

# Organization of Staff Analysts Welfare Fund Analysis 2018

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	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
2009	6034	1575.00 (+ 65.00)	144.73	1784.73
2010	6256	1575.00 (+ 65.00)	159.18	1799.18
2011	6281	1575.00 (+ 65.00)	179.89	1819.89
2012	6003	1575.00 (+ 65.00)	177.21	1817.21
2013	6684	1575.00 (+ 65.00)	210.56	1850.56
2014	6960	1612.50 (+ 65.00)	228.76	1906.26
2015	6974	1637.50 (+ 65.00)	254.64	1957.14
2016	6949	1662.50 (+ 65.00)	245.54	1973.09
2017	7164	1675.00 (+ 65.00)	206.82	1946.82
2018	7449	1675.00(+165.00)	37.20	1877.20

## 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
2009	143.29	70.31	170.90	61.66	704.18	153.40	122.07	1425.81	358.92
2010	141.59	53.95	174.84	80.60	625.57	109.54	132.56	1318.65	480.52
2011	147.14	56.97	181.59	76.47	706.14	110.44	167.49	1446.24	373.65
2012	135.32	52.96	189.38	97.06	733.94	112.15	120.40	1434.11	383.10
2013	136.88	48.01	193.17	81.39	724.54	139.55	120.10	1443.64	406.92
2014	124.78	58.54	188.69	75.43	906.94	140.45	175.58	1670.41	235.85
2015	118.24	71.21	193.66	83.52	989.92	147.52	149.36	1753.43	203.71
2016	93.73	77.51	198.41	82.94	921.44	167.79	162.14	1703.96	269.13
2017	82.59	82.72	199.28	82.75	892.37	189.38	172.32	1701.41	245.41
2018	82.83	89.55	196.34	74.40	979.16	192.89	195.25	1810.42	66.78

## INTRODUCTION

More than forty-nine years ago a dozen employees formed the Council of Personnel Examiners at the NYC Department of Personnel. They were seeking the right to collective bargaining. Their organization, later known as OSA, won that right, although it took a while.

Thirty-four years ago, when the first 38 Staff and Associate Staff Analysts at the Board of Education were allowed to represent themselves, they were required to establish a welfare fund as part of their new status. A major help to the OSA Welfare Fund was a report issued by Jim Paul, the administrator of the Management Benefits Fund. Jim's report to the members of that fund broke down the overall costs into the cost of each benefit and reported it on a per capita (per member) basis. Thanks to that one analytical report by Jim Paul, the OSA leadership had a head start when they had to create the new union's welfare fund.

For the past 29 years, the OSA Welfare Fund has modeled its own report to its members on Jim's earlier report. We liked what he did and we've been doing it ever since.

Most members never read the report. So long as benefits are available without interruption or problem, few members focus on the how and why of the fund itself. This report is assembled and written each year for those who are interested and who take the time to study how we are doing and to understand what goes into the operations of the fund. In short, this report is written for you.

We have done well over the past 34 years. There were no annual reports to the members over the first few years because fund membership was in the dozens before 1989 and reports were shared orally.

In 1990, detailed reports began to be published. We can now produce a chart showing annual membership, income and benefits provided for more than 26 years.

Some analysts like statistics and this chart tells a happy tale. The OSA Welfare Fund has grown steadily in number of members covered, has improved existing benefits and added new ones as well. Since our national economy not that long ago faced serious recession and civil servants are under political attack, it is of importance that the chart also reflects the prudent accumulation of reserves year by year.

One proper goal of welfare fund trustees is to provide predictable, reliable benefits for the members and their families. We have learned that we can not depend upon the city, state or federal government to act with fiscal prudence, so it is especially good that we have done so.

## OUR 2018 REPORT

1. The Number of Covered Members includes 4747 active and 2702 retiree members. Of these, about 200 active and another 200 retired members are members of unions that have asked to join the OSA Welfare Fund. We are pleased to have them as members of our fund.
2. Our income from contract this year is a little strange. There was no increase in recurring funds, but there was a \$100 per member one-time payment. The same amount (\$100) was allocated for the second year of the contract and, potentially, for the third year of the contract.

The receipt of the third year's money was dependent on the success of a health fiscal savings plan worked out between the City and our Municipal Labor Committee's Health Technical Subcommittee.

It does appear the targets have been met, but we do not now know if the third \$100 will be turned into contractually recurring funds rather than a one-shot.

To signal this uncertainty, these are bracketed around the amount on the chart. Thus, we did get \$100 from this year's agreement plus the \$65 that comes from the Health Stabilization Fund surplus, but neither amount is as secure as the \$1675 contractual payment.

3. Our Welfare Fund Investments are conservative (Federal bills, notes etc). The most dramatic change in this year's report is our steep (apparent) decline in our investment income.

Now, we did not lose any money, but the value of our bond holdings dropped and this paper loss offset our \$246.94 per member interest income. When interest rates rise, as they did recently, bond values fall. However, this does not result in a real loss unless we sell the bonds. We do not.

