

PEF Trustees Report

Presented to the 31st Annual Convention
Niagara Falls, NY
September 13-16th, 2009



Submitted by
**Olubiyi (Mr. B)
Shindemi,
Gail Noble and
Adam Sumlin**

MISSION:

The trustees are charged by the PEF Constitution to periodically review PEF's financial records; report to the membership any activities not in its best interest and to attend Executive Board meetings. We meet periodically and review, at random, division audits, regional budgets, and expense vouchers. The trustees also review those divisions and regions not in compliance with acceptable PEF financial policies and make appropriate recommendations of action in keeping with PEF policies.

FINDINGS AND RECOMMENDATIONS:

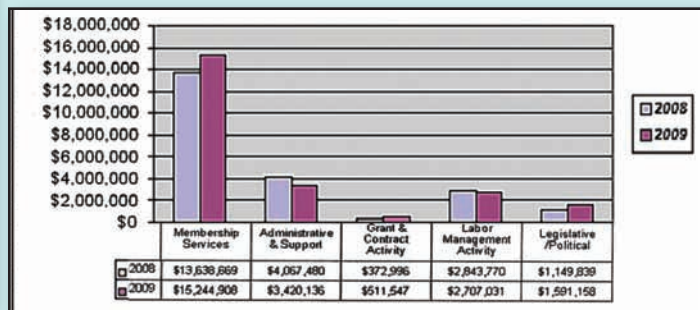
- We recommend PEF Executive Board meetings start at 1:00 p.m. on the first day. This would eliminate one night's hotel stay and a breakfast and lunch. This would constitute a savings of about \$60,000 per year.
- We recommend PEF Executive Board members revisit room double occupancy for all Executive Board meetings. This savings would be about \$18,900 per year.
- We recommend the PEF payroll-status-change report be reviewed by someone outside of the payroll function as the reports are received, and this review be documented on those reports, and the reports filed for future reference. We looked into this, and it has been corrected. We will continue to monitor it.

AUDIT REPORT:

On August 19, 2009, the trustees, Secretary-Treasurer Arlea Igoe, Valerie O'Dell, PEF's director of finance, and Russell Kuon, divisions controller, met with representatives of Marvin and Company. An overview of PEF's 2008-2009 audit findings was presented.

The audit included examination of PEF documentation that supported the amounts and disclosures in the PEF consolidated financial statements. Marvin and Company reported PEF's financial position for fiscal year 2008-2009 ended in conformity with generally accepted accounting procedures. It further stated all PEF financial statements reviewed supported that opinion and fairly represented PEF's financial position at the time of the audit, fiscal year 2008-2009

1. PEF's Expenses By Functional Activity



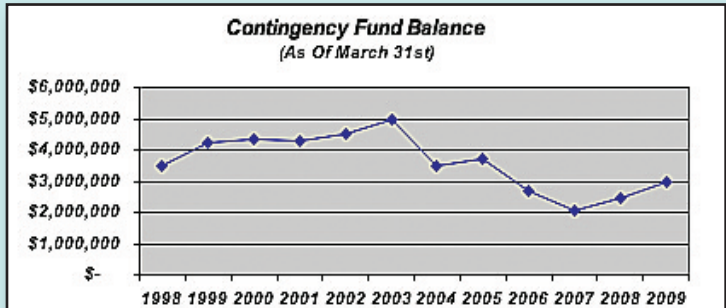
Temporarily Restricted Net Assets:

Those assets as of 3/31/09 to be used only for a specific purpose:

- A. COPE (Voluntary Political Contributions) \$ 187,966
- B. Contract Fightback Fund \$2,963,872

PEF policy states: "Outside of contract fightback activities, the Contract Fund can only be used to protect the job security of PEF members if approved by a three-quarters vote of PEF's Executive Board."

2. Contingency Funds



For the second year in a row we have seen a slight increase in our contingency fund. Future anticipated expenditures of this fund require that it be built up as much as possible. We continue to need a means to replenish these funds every year. One option is to ensure our operating budget is designed to achieve a surplus, which would then be transferred into the Contingency Fund after the year-end audit. Existing PEF policy stipulates: "All surplus monies at the end of any fiscal year shall be placed in a fund for emergencies and special needs. Expenditures from this fund shall be made only after approval by a two-thirds vote of the Executive Board."

