

PEF Trustees' Report to the 2015 Convention Delegates

**Presented to the
37th Annual Convention
Syracuse, NY - October 18 - 21,
2015**



**Submitted by
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and Maddie Shannon-Roberts**

Mission

The Trustees are charged by the PEF Constitution to periodically review PEF's financial records, to report to the membership any activities not in their best interest, and to attend Executive Board meetings. We meet periodically and review Division Audits, Regional Budgets, and expense vouchers, both at random and based on member concerns. After these reviews, the Trustees make appropriate recommendations of action in keeping with PEF policies. Per PEF policy, the Trustees also report on the implementation of resolutions that were passed by the previous year's convention body.

Financial Statement (CPA) Auditor's Report

On September 3, 2015, the Trustees, Secretary-Treasurer Kevin Hintz, PEF Director of Finance Valerie O'Dell, PEF Budget Committee members, and employees from the PEF Finance Department met with representatives of PEF's independent auditor, Marvin and Company and representatives of Milliman actuarial firm. In this meeting, the auditors presented an overview of their findings regarding PEF's 2014-15 financial statements. The auditing company's goal is to determine whether the consolidated financial statements are free from material misstatement.

The audit included an examination of PEF documentation that supported the amounts and disclosures in the PEF consolidated financial statements. Marvin and Company reported that PEF's financial position for fiscal year 2014-15 ended in conformity with Generally Accepted Accounting procedures (GAAP). They further stated that all PEF financial statements reviewed by them supported their opinions and fairly represented PEF's financial position at the time of the audit for fiscal year 2014-15.

Note: "An audit by an independent CPA firm is not designed to uncover fraudulent activity. The purpose of an audit is to provide reasonable assurance that the financial statements do not include any material misstatement as a result of fraudulent activity. During the auditing process, the CPA firm may uncover fraud, but this is not the reason the auditors are there." -- Edward J. McMillan, CPA, CAE

Division and Regional Audits

Throughout the past year, the Trustees have examined specific divisions and regions for compliance with PEF policies and adequacy of internal controls. A full report was released on April 22, 2014 regarding Division 235 and further investigation into the extent of possible misappropriation of funds continued throughout the year.

A review of Divisional finances as of September 1, 2015 revealed that 23% of PEF's 222 divisions lack a treasurer. This is a crucial gap in oversight that should be remedied as soon as possible. Local PEF

leaders (including Regional Coordinators, Executive Board, and Council Leaders) must recruit more help to run the day-to-day activities of a division. Without a dedicated treasurer, the division's council leader has un-checked access to the division's funds and also has the added responsibility of preparing all the division's financial reports by him- or herself. Accountability starts with all of us.

A review of Regional budgets as of September 1, 2015 revealed that fewer than half of the 12 regions have submitted budgets for the fiscal year that began April 1, 2015. Per PEF policy, these budgets were due last December. The trustees strongly recommend that all regions submit accurate budgets as soon as possible; the key to responsible spending is planning.

PEF Employees - Post Retirement Benefits

According to the most recent PEF audit conducted by Marvin and Company, the post retirement benefits provided to PEF's employees continue to be our largest liability. The audit indicates that between 2014 and 2015 this liability increased by approximately \$2.7 million (2014: \$7,689,773 and 2015: \$10,417,334). A portion of this increase (approximately \$1 million) is due to decreased rates in the bond market. However, the audit also shows that our annual health insurance payouts continue to increase.

The increase in this liability remains a major concern since it affects the financial stability and ultimately the financial solvency of PEF. Therefore, every effort must be made to reduce or eliminate it.

On July 1, 2015, the contract agreement between PEF and the PEF staff who are represented by the United Steel Workers Local 9265 went into effect. One of PEF's main goals in that contract was to achieve benefit design changes in the health insurance plan with the ultimate goal of enabling the PEF organization to better evaluate its choices to remain self-insured or to change to an insured entity. We were able to achieve changes to pre-approval requirements and prescription cost savings.

An additional factor that affects plan design change is the number of years before a PEF retiree can move or is willing to move off the PEF's insurance plan. PEF's retirees and their spouses have the option to remain on the PEF insurance plan indefinitely or they may opt for a Medicare Advantage or Supplemental plan after age 65. As more of PEF's retirees become age-eligible for alternative Medicare Advantage and Medicare Supplemental plans, more savings may be realized.

Any changes to the post retirement benefits will need to be contractually agreed upon between PEF and USW. We are strongly recommending that PEF and USW continue to explore options that may include further changes in benefit design, or modification of eligibility.