Our fund trustees purchased our bonds to achieve a "ladder" of maturity dates. Thus, we redeem some bonds each year at full maturity and receive 100 cents on the dollar.

If the reserves are needed because a new benefit proves more expensive than expected, the redemptions at face value from that year's bonds can be used to fill any gap. If the proceeds from the bond redemptions are not needed, they are reinvested for the future.

In 2018, our Welfare Fund came close to breaking even, but appearances can deceive. In fact, we are overdue for an increase in Welfare Fund income similar to the one negotiated by DC37 in 2017. At that time, the Council added a \$200 recurring amount to their Welfare Fund in return for a contract extension. OSA was offered the same deal by the City, but we passed up on it for two reasons.

First, unlike DC37, our fund was in good financial shape and we did not need the cash infusion to avoid either checks bouncing or benefit cutbacks. Second, we felt that contract period was one where the value of a month's extension was likely to be less than in the contract period to follow. In this estimate, we turned out to have guessed correctly.

As this is being written, the City has not yet signed off on our contract, but they have agreed that our demand for an increased fund payment to match DC37's is not a problem.

Assuming that all goes as expected, our Welfare Fund Trustees will have the pleasant task of considering what improvements we can make in our existing benefits.

The one most consistent request received by the Trustees over the past score of years is to provide some help for active members in payment of their prescription drug rider. We already do provide such help for our retirees, so we are familiar with how to implement such a benefit.

4. Total income is the contract rate plus investment income.
5. Our Life Insurance Benefit is \$50,000 for active employees under age 65, a reduced amount for active employees over 65 and \$5,000 for retired members.
6. Our Long Term Disability insurance premiums went up in 2014 due to our raising the minimum payout to \$1,000 per month, not subject to offset by social security or pension disability payments.
7. Our Vision Benefit is one of our most popular benefits. The allowance for "out-of-network" providers is now \$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. Our Superimposed Major Medical benefit is one of our self-insured benefits. The SMMP helps with excessive hospital and drug bills.
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.

Our trustees have regularly improved this benefit over the years. Periodically, they have improved the rates paid to providers or added (or expanded) a benefit (e.g. implants) or increased the amount that can be spent yearly by each patient.

The results can be tracked on the chart provided. A benefit costing \$443 per member in 1990 now costs almost \$1,000.

Improvements were made in July of 2015 to include custom abutments for dental implants and related services. A further improvement was made in July of 2017 to include payments for crowns over implants. The Self Insured Dental Service of Valley Stream, Long Island, estimates that this will cost our fund about \$20 per member per year. The Trustees' goal in this case is to seek to insure that our members using participating dentists avoid out-of-pocket costs entirely.

10. The Post-1999 Benefits are:

Pension Counseling, which is 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. **Cost: \$.60**

The Survivor Benefit had been increased to provide 3 years paid health care (COBRA) for your spouse and children. Thus far, costs have been reasonable. **Cost: \$24.95.**

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.  
**Cost: \$165.59**

Long Term Disability/COBRA. This benefit covers the period when any one of our members is still disabled but is out of sick and annual leave. The member who is out of pay status is not covered for basic health benefits, yet needs them.

We will not charge a disabled member for our welfare fund benefits in such a case, but the City can and does say the disabled member must buy “COBRA” to continue their basic health coverage so the members has added costs just when the salary checks cease coming.

Our welfare fund, since 1999, has been reimbursing the

cost of COBRA for any disabled member who falls into the gap between employed and retired (Once the member returns to work or is approved for retirement, the City resumes health care payments.) **Cost: \$1.78**

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.

In 2017, we spent \$1,700 per member and received from our contract a bit more. The difference on the plus side allowed various improvements. The Trustees are aware that there is scheduled to be a contractual increase in Welfare Fund contributions in our next contract.

The reason why expenditures per member tend to go up is that the OSA Welfare Fund has continued to improve benefits over the years. If the city continues to agree to increased contributions in the contracts to come, benefits will continue to be improved.

We recently improved our hearing aid benefit by using General Hearing Services as an optional participating provider. This did not affect our Superimposed Major Medical costs at all since GHS agreed to waive the normal monthly participation fee. In return, we agreed to mail out information about their benefit at our own expense. This occurred in early July of last year.

Our 2014 report noted a \$2 per member fee paid to the federal government. The charge, a “PCORI” (Patient Centered Outcome Research Institute) fee was charged to our fund by the Affordable Care Act legislation. By 2017, that charge is up to \$3.80 per member. There was also, in 2014, a further fee of \$94 per member per year then pending approval.

We hired a consultant to deal with contesting these costs and while we did end up paying the PCORI fee, we avoided the far larger one.

On behalf of the trustees and staff,

*Sheila Gorsky, Fund Administrator*

*Rose Collins, Yolanda Milanes, Michelle Rivas, Pamela Kolpan, Krystal Croghan, Kim Russo and Vojna Stanic-Geraghty, Member Benefits*

*Tom Anderson, Robert J. Croghan, Bill Douglas, Joan Smith, & Wilfrid St. Surin, Trustees*

*Anthony Pasquale, Observer*