



ORGANIZATION OF STAFF ANALYSTS WELFARE FUND

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Welfare Fund Analysis 2004

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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 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

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

On behalf of the Trustees and Fund Staff. Fraternaly,

Sheila Gorsky, Fund Administrator

Rose Collins, Yolanda Milanes, Michelle Rivas, Employee Benefits

Robert J. Croghan, Thomas Anderson, Michael J. Mackey, Frances Fultz,

Bill Douglas, Trustees; Russ Taormina, Observer

INTRODUCTION

Contract negotiations for the period 7/1/02 though 6/30/05 were dramatic and unusual. Prior to negotiations, the new Mayor demanded that municipal labor offer give backs worth a total of \$600 million dollars per year.

Labor refused to give and the Mayor laid workers off instead. After the layoffs, negotiators continued but no agreements were concluded until the final month of 2003. Even then, the agreement was the MLC PICA agreement and not a union contract.

The City and Municipal Labor Committee had, in 2001 jointly agreed to create the PICA card. The PICA card covered the members of all City Unions and managerial employees as well. The card provided Psychotropic, Injectable, Chemotherapeutic and Asthma drugs at low cost and had both short and long range-goals. The short-range goal was to provide relief for union drug plans and/or individuals paying for health plan drug riders. The long-range goal, in the eyes of some, was to begin to create a "City" drug card that would eventually cover all active municipal employees and their families.

The Organization of Staff Analysts' Welfare Fund, following the example of the Management Benefits Fund, has never provided prescription drug coverage for our active members. Most other unions traditionally did cover their members' prescription drug costs. Unfortunately, since 1990, it has become ever less possible to do so. Year after year of increased drug costs not only impacted seriously on the ability of unions to offer other benefits, but also, finally, led to cost-saving measures such as steeply increased co pays, mandatory mail order, required use of generic drugs and other limitations.

One defense against, or tool for mitigation of, rising drug costs is to be able to buy in bulk. The PICA card can be seen as an experiment in pooling buying power. It was a good idea.

Unfortunately, both PICA and non PICA drug costs continued to rise so quickly that the City soon moved in the direction of discarding PICA rather than building on it.

The very first agreement reached between the new Mayor and the Unions, in December of 2003, was largely designed to save PICA, at least temporarily. The agreement cut the cost of sustaining the PICA card by the use of co pays, mandatory mail order, step therapy, mandated generic, etc. The City also insisted upon minor increases in other health costs (GHI doctor visits, hospital stays, etc.) and charged a \$35 per year health administrative fee to each active and retired employees as well.

Along with the various give backs, in return, the City did offer \$100 per year to help sustain MLC unions' welfare funds. (The \$100 was later dropped to \$65 to offset the \$35 health administration fee.)

As of 2005, it is clear that the agreement of 2003 bought the PICA card eighteen months of additional life. As of July 1st, the responsibility for Psychotropic and Asthma drugs is being returned to either union drug plans ill prepared to fund them or to our individual health plan drug riders where they will drive the premiums up still higher.

The pertinence of this discussion to a report on the OSA Welfare Fund is that the MLC negotiations provided the only increase we received to our fund. The 7/1/02 - 6/30/05 civilian, non-pedagogical contract did not add any funds to the Welfare Funds.

The PICA negotiations provided an extremely odd pattern of subsidies to our fund. Over the period 1/1/04 to 6/30/04, we were due \$32.50 per member in our fund but there was no money to pay it so it was forgone. For the period 7/1/04 through 6/30/05, there was a lot of arguing but finally we are getting the \$65 per member. (The City was upset that we brought the matter up, but we noted that they had taken the \$35 per member per year health administrative fee.)

For the period 7/1/05 through 12/31/05, the unions agreed to waive the \$32.50 per member owed us but we will receive \$50 per member for that period as a part of our overall negotiation of settlement. Finally, for the period 1/1/06 through 6/30/06, our welfare funds will receive both the \$32.50 and \$50.00 for a total \$82.50 per member.

OUR 2004 REPORT

This year's report shows we are still able to add to our reserves. It is our intent to explain how we are doing and what problems are immediately before us. Since many members are new to OSA, it would be wise to go into some detail:

1. The **Number of Covered Members** is the yearly average total number of active and retired members covered by our Fund. Our "average" number of active members last year was 4,121. We started the year with 4,036 and ended with 4,179. Our retired membership is also trending upwards. The Fund covered 1038 retirees in January 2004 and by December we were up to 1094, with an "average" of 1066 retirees.
2. The **contractually required annual contribution** by the employer to our fund was \$1,475 per covered member during 2004 and this is noted as "Contract Rate."
3. Our **Investment Income** is the interest we earn on our financial reserve. Our investments are conservative (T-bills, Notes, etc.). In the early 90's as the Fund reserve reached its first million dollars, our Trustees sought advice from a larger union Welfare Fund on investing. The advice from Roz Yasser of DC 37's fund was helpful. Roz noted that the results of adventurous investing, if positive, would result in mild membership approval. On the other hand, if the results were unfortunate and money was lost, membership disapproval would not be mild at all. A word from the wise was sufficient. Our investments earned \$74.32, per capita, last year.
4. **Total Income** is the contract rate plus the investment income.
5. **Life Insurance** is a group policy with (at present) the Prudential Company. The costs of such policies are predictable until the contract runs out. Our big increase, in 2000, occurred because we increased the "active" coverage from \$15,000 to \$50,000. No increase in costs is expected for next year.
6. **Long Term Disability** - As of May of 2005 we switched our insurance carrier to First Reliance Standard company. Next years report will show a decrease in cost, yet the new policy doubles the

minimum pay out from \$150 month to \$300 a month. The change will only affect members newly disabled under the new contract.

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 authorized a major increase in dental rates for providers as of 7/1/02. The intent was to avoid the slow erosion of the Dental panel that will tend to occur if we never raise our rates. It may have made your dentist smile at you a bit more. As a part of this improvement, our Plan now covers nitrous oxide (laughing) gas so you may even be able to smile back at your dentist. In addition, as of 7/1/03, the yearly limit was raised to \$3,000 per member or dependent. The Welfare Fund trustees receive appeals from members on a wide variety of topics. Probably the single most common complaint is related to members going over the prior yearly cap of \$2,500. This should help.

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 and their only concern is to explain your pension benefits and options.

The *Survivor Benefit* has been increased to provide three year's 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 subsidy from the Fund to pay for the extremely high cost of drug riders for persons over 65 years of age. We will be hoping for the national plan to absorb some costs in this area.

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 2002, the contract rate is \$1,475 a year and a two-year reserve will be \$2,950 per person. This year we do have over \$2,600 invested on behalf of each of our members, far better than our situation thirteen 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.

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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.

Correction - Our Per Capita Analysis table for 2003 cited \$1425 as the contract rate theoretically due to our Welfare Fund (we were actually receiving \$1275 at the time). The number was in error. The correct rate actually was \$1475 and as a result the reserve for that year was fifty dollars higher as well. Even better, we finally got the money the City owed us.