



ORGANIZATION OF STAFF ANALYSTS

WELFARE FUND

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Welfare Fund Analysis 2008

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
2008	5713	1575.00 (+ 65.00)	142.64	1782.64

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
2008	148.54	73.83	164.66	104.29	650.96	89.55	117.21	1349.04	433.60

INTRODUCTION

The year 2008 was not as bad as 1929, but fortunes were lost, assets disappeared and even holders of federal "paper" (Fannie Mae, etc.) had reason to worry. The city and state governments had invested our pension funds aggressively in order to generate large returns. Had the stock market continued to soar, our pensions would have been paid for with the profits. This did not occur. Instead, the pension funds lost billions of dollars and, all of a sudden, it was our fault.

The major newspapers and the rest of the media expressed anger at the cost of our pensions and health benefits. By 2009, it became clear that we, the employees, would be stuck paying for the boss's investment blunders by way of pension tier V.

Thanks to the New York State constitution, neither the mayor nor the governor can diminish our (current or retired employee) pensions, but the new rules will penalize those who come after us.

Our welfare fund's investment strategy paid off in that ninety-five percent of our investments are in federal bonds and, as a result, we did not suffer major losses. Actually, in the one area where the welfare fund owned any equity (stock), we did experience a roller coaster ride similar to the stock market as a whole.

In 2001, Prudential Life Insurance went "public" (sold stock). Due to the laws regarding such companies, stock certificates went out to holders of policies. The OSA Welfare Fund (OSAWF) received over 11,000 shares of stock.

Our fund has a conservative investment strategy and the OSAWF has neither bought nor sold stock since our inception. Since the stock we did receive cost nothing, it was held onto and the dividends – about \$7,000 per year – were added to our investment income.

The stock is now worth more than it was worth when we received it in 2001, but in-between it has fluctuated wildly. To cite the extremes: it started on 12/19/01 at \$29.23 per share, hit its high on 9/19/08 at \$89.82, dropped to a low on 12/26/08 of \$26.78, and recently, on 6/26/09 stood at \$36.45 per share.

Since a major goal of any welfare fund is to provide a predictable and reliable set of benefits, it is good that we did not, as did the city and state governments, rely upon the stock market too heavily.

We also had some good news in 2008-2009. First, one of our members had a problem mentioned in the 2005 welfare fund report. She had been kept alive for six years due to a successful "off book" usage of an experimental drug. Unfortunately, the Medicare drug rider would not cover her for the drug once she became Medicare-eligible. We were able to work it out for her to be covered partially by GHI (in spite of Medicare's disapproval) and partially by her husband's insurance.

In 2005, it was noted that we had asked Meaghean Murphy, one of OSA's lawyers, to help the member with her appeal of Medicare's decision. In 2009, the appeal was granted and Medicare will now shoulder 95% of the cost of the drug (\$30,000 a month).

Second, a unit of 240 retired members of the Marine Engineers Beneficial Association had been asked to leave the DC37 retirees fund due to high drug costs. After many months of exploration and study by the Marine Engineers, they asked our welfare fund to provide coverage for their retirees – and also for 160 active service members in the NYC Department of Transportation.

After study, the OSAWF trustees agreed to cover the MEBA retirees and active service members. (The actives are fully covered. The retirees are not covered for the Medicare drug subsidy, but are otherwise fully covered).

The trustees and staff of our fund are naturally pleased that MEBA has chosen to join with the Sanitation Chiefs and the Emergency Medical Service Chiefs in using the OSAWF to cover their members. Nineteen years ago, we were not sure our small fund would survive and now we are able to help others.

Finally, the fiscal crisis is real and OSA is losing members to layoffs. This will cost our fund reserves, since City contributions end with layoffs but our fund will continue to cover our laid off members for a year, if they need benefits.

Even so, our trustees hope to be able to improve benefits in the near future. We are exploring minor, but costly, improvements in the dental and superimposed major medical programs in response to written appeals we have received. One difficulty holding back the decision to improve the benefits is our fear of layoffs this fall.

OUR 2008 REPORT

We did very 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 4,346 active and 1,367 retired members or members on disability. The active members include 75 Sanitation Chiefs and 30 Emergency Medical Services Chiefs. These 105 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. While there was no increase in income for 2008, there is a \$200 one-time payment per member due for October 2009. The one-time grant came out of the health benefit negotiations of 2008 through 2009.
3. The OSAWF Investments are conservative (t-bills, notes, etc.). As interest rates are falling, our return has dropped slightly 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" con-

tract. 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.

Last year's results were surprising since a small increase in most costs was expected. Instead, six out of seven categories of expenditures went down compared to 2007.

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 2008, 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 over 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, and Vojna Stanic-Geraghty,
Member Benefits

Robert J. Croghan, Thomas Anderson, Bill Douglas, Joan Smith, and Wilfred St. Surin
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Russ Taormina, Observer