The following table breaks down the amounts spent over the last 5 years:

	Fiscal Yr 2005	Fiscal Yr 2006	Fiscal Yr 2007	Fiscal Yr 2008	Fiscal Yr 2009
Budget Fightback Campaign	\$ -	\$ -	\$ -	\$ 58,102	\$ 141,888
Go Public Campaign	\$ 99,191	\$ 753,957	\$ 316,176	\$ (1,410)	\$ 301
Nurse Staffing	\$ -	\$ 30,555	\$ 340,642	\$ 1,406	\$ -
DOL Fightback	\$ -	\$ 127,563	\$ 989	\$ -	\$ (64)
OMH Fightback	\$ -	\$ 719	\$ -	\$ 14	\$ -
Parole Fightback	\$ -	\$ -	\$ 10,876	\$ -	\$ -
Flood Relief	\$ -	\$ -	\$ 26,750	\$ -	\$ -
SUNY Privatization / Berger	\$ -	\$ -	\$ 32,760	\$ 146	\$ -
Contingency Funded Campaign Totals	\$ 99,191	\$ 912,794	\$ 728,193	\$ 58,258	\$ 142,135

3. Expenses for the 5 Statewide Officers and Trustees (listed below):

2009, \$936,115 was spent to cover its operations and political contributions costs.

OFFICERS EXPENSES							
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Mileage	\$ 13,449	\$ 12,131	\$ 9,227	\$ 15,437	\$ 13,771	\$ 3,205	\$ 2,245
Public Transportation	\$ 18,344	\$ 15,130	\$ 11,321	\$ 13,424	\$ 19,775	\$ 13,701	\$ 14,264
Lodging	\$ 16,650	\$ 10,089	\$ 7,721	\$ 13,389	\$ 34,458	\$ 20,639	\$ 13,071
Training & Conference Fees	\$ 150	\$ -	\$ 525	\$ 130	\$ 535	\$ 292	\$ 7,800
Officer's Meals	\$ 4,883	\$ 3,245	\$ 1,176	\$ 3,967	\$ 5,143	\$ 1,668	\$ 2,535
Phones(home/cell) & Beepers	\$ 6,554	\$ 5,879	\$ 5,125	\$ 7,409	\$ 6,111	\$ 5,122	\$ 5,655
Other(tolls, taxis, parking)	\$ 2,883	\$ 3,240	\$ 1,384	\$ 2,464	\$ 3,689	\$ 1,352	\$ 651
TOTALS	\$ 62,912	\$ 49,715	\$ 36,479	\$ 56,219	\$ 83,481	\$ 45,980	\$ 46,222

TRUSTEES EXPENSES							
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Mileage	\$ 275	\$ 1,080	\$ 538	\$ 69	\$ 357	\$ 1,342	\$ 1,827
Public Transportation	\$ 94	\$ 149	\$ 192	\$ 323	\$ 188	\$ 10	\$ 88
Lodging	\$ 1,144	\$ 1,487	\$ 1,732	\$ 3,634	\$ 1,947	\$ 1,113	\$ 712
Training & Conference Fees	\$ -	\$ -	\$ -	\$ -	\$ 2,925	\$ -	\$ -
Trustees Meals	\$ 148	\$ 564	\$ 352	\$ 119	\$ 119	\$ 426	\$ 336
Other(tolls, taxis, parking)	\$ 93	\$ 52	\$ 51	\$ 51	\$ 29	\$ 83	\$ 58
EOL	\$ 2,142	\$ 8,874	\$ 5,840	\$ 3,815	\$ 12,165	\$ 6,320	\$ 5,135
TOTALS	\$ 3,898	\$ 12,205	\$ 8,705	\$ 8,011	\$ 17,730	\$ 9,293	\$ 8,158

Membership:

PEF revenue is comprised of dues paid by PEF members and agency-shop feepayers. Dues income is collected in the pay period for which New York State pays members' salaries. As of 3/31/09, PEF had a membership totaling 59,312, up 595 from 2007-08. The following chart shows the breakout by dues- and fee-paying members.

BANKING & INVESTMENTS:

Banking Changes:

PEF is working with Bank of America based on its ability to meet our diverse range of requirements. This change has given us access to state-of-the-art banking technology, which has improved PEF's internal operations and, through the use of "positive pay" technology, negates the possibility of fraudulent checks being paid. The online banking system also was set up with a "dual approval" restriction, which means no single individual can access funds without someone else's oversight and approval.

The divisions' financial system will significantly reduce the headaches associated with divisions' financial recordkeeping. It will dramatically reduce the workload, while simultaneously allowing them to earn interest income in their accounts. Various divisions and regions have adopted this and more will follow.

