

# THE TRUSTEES REPORT TO THE 2002 CONVENTION DELEGATES

The past year has been a bittersweet one full of pride and sorrow. Sorrow over the loss of our beloved Region 8 Coordinator Jeff Satz. Those of you who knew Jeff will remember his wit, his vitriolic pen and his love for the union. Jeff always had time to help anyone with a problem. He was a tireless advocate and his voice will be missed, but his legacy is with us.

We were also left shell-shocked over the devastating events of 9/11. The tragic loss of lives young and old and the images of that day will be with us forever. But up from the ashes rose an outpouring of love, selflessness and pride. Pride in each other and the jobs we do each day. Pride in our country. Pride in all the people who come from every walk of life to celebrate our differences that make this country so great. Pride in our union. PEF and its members were on the frontline helping in any way they could during this difficult time and remain committed to helping for as long as it takes.

On September 11, 2002, PEF dedicated a beautiful monument at PEF headquarters in Latham, New York. This is a stunning and lasting tribute to honor those PEF members who lost their lives in the course of doing their jobs.

Unions, once the backbone of the workers in this great nation, are again growing and commanding and getting the respect they deserve. We believe that is especially true of PEF.

Labor history is full of the struggles made by those early unionists, such as the Wobblies and the Molly McGuires, who paid the ultimate price of their lives for the benefits we often take for granted.

We did not get an honest day's wage, 40-hour workweek, vacation time, health benefits or pensions because the boss gave them to us. We got them because of workers such as Ben Gold of the furrier's union. In 1926, Gold demanded a five-day, 40-hour workweek and a 25 percent wage increase. Some 10,000 men and women fought for 17 weeks to achieve this. Thousands were injured and many others arrested and sent to jail, but they never gave up. At the strike's end, they got their 25 percent wage increase and the five-day, 40-hour workweek that so many of us today take for granted.

Throughout history, a direct correlation can be drawn between the growth of the unions and the improved working conditions



SEHINDEMI



IGOE



REYNOLDS

and wages of the average American.

The first chapter of "Labor's Untold Story" by Richard O. Bayer and Herbert M. Morais opens with three quotes from Abraham Lincoln, one of which is:

***"All that harms labor is treason to America. No line can be drawn between these two. If any man tells you he loves America, yet he hates labor, he is a liar. If a man tells you he trusts America, yet fears labor, he is a fool."***

We each need to remember the lessons of the past, to honor our dead and know that we are better today than we were yesterday because of past sacrifices. We must not forget that tomorrow waits with endless possibilities because today we stand strong together as a union.

## SUMMARY OF FINDINGS

For the first time in five years of making this report, we are happy to report that PEF is financially healthy and free from any liabilities that would threaten its solvency.

Today, our union is stronger financially than ever. This is due in part to our dues increase from .8 percent to .9 percent that resulted in more than a \$3 million increase in revenue and as a result of PEF being able to keep operating expenses down while still delivering quality services to our members.

The increased revenue has enabled PEF to meet our obligation to pay our yearly increased dues to the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU) totaling \$6,240,982.

PEF has been able to set aside as restricted assets \$1.5 million voted on by the Executive Board to be used for the PEF Job Security Campaign. Additional revenue was also earmarked for any contract fight-back activities, should they be necessary.

PEF now publishes four newsletters containing useful and timely information that can be a valuable tool to all our members. They are the "Labor/Management Reporter," the "Civil Service Enforcer," the "Member Mobilizer" and the "Divisions Newsletter."

## REPORT

The trustees are constitutionally charged to periodically review PEF's financial records; report to the membership any activities not in their best interest and to attend Executive Board meetings.

We meet periodically and review, at random, division audits, regional budgets, and PEF's general ledger and expense vouchers. The trustees work closely with the secretary-treasurer to review those divisions not in compliance with acceptable PEF financial policies.

## OVERVIEW OF ORGANIZATION

PEF is affiliated with AFT and SEIU. We are a self-governing unit representing the professional, scientific and technical employees of the state of New York and other bargaining units. The majority of revenues are from membership dues and agency-shop fees.