Friedrichs v. California Teachers Association

The above pending case asks the fundamental question, "Can a public employer require employees to join a union as a consideration for employment?" Here in the state of New York, the members of PEF are familiar with our Union Shop, making New York a Non-Right-to-Work state. New York State Public Employees who join the union receive the following: a fair wage, a higher standard of living for the working class, safe working conditions, increased benefits to the worker and their family, and legislative power. With our collective voices, we have bargaining power. Without Union representation, we would have working conditions that could potentially lead to incidents like sweatshops, poor wages, and longer working hours and little or no benefits.

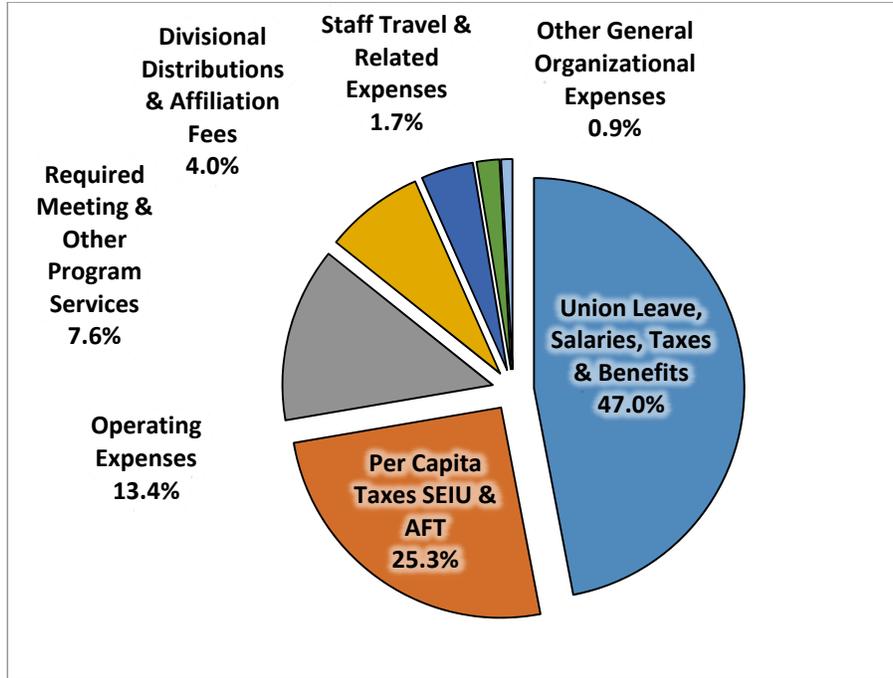
As Trustees, we are concerned about the potential impact of the Friedrichs vs California Teachers Association (CTA) case on PEF and encourage leadership to monitor this event. Chief Counsel Lisa King has already provided a preliminary analysis of potential impacts as we wait for a decision from the Supreme Court. In the meantime, we believe that one way to lessen any potential impact to PEF is for our members to feel that they are getting the best services and added value for the dues that they are paying to PEF. We believe that the majority of our members are not aware of our union's activities.

- In the last statewide election, approximately 80% of our members did not vote.
- Only 2,000 members consistently contribute to the COPE fund.
- Fewer than 2,000 members consistently view the PEF website.
- Many members are not aware of articles or featured stories from The Communicator.

We recommend that all Divisions, Regions, Committees, and all other entities that are funded by PEF make every effort to reach out, educate, and ensure members are aware of the value-added services we provide.

Fiscal Status and Trends

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Expenses for Fiscal Year ended 3/31/2015

Finances & Investments

Cash Balances

	3/31/2012	3/31/2013	3/31/2014	3/31/2015
Cash and cash equivalents	\$ 4,421,094	\$ 4,318,753	\$ 4,873,899	\$ 5,034,205
% of total assets	26.9%	27.0%	27.4%	28.7%

Investment Securities - Investments are held at Smith Barney and are managed by Stacey Braun.

	3/31/2012	3/31/2013	3/31/2014	3/31/2015
Undesignated	\$ 3,521,732	\$ 3,483,952	\$ 4,061,150	\$ 4,327,771
Board Designated (Contract Fightback Fund)	\$ 4,168,502	\$ 4,123,783	\$ 4,806,984	\$ 5,122,570
Total Fair Value	\$ 7,690,234	\$ 7,607,735	\$ 8,868,134	\$ 9,450,341
Gain or (loss) from prev yr	\$ 665,870	\$ (82,499)	\$ 1,260,399	\$ 582,207
% change from previous yr	9.5%	-1.1%	+16.6%	+6.6%

Income Statement

	3/31/2012	3/31/2013	3/31/2014	3/31/2015
Total Receipts	\$ 36,141,303	\$ 35,281,095	\$ 36,407,342	\$ 36,732,152
Total Disbursements	\$ 36,244,834	\$ 34,878,514	\$ 35,626,823	\$ 36,878,095
Net Income	\$ (103,531)	\$ 402,581	\$ 780,519	\$ (145,943)
Other Adjustments to Assets	\$ 2,481,615	\$ 162,720	\$ 268,097	\$ (2,290,202)