Investment Changes:

PEF continues to move more monies to be handled by our investment manager — Stacy Braun Associates Inc.

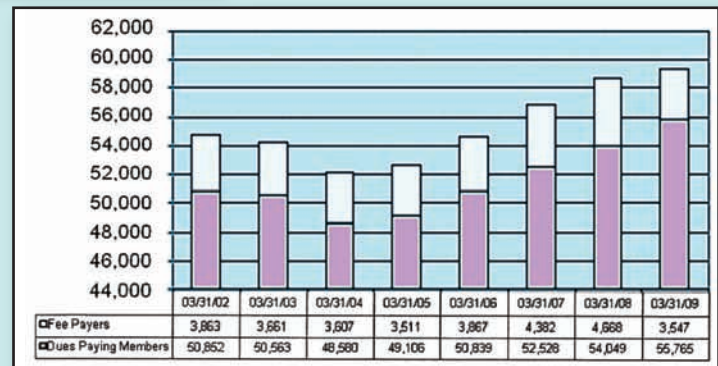
In April 2008, using our investment manager's expertise, we diversified our portfolio by allowing up to 30 percent of the portfolio to be invested in equity securities. This has resulted in a reduction to our investment risk and increased long-term investment earnings. PEF's net unrealized and realized gains decreased from \$215,953 in 2007-08 to (\$476,833) in 2008-09. With the state of the market, our losses have been minimized with our conservative investments.

PEF Employees:

PEF is presently awaiting an actuarial evaluation of post-retirement costs for its employees. An ad hoc addendum will be added to this report when it becomes available. It is recommended this be done again in 2011.

Funds:

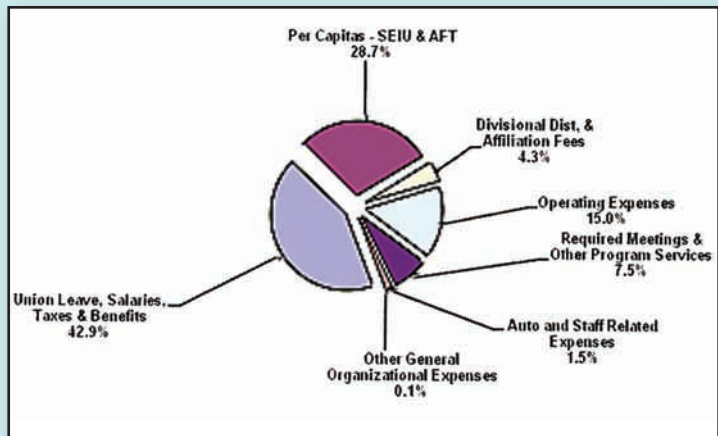
PEF maintains a Political Action Fund and contributes to the SEIU Pension Fund. PEF's Legislative Department administers the Political Action Fund. It is used for political contributions approved by the Executive Board and for the day-to-day operations of the Legislative Department funded from PEF's unrestricted net assets. For fiscal year 2008-



Union Affiliations:

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

For fiscal year 2008-2009, PEF paid a total of \$9,863,731 in per capita dues to AFT and SEIU. This represented 28.7 percent of our total expenses, compared to 29.5 percent in 2007-08.



AFT DEBT (Historical Information):

Under an arbitration award rendered in May 1985, PEF was ordered to pay New York State United Teachers/American Federation of Teachers in excess of \$9 million in back per capita dues for the period March 1983, through May 1985.

On March 31, 2009, PEF's remaining debt amounted to

approximately \$1,628,976. The AFT continues to "forgive" a percentage of our debt and the interest for the current year. The reduction equals one-twentieth of the original amount owed, plus interest accrued for each calendar year. For the calendar year ending December 31, 2008, the total debt forgiven by AFT was \$815,074.

DIVISIONS/REGIONS:

PEF has about 233 divisions and 12 regions. Divisions are required to submit on a timely basis quarterly expenditure reports and a year-end fiscal audit to PEF. Failure to do so will result in forfeiture of the division's per capita allotment(s). Repeated failure to submit these reports will result in the division's account being closed and put into receivership.

Each PEF division was paid \$6.77 per member up to the first 200 members and \$5.47 per member for each member in excess of 200 in each quarter for fiscal year 2008-2009. As a result of the PS&T contractual salary increases of 3 percent April 1, 2007, and April 1, 2008, retroactive payments were made to divisions in July 2008. As of April 1, 2009, the new rates are \$6.97 per member up to the first 200 members and \$5.58 per member for each member in excess of 200 for each quarter. A total of \$1,343,197 was budgeted in divisional distributions.

Training is held at the convention for division treasurers and any other interested parties. In addition, the PEF Divisions office periodically sends out a newsletter that is very informative and helpful as relates to best financial practices for divisions.

2008 CONVENTION RESOLUTIONS:

Listed below are the 2008 Convention resolutions that were adopted and the action that has been taken on each:

Resolution No. 3 – Adequately Fund Civil Service

This resolution provides that PEF, as part of its regular lobbying, research and other activities, support adequate funding for the New York State Civil Service Commission and that this item be added to PEF's state legislative agenda. It further provides the Statewide Civil Service Committee shall define adequate funding and prioritize this lobbying effort.

Action: The draft 2010 State Legislative Agenda that will be presented to the Executive Board and ultimately the delegates includes the following addition in the Protecting Employee Rights section: "The Department of Civil Service should have adequate funding and staff to enforce the civil service law and administer the merit system promptly and efficiently." In addition, PEF has and will continue to fight for adequate funding of the Civil Service Commission in the budget process.

Resolution No. 4 – Legislation to Ban Transfers that Result in Promotion without Examination

This resolution provides that PEF continue to seek passage of legislation that prohibits transfers under Civil Service Law §§52.6 and 70.1 if there is a valid existing Civil Service eligible list, preferred list or re-employment roster when such transfers would result in promotions.

Action: The legislation PEF has supported over the years was amended to prohibit transfers under Civil Service Law Sections 52.6 and 70.1 to positions in a higher salary grade if a valid eligible list, preferred list, or reemployment roster exists. The new bill (A8227/S5630) was introduced and remains in the Assembly Governmental Employees Committee and the Senate Civil Service and Pensions Committee.

Resolution No. 6 – Pension Reform Option: Buy up to Five Years of Service

This resolution calls for PEF to seek enactment of legislation to allow any vested member of the New York State and Local Employees Retirement System the option to purchase up to five years of service time.

Action: PEF drafted legislation to allow members of the retirement system with at least five years of service to purchase and obtain up to five years of additional service credit. The member would be required to pay the full cost of the additional credit as determined by the actuary for NYSLERS. Bills (A8224/S5628) to that end were introduced in both houses of the Legislature. The bills are currently in the Assembly Governmental Employees Committee and the Senate Civil Service and Pensions Committee.

Resolution No. 8 – Eliminate Minimum Retirement Age Requirement

This resolution calls for PEF to seek enactment of legislation to allow Tier 2, 3 and 4 members to retire without penalty at any age so long as they have the required years of service, which are currently 30.

Action: PEF already supports legislation (A2645/S2340) that would allow members of NYSLERS in Tiers 2, 3, and 4 to retire at any age without any reduction in pension once they reach at least 35 years of service. This legislation has been introduced since 2005, but has yet to advance out of committee. The bills are currently in the Assembly Governmental Employees Committee and the Senate Civil Service and Pensions Committee. With regard to the "30-years-and-out" proposal, PEF has drafted legislation and obtained a fiscal estimate from NYSLERS, but the legislation has yet to be introduced.

Resolution No. 9 – Sick Time Accrual Equity

This resolution calls for PEF to make it a top legislative and political priority to seek enactment of legislation to restore lost sick time and service credit for employees who were hired between April 1, 1982, and March 31, 2003, and were credited with three fewer days of annual sick leave during that time than employees hired before or after those dates.

Action: The reduction in the accrual of sick leave and the ultimate return to the previous level causing this inequity were results of collective-bargaining agreements between the state and PEF. In general, the Legislature does not interject in collective bargaining but, rather, gives its assent to agreements negotiated between a public employer and employee organization. Therefore, in order for the Legislature to enact law addressing the inequity, a negotiated agreement between the parties would be required. In addition, it should be noted Article 46 of the PS&T contract, states, "During the term of this Agreement, neither party will unilaterally seek to modify its terms through legislation or any other means." Therefore, lobbying the Legislature to alter sick-time accruals would likely be a violation of the contract.

Resolution No. 10 – Resolution Regarding a Pension and Annuity Income Exclusion

This resolution calls for PEF to seek enactment of federal legislation to exclude from taxation up to \$20,000 of annual pension and annuity income for individuals aged 59.5 years and older. It further provides that PEF submit resolutions to SEIU and AFT seeking inclusion of this provision in their federal political agendas as well.

Action: PEF has written to both its international unions, SEIU and AFT, forwarding this resolution and the delegate's support of

this proposal. In addition, the draft 2010 Federal Legislative Agenda presented to the Executive Board and the delegates includes language supporting a federal pension and annuity income-tax exclusion.

Resolution No. 12 – Preventing Management Access to Internal Deliberations of PEF's Executive Board and Convention

This resolution suspends the requirement adopted by the 2007 Convention delegates for online access to Executive Board and convention transcripts until such time as the security of those transcripts can be reasonably assured. It further provides that PEF's MIS Department will provide a report annually to the convention on the progress made to secure those transcripts.

Action: PEF's MIS Department has prepared a report to the delegates on their progress. We continue to look into possible solutions to making fully secure access to complete Executive Board and convention transcripts. Traditional security measures such as firewalls and encryption software will not provide fully secure access. With the coming Web redesign we have looked into solutions to provide secure access to large groups of people. However, in addition to administering more than 59,000 accounts, there is nothing we can do to prevent unauthorized access if someone shares or misplaces their password. Our other major hurdle remains that many members use their work computers to access our information and, being that management has unfettered access to anything done on these PCs/networks, there is no real solution to block management access to this data even if a password is never shared or lost. (The MIS Department has had access to data and files in examining state evidence that shows it has the ability to capture all Web pages loaded, including encrypted and "secured" Web pages, the employees visit). As in the past, blocking access from state networks is not a feasible solution. With the sensitivity of these documents and the fully secured access required, the most secure way of sharing these documents is on a special-request basis where PEF can make the documents available to its members at its field offices. Another alternative is to provide edited and redacted transcripts that would limit exposure as the government and legal entities do to protect sensitive information or personal identities from being revealed to unauthorized parties.

Resolution No. 14 – Labor Management Reporting and Disclosure Act (LMRDA) Rights Notification to PEF Members

This resolution provides that PEF publish, twice each year, information directly from the U.S. Department of Labor's Office of Labor Management Standards regarding the Bill of Rights for union members and guidelines for elections. It further provides that one of these two annual publication requirements will occur in *The Communicator* issue which serves as the required announcement for statewide officer elections during the triennial elections.

Action: PEF published this in March and will publish a second time later this year.

Resolution No. 18 – Fighting Anti-Public Sector Media Bias

This resolution provides that PEF will establish a rapid-response network made up of volunteers from PEF's Executive Board and divisions leadership to bring to the attention of PEF news stories related to PEF members including, public services, pension and health care benefits that may need a response. Further, if the PEF president decides PEF should speak out on an issue, the PEF president will request the rapid response network to respond. PEF will provide support to the rapid

response network in the form of fact sheets and talking points.

Action: PEF has put in place a structure to rapidly respond to stories related to PEF members. Leaders e-mail PEF statewide leaders about the stories and staff prepares a response to be signed by either a statewide officer or a local leader depending on the issue and the publication. President Ken Brynien continues to work on expanding this structure.

Resolution No. 23 – Convention Carbon-Neutrality

This resolution provides that PEF will research and develop a plan for carbon neutrality for all future conventions to calculate its carbon footprint and to purchase carbon offsets for its carbon dioxide emissions. It further provides that PEF should determine the cost of implementing a carbon-neutral convention, for presentation at the 2009 Convention for further consideration.

Action: The carbon offset has been calculated for the 2008 annual convention. It has been determined the most accurate way to achieve the carbon offset is to do it every year for the past year's convention. Based on the calculation from last year's convention, the cost of the carbon offset is \$1,951.60.

Resolution (Added on 2008 Convention Floor) – Home Ownership and Affordable Housing Opportunities for New York State Public Employees Federation Members

This resolution provides that PEF will develop legislation to enable members to be granted a preference for state homeownership assistance funds and affordable housing opportunities.

Action: PEF drafted and secured introduction of legislation (A8140/S5099) to accomplish the goals of this resolution. This bill would authorize the creation of homeownership assistance programs, including down payment assistance, if such a benefit is collectively bargained by a public employer and employee organization. It also directs the state affordable housing organizations, the Housing Finance Agency, Housing Trust Fund Corporation, Affordable Housing Corporation, and State of New York Mortgage Agency, to promulgate rules and regulations providing public employees with a preference in programs they administer for which state appropriations are received. The bills are currently in the Assembly Housing Committee and the Senate Finance Committee.



MAKING THE ROUNDS — U.S. Senator Kirsten Gillibrand meets convention delegates.