who later retired from her executive board position after over ten years of service to her brothers and sisters, called my attention to one special message.

A group of a dozen members had asked one member to call and report that, yes, they knew that OSA was having problems, but that if those problems could be solved, we were the ones who would do it. That bit of encouragement remains sharp in memory – even years later.

The final results were good. After matching the MBF for an entire year, OSA even came up with a few dollars set aside for the start of a reserve. That was the last year that OSA ever asked the City to handle our welfare fund. Five years later, the City had to come to us (and all other City union welfare funds) to borrow \$200 per member to tide the City over. We were able to accommodate them.

In the years that followed, the OSA Welfare Fund did extremely well. Every time the MBF added a benefit, we added a benefit. Sometimes we would seek out a vendor used by MBF and, especially in our more recent

years, they sometimes sought out our vendors.

The superimposed major medical, for example, originally had a \$750 per person deductible but, in 1994, the MBF lowered it \$500. OSA's Welfare Fund followed their lead. That year, also, their vision benefit was raised from \$100 to \$125 and OSA did the same.

Recently, however, the years of experience running a Welfare Fund enabled the OSA Trustees to decide not to follow the MBF's example in lowering the SMMP deductible to zero. Our trustees would like to have provided the same benefit improvement but we felt it to be fiscally imprudent.

Subsequently the MBF, after a few years of experience came to agree that a zero deductible on a plan designed to handle catastrophic situation is not appropriate. As a result, the MBF's SMMP has restored the \$500 deductible requirement.

Most other union funds do cover drugs in one way or another and all are suffering fiscal difficulties because of that fact. The cost of typical union prescription drug program, per member, was below \$200 a year in the 1980's, reached \$500 per member by 1998 and rose past \$800 per member in 2006.

## OUR 2007 REPORT

**W**e did well last year. Our dental implant program is costly, but since implants are still relatively rare the impact has been less than expected.

And now, the details:

1. The Number of Covered Members includes 4,432 active and 1,320 retired members or members on disability. The active members include 75 Sanitation Chiefs and 29 Emergency Medical Services Chiefs. These 104 active service workers belong to unions that have asked to join the OSA Welfare Fund. We are pleased to have them as members of our fund.
2. Extended contract negotiations during 2007-2008 eventually resulted in a retroactive improvement in our 2006 income as of 7/13/06. We did not get the money yet, but we are due an extra \$203.16 per capita for that year. As of 2007, our Contract Rate is the \$1575 listed, plus the 2004 settlement of an extra \$65.

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 benefit is \$50,000 for actives and \$5,000 for retired members.
6. Long Term Disability. Over the last few years, 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 in 2004. 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 glasses, 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 cost 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.

Thereafter, the increase in per capita cost leveled off and the trustees felt it was possible to adjust the dental benefit once more. Our existing benefit for implants had required adjacent teeth to be sound and natural. Numerous appeals had been received by the trustees on this restriction.

As a result, the trustees modified the rule as of 7/1/06. The new rule was "maximum one implant payable per plan year, two per jaw in a lifetime." This rule allows a maximum of four implants per individual. Please note, some members have already had two or more implants.

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 \$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 administrative cost of between 10% and 15% is acceptable. Our earliest figures in 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 Benefits Fund example and self-insure.

The NYC Comptroller recommends a two-year reserve be held by all self-insured funds, and we have only recently approached 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 2007, the contract rate rose to \$1,575 and a \$65 potentially recurring contribution came in as well. Our total receipt was \$1,640. A two years reserve would be \$3,280 per member . The OSA Welfare Fund now has a twenty four month reserve at that rate and has achieved the City Comptroller's target for union-sponsored welfare funds.

On behalf of the trustees and staff, fraternally,

Sheila Gorsky,  
Fund Administrator

Rose Collins, Yolanda Milanes, Michelle Rivas,  
Member Benefits

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

Russ Taormina, Observer