The consolidated financial statements include the accounts of PEF and its subsidiaries, the PEF Land Holding Corporation and the PEF World Trade Center Relief Fund.

The PEF Land Holding Corporation is a not-for-profit corporation formed to hold title to the land and office building used to house PEF's headquarters. The PEF World Trade Center Relief Fund is a not-for-profit organization formed to provide financial assistance to surviving members and families of PEF members killed in the World Trade Center disaster.

## AUDIT REPORT

On September 5, 2002, a meeting was held with Secretary-Treasurer Jane Hallum, Tom Curley and Valerie O'Dell of PEF's Finance Office, the trustees, and Frank Venezia and Bob Gramuglia, representatives of Marvin and Company. Bob Gramuglia presented an overview of PEF's 2001-2002 audit findings.

The audit included examination of documentation that supported the amounts and disclosures in the PEF consolidated financial statements. The audit also assessed the accounting principles used and estimates made by management, as well as evaluating the overall financial statements. There were no new accounting policies adopted and all existing policies were not changed during fiscal year 2001-2002. The audit found no PEF transactions were significant or unusual, nor were there transactions made without authoritative guidance or consensus.

Each year, Marvin and Company does a random sampling of PEF's financial records, as well as follow-up on the previous year's findings. This year, they also focused on the financial practices of PEF's divisions.

Marvin and Company reported PEF's financial position for fiscal year 2001-2002 ended in conformity with generally accepted accounting procedures. They further stated all PEF financial statements reviewed by them supported their opinions and fairly represented PEF's financial position.

The financial statements received include the accounts of PEF and its subsidiaries, PEF Land Holding Corporation and the PEF World Trade Center Relief Fund. The accounts of PEF include a general fund, a political action fund, a Committee on Political Education (COPE) fund and a plant fund.

### RECOMMENDATIONS

The first two recommendations have been an ongoing concern to the trustees. We urge PEF to act on these recommendations of internal control:

#### 1. ACCOUNTING PROCEDURES MANUAL

**Finding:** PEF has not developed a complete formal accounting policies and procedures manual.

**Recommendation:** All informal procedures should be documented for review and approval by the secretary-treasurer and compiled into a procedure manual for all employees to use as a guide.

Without documented policies and procedures, directives set by management are difficult to consistently adhere to and enforce. Over time, this may result in procedural changes that could lead to a breakdown in the internal controls formulated and approved by management. This is especially important as people leave or retire and take this knowledge base with them.

#### 2. FIXED ASSETS INVENTORY

**Finding:** The audit disclosed that PEF has not performed a complete and updated physical inventory of fixed assets and has not done a reconciliation of such assets to the general ledger.

**Recommendation:** It is the responsibility of the field directors to do the inventory for the regions. There is an informal system of recording new equipment, but it needs to be formalized and implemented as soon as possible. This is an important task and should be phased in and completed within a reasonable period

of time. After completion, PEF's insurance coverage should be checked to determine if coverage is adequate.

#### 3. DIVISIONS' MEETING EXPENSES

**Finding:** Representatives at steward meetings are reimbursed for meal expenses without submitting original vendor receipts. According to the Division Expenditure and Documentation Guidelines within the "Financial Information Packet for Division Treasurers," representatives at steward

Listed below are the expenses for the 5 Statewide Officers and Trustees:

	OFFICERS	TRUSTEES
Mileage	\$ 12,379.43	\$ 542.68
Public Transportation	21,247.04	222.00
Lodging	17,246.13	660.98
Officer's Meals	5,130.25	266.52
Meals(Others Paid by Officer's)	2,796.36	.00
Phones(home/cell) & Beepers	5,015.88	.00
Other(tolls, taxis, parking)	4,485.99	82.55
Training and Conference	1,000.00	.00
EOL	.00	2,142.00
<b>TOTALS</b>	<b>\$ 68,301.08</b>	<b>\$ 3,916.73</b>

PEF's expenses by functional activity:

	FY 01-02	FY 00-01
Membership Services	\$10,388,213.00	\$ 9,318,617.00
Administrative & Support	2,825,157.00	3,056,402.00
Grant & Contract Activity	174,944.00	220,378.00
Labor Management Activity	2,520,735.00	2,747,361.00
Legislative/Political	1,054,122.00	1,130,373.00
<b>TOTALS</b>	<b>\$16,963,171.00</b>	<b>\$16,473,131.00</b>

Temporarily Restricted Net Assets.