Post-Retirement Benefit Liability

	3/31/2012	3/31/2013	3/31/2014	3/31/2015
Accrued postretirement benefits liability	\$ 7,395,416	\$ 7,557,600	\$ 7,689,773	\$ 10,417,334
Gain or (loss) from prev yr	\$ (2,429,224)	\$ 162,184	\$ 132,173	\$ 2,727,561
% change from previous yr	-24.7%	2.2%	1.7%	35.5%

Contingency Fund Spending

\$500,000 has been allocated in relation to a request at March 2015's Executive Board meeting to create a PR Fightback Campaign against privatization. At the Executive Board meeting held in September 2015, a team was formed to start working on the Request For Proposals (RFP) for this allocation.

\$30,000 has been allotted for spending on the campaign to Save Western NY Children's Psych Center. \$13,780 of this amount has been spent so far.

In 2013-14, \$200,000 was allocated and spent for the Save Our Services (SOS) campaign.

Expense Trends

Expenses by Functional Activity

	2011-12	2012-13	2013-14	2014-15
Membership Services ¹	\$ 16,332,661	\$ 15,287,733	\$ 14,950,517	\$ 16,458,718
Administrative & Support ²	\$ 4,557,984	\$ 4,498,038	\$ 4,452,054	\$ 4,705,955
Grant & Contract Activity	\$ 343,023	\$ 352,425	\$ 463,708	\$ 281,951
Labor Management Activity	\$ 3,050,352	\$ 2,390,535	\$ 3,601,226	\$ 3,036,492
Legislative/Political	\$ 1,155,000	\$ 1,468,681	\$ 1,470,561	\$ 1,612,546
Total Functional Expenses	\$ 25,439,020	\$ 23,997,412	\$ 24,938,066	\$ 26,095,662

Officers' Expenses

	2011-12	2012-13	2013-14	2014-15
Mileage and Car Rental	\$ 10,886	\$ 17,251	\$ 18,652	\$ 18,825
Public Transportation	\$ 12,621	\$ 9,247	\$ 16,309	\$ 20,993
Lodging	\$ 14,760	\$ 16,104	\$ 26,825	\$ 31,157
Officer's Meals	\$ 1,590	\$ 4,848	\$ 9,382	\$ 14,254
Cell Phones	\$ 7,740	\$ 5,067	\$ 3,382	\$ 3,827
Other(tolls, taxis, parking)	\$ 1,144	\$ 4,069	\$ 3,569	\$ 7,738
Total Officers' Expenses	\$ 48,741	\$ 56,586	\$ 78,119	\$ 96,794
% change from previous year	0.6%	16.1%	38.1%	23.9%

Trustees' Expenses

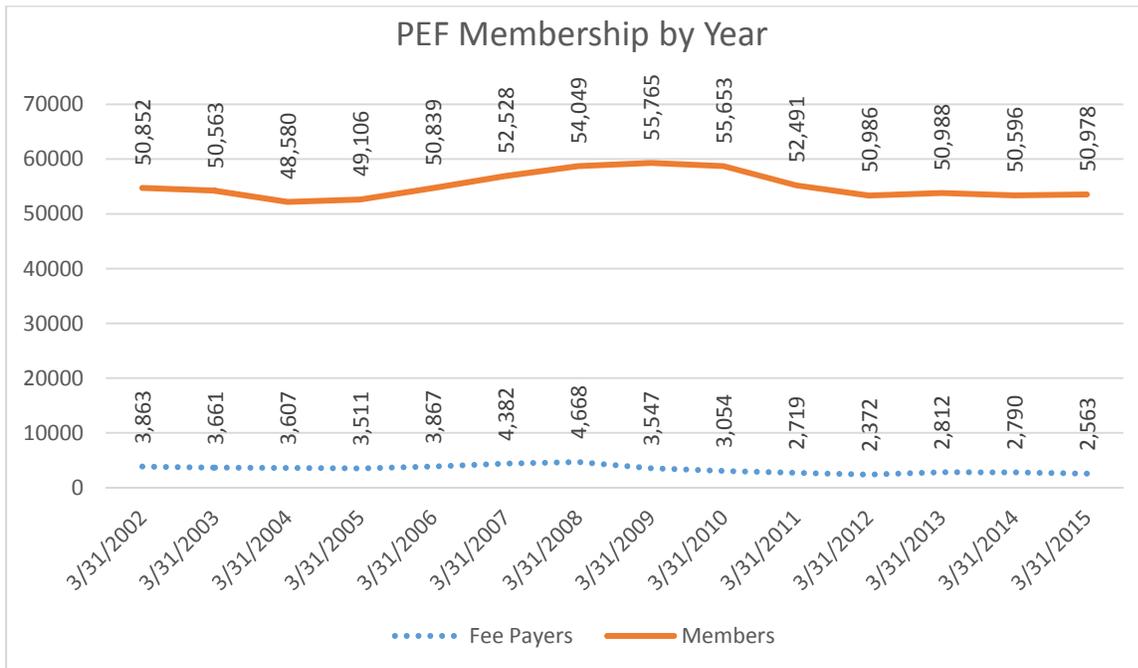
	2011-12	2012-13	2013-14	2014-15
Mileage	\$ 1,401	\$ 1,085	\$ 3,072	\$ 1,817
Public Transportation	\$ -	\$ 801	\$ 1,775	\$ 1,990
Lodging	\$ 815	\$ 1,280	\$ 4,123	\$ 2,894
Trustees Meals	\$ 329	\$ 614	\$ 1,388	\$ 1,032
Cell Phone	\$ -	\$ -	\$ -	\$ 612
Other(tolls, taxis, parking)	\$ 73	\$ 321	\$ 1,225	\$ 338
EOL	\$ 5,225	\$ 6,888	\$ 18,288	\$ 14,419
Total Trustees' Expenses	\$ 7,844	\$ 10,988	\$ 29,870	\$ 23,103
% change from previous year	-7.8%	40.1%	171.8%	-22.7%