Those assets as of 3/31/02 that are to be used for a specific purpose only:

COPE	
(Voluntary Political Contributions)	\$ 144,706.00
Negus Trust (Education)	4,976.00
PEF World Trade Center Relief Fund	36,658.00
<b>TOTAL</b>	<b>\$ 186,340.00</b>

meetings should provide original vendor receipts for the meal expenditures being reimbursed and sign an attendance list which indicates they were at the meeting.

**Recommendation:** PEF must enforce compliance with the division expenditure and documentation guidelines and obtain the original vendor receipts prior to reimbursement. If this is not cost-effective or practical for PEF, the guidelines should be revised to allow meal expenses to be reimbursed without original receipts up to a certain dollar amount, as determined by

PEF.

#### 4. DIVISIONS' GENERAL DISBURSEMENTS

**Finding:** Expenses are reimbursed without receipts. Additionally, some expenses were paid that exceeded the total dollar amount of the receipts.

**Recommendation:** All reimbursed expenses must have original vendor receipts.

Original vendor receipts should include, where possible, the name of the vendor, date of purchase, description of the item or service provided and the total cost of the purchase. The receipts should then be totaled and reimbursement should be made for that amount.

#### 5. DIVISIONS' PICNIC/HOLIDAY PARTY EXPENSES

**Finding:** Division member subsidies related to picnic and holiday parties were reimbursed to one or more individuals without supporting documentation.

**Recommendation:** PEF should revise the division expenditure and documentation guidelines to allow member subsidies to be provided directly to the vendor or agency picnic/holiday committee or directly to individuals contingent on submission of valid documentation.

If payment is made directly to the vendor or agency picnic/holiday committees, PEF should require a signed receipt from the agency committee or vendor, a copy of the flyer announcing the event and a list of attendees.

If subsidies are given directly to the members, the division must provide a signed list of attendees and a flyer announcing the event. As a result of the reimbursement being paid directly to individuals,

PEF should also document in the guidelines that PEF reserves the right to contact division members to ensure they received their subsidy related to the event. (See tables on this page).

#### INVESTMENTS

PEF's investment firm is Stacy Braun Associates Inc. PEF invests in US Treasury notes and bills that have an average return rate of 4.75 percent to 7.25 percent; US Treasury zero-coupon bonds that have an

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average return rate of 4.81 percent; and GNMA pass-through securities that average 6.5 percent to 7.5 percent.

Cash equivalents consist of investments in certificates of deposit with original maturities of three months or less. Investment securities are measured at fair value. As our investments mature they are sold and reinvested.

PEF has an obligation to its members to be fiscally responsible especially in the current market environment. For this reason, PEF continues to follow a conservative approach when investing our money.

Net realized gain for the year ended March 31, 2002, was \$65,168. The risks associated with our current investments are minimal, our growth rate competitive and our money safer. Had our holdings been invested in more aggressive markets, PEF would have taken a heavy hit given the economic climate of today.

## INCOME TAXES

PEF, as a labor union, is exempt from Federal income taxes under Section (c)(5) of the Internal Revenue Code.

PEF Land Holding Corporation is a title-holding corporation and is also exempt from Federal income taxes. However, under Section 527 of this same code, PEF's investment income from COPE is subject to tax.

## FUNDS

PEF maintains a Political Action Fund, a PEF Employee Pension Fund and the PEF World Trade Center Relief 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 2001-2002, \$1,267,164 was allocated for its operations and political contributions. Of that amount, \$1,053,414 was expended for operations and political contributions.

The Pension Fund is a defined multi-employer pension plan for PEF employees. All employees of PEF who earn more than \$4,000 annually are eligible to participate. For fiscal year 2001-2002, the pension expense was \$907,000. This amount is based on the contribution rate of 14 percent of total eligible employee compensation.

The PEF World Trade Center Relief Fund was set up after the events of 9/11 so that members could make contributions to help

the PEF survivors and/or the families of PEF victims. To date, a total of \$113,311.73 in contributions have been collected. Of that amount, \$70,000 was distributed on December 17, 2001. As of July 31, 2002, the balance including interest earned was \$43,617.89. PEF expects to disburse the rest of this money to the families as requests and contact is made.

It should also be noted PEF's affiliates, AFT & SEIU, also made substantial contributions totaling \$180,000.

Between September 30, 2001, and March 31, 2002, 33 checks for \$5,000 each were distributed. PEF also received \$224,400 from the NYC Central Labor Council. On August 28, 2002, 34 checks for \$6,000 each were distributed.

## MEMBERSHIP

PEF has a membership totaling 54,792. Of that, 50,638 are members and 4,154 are feepayers. PEF revenue is comprised of dues paid by PEF members and agency feepayers.

Dues income is collected in the pay period for which New York State pays members' salaries. PEF's revenue from dues paid by members and feepayers for fiscal year 2001-2002 was \$25,348,097 — up approximately \$3,870,824 from last year due to an increase in members and an increase in dues from .8 percent to .9 percent.

Of that amount, \$875,350 was distributed to local divisions in per caps. Each division was paid \$5.88 per member up to 200 members and \$4.70 for each member in excess of 200 in each quarter for fiscal year 2001-2002.

## UNION AFFILIATIONS

PEF is a dues-paying member of both AFT and SEIU. The split is approximately half of the membership into each affiliate.

For fiscal year 2001-2002, PEF paid a total of \$6,240,982 in dues to AFT and SEIU. Our current SEIU dues per member is \$9.10. This will increase each year until it reaches \$12.65 per member in the year 2005. Our current AFT dues per member is \$11.95. This year, at the AFT Convention a dues increase of \$1 per member was passed.

## AFT DEBT

Under an arbitration award rendered in May 1985, PEF was ordered to pay New York State United Teachers/AFT in excess of \$9 million in back per capita dues for the period March 1984 through March 1985.

In 1988, a state Supreme Court decision vacated the award in its entirety. AFT appealed the decision and in May 1989, the Appellate Division reversed the lower court

decision and awarded AFT approximately \$9.2 million in back per capita dues.

In 1989, PEF appealed the decision of the Appellate Division and on March 27, 1990, the Court of Appeals denied PEF's motion and reaffirmed the \$9.2 million judgment to AFT.

During the fiscal year ending March 31, 1991, the state Supreme Court granted AFT's motion to be awarded prejudgment-date interest. In June, 1991, the state Supreme Court granted AFT's motion for prejudgment date interest on the outstanding balance at the rate of 9 percent annually.

On March 31, 2002, PEF's debt amounted to approximately \$7,330,391. PEF anticipates paying off this judgment in about five years.

Our relationship with AFT continues to be healthy. 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 the calendar year ending December 31, 2001, \$713,631.68 in interest was forgiven and \$792,979.64 in principal was forgiven. We expect this mutually beneficial arrangement to continue. As of today, this AFT debt is no longer considered a liability and as such is no longer a threat to PEF's solvency.

## DIVISIONS/REGIONS

PEF has about 231 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 a division's per cap allotment(s). Repeated failure to submit these reports will result in the division's account being closed down and put into receivership.

At the time of this report, eighty (80) divisions had not submitted their audits for fiscal year 2001-2002.

We strongly encourage any division in need of assistance to contact Kristie Fowler of the Divisions Department, Secretary-Treasurer Hallum or the trustees. Training is given at the convention for division treasurers and any other interested parties that is very helpful and instructive. We would like to note that the Divisions Committee now puts out a "Divisions Newsletter" that is very informative and helpful as relates to best financial practices for divisions. We urge all division treasurers and council leaders to avail themselves of this extra information.

President Roger Benson has charged the PEF Divisions Committee, chaired by Region 4 Coordinator Dave Stallone, to look at and assess all current division policies.

The committee will come up with a revised set of policies that are clear, concise and reflect best practices for divisions to follow.

Regions are constitutionally charged to submit a yearly budget to PEF and to share this with their members. For fiscal year 2001-2002, only one of the 12 regions has complied. This has become more important since regions are now able to carry over their monies from one budget quarter to the next, as divisions do.

At PEF's 2000 Convention, a resolution was passed requiring regions be held to the same accounting procedures as divisions. This has not happened. The trustees will work with the regions and the secretary-treasurer on this.

## **EDUCATION AND TRAINING**

PEF's Education and Training Office helps formulate and administer PS&T Article 15 training programs for PEF members in cooperation with the Governor's Office of Employee Relations (GOER), as well as in-house training programs. Funding and participation is dependent upon PS&T contract approval.

A variety of programs are available to members. They include the Work Force Initiative Program that can be tailored to a specific need or for labor/management training.

The Public Service Training Program (PSTP) provides tuition reimbursement to members. Under PSTP, PEF members can receive up to \$600 per semester for classes attended at participating colleges with a maximum of \$1200 per fiscal year. The program has made available more than \$10 million for tuition payments.

The Public Service Workshops Program (PSWP) provides non-credit workshops on current topics and issues of interest to our members. This forum has been used to provide our members with courses necessary to meet their continuing education requirements to maintain their employment as well as basic computer training courses. Members are encouraged to submit their ideas for training programs they need that can be accomplished in one to three days.

The most recent program is the Achievement through Certification and Education or ACE. The ACE program offers information technology (IT) college credit courses and IT certification courses.

## **2001 CONVENTION RESOLUTIONS**

Listed below are the 2001 Convention resolutions that were adopted and the action that has been taken on each:

### **Resolution 1 — Civil Service Protection**

**Action:** This is part of PEF's 2002

Legislative Agenda. PEF has worked with legislative sponsors to develop a bill to address the issue of geographic reassignment. This provides that when an employee is involuntarily reassigned outside their original county or a contiguous county, then the least senior employee in the job title must be selected. This bill is S.2365/A.10239 and we are actively supporting it.

### **Resolution 4 — Negotiating for Licensed Nurses**

**Action:** This resolution was referred to Contract Administration and will be grouped with other article-specific material maintained in Contract Administration. All of this material will be presented to the PS&T Contract Team.

### **Resolution 7 — Vacation Buy-back for PEF Members**

**Action:** This resolution was referred to Contract Administration and presented to the Contract Team.

### **Resolution 13 — Identity Theft**

**Action:** This resolution was referred to the Legislative Department and Contract Administration. PEF has worked with legislative sponsors to develop legislation that limits the use of employees' Social Security numbers on documents by the state for identification purposes. This bill is S.6707/A.10040A. It has passed the Assembly and PEF is actively supporting it in the Senate.

### **Resolution 7 — Raising the Amount a Retired PEF Member Can Earn within the State of New York without a Pension Reduction.**

**Action:** This resolution was referred to the Legislative Department and Marty O'Connor. A bill PEF supported in 2001 was adopted and raised the earnings limit to \$20,000 (Chapter 281 of 2001). In 2002, PEF supported a bill to raise the limit further. S.7141/A.10233A has been delivered to the governor and would raise the amount to \$25,000.

### **Resolution 19 — Staffing in NYS Office of Mental Retardation and Developmental Disabilities Facilities**

**Action:** This resolution was referred to the Full Staffing Committee. PEF has dealt with this issue primarily through advocacy in the budget process. PEF has made funding for additional staff in OMRDD a priority budget issue and has lobbied for added funding and testified at several public hearings on this issue.

### **Resolution 23 — Veterans Pension Buy-**

## **Back Improvement Resolution**

**Action:** This resolution was referred to the Legislative Department. PEF has supported a bill to make the benefits of the Veterans Buy-