¹ Membership Services include: committee activities, division funding, leadership meetings (Convention and Executive Board), field services, and other expenses directly related to membership activities and representation.

² Administrative & Support includes: expenses for "behind-the-scenes" departments such as Accounting, Executive, Membership Information Services, and Mailroom.

Membership Trends

As of 3/31/2015, PEF had a membership of 53,541 including 2,563 Agency Shop Feepayers. This represents an increase of 155 people since 3/31/2014. Over the same period, the number of feepayers decreased by 227, indicating that many people were converted from feepayers to active dues-paying members.



Union Affiliations

PEF is a per capita paying member of both the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU). We have a 50/50 split of our membership into each affiliate.

For fiscal year 2014-15, PEF paid a total of \$9,302,765 in per capita taxes to AFT and SEIU. This represented 25.3% of our total expenses, compared to 25.8% in 2013-14.

2014 Constitutional Amendment

The 2014 Convention delegates adopted 1 Constitutional Amendment. This amendment allows members with dues in arrears for more than one quarter to resume membership automatically when they recommence payment of dues either via a payroll deduction or pre-paying on a quarterly basis.

Action: The PEF Constitution has been updated and is available on the PEF website. The Membership Information Services (MIS) department has confirmed that persons rejoining the state payroll will be checked against the database of previous dues-paying members and that previous members will be automatically re-activated as members instead of feepayers.

2014 Convention Resolutions

The 2014 Convention delegates adopted 2 resolutions; Resolution No. 1 and Resolution No. 7.

Resolution No. 1: Protect the Needs of Members in Travel Positions

THEREFORE BE IT RESOLVED, that PEF examine which, if any agencies have established reasonable reimbursement policies that provide for reimbursement in excess of the "lesser of mileage rule" for business-related mileage when an employee is not in travel status, in accordance with the OSC Travel Manual, and current contract language; and

BE IT FURTHER RESOLVED, that PEF will make every effort to encourage all agencies to fairly and equally treat all employees engaged in business-related travel, and reimburse persons using personal vehicles for such travel for all miles traveled to and from an alternate work location, regardless of "travel status".

Action: A proposal is being carried as part of the current contract negotiations.

Resolution No. 7: Access to Pension in Lieu of Death Benefit

THEREFORE BE IT RESOLVED, that PEF engage in initiating legislative amendments to the current New York State Retirement and Social Security Law to allow the beneficiary to choose to either receive the death benefit or a 100% joint pension allowance based on the pension value had the employee retired on the day of their death; and

BE IT FURTHER RESOLVED, that seeking this is asking for what is fair and just based on years of service to the State of New York and will protect employee dependents, improve employee morale and improve State supplied services by retaining experienced employees longer.

Action: No action was advanced on this front in the 2014-2015 legislative session. A related bill, A6045B, does address some retirement concerns. Specifically, it seeks to amend the law to accept retirement applications based on postmarked date if the applicant dies before the Comptroller receives the application. This bill was passed by both the Assembly and the Senate but has not yet received the governor's signature.

Additional Note Regarding Resolutions

The Trustees have started to undertake a review of continuing action on resolutions from previous conventions. For example, a 1993 resolution regarding provisional titles asks the Trustees to report on progress in requesting Civil Service exams for titles where there are long-term provisional appointments. We will be reporting further on the status of this and other past resolutions throughout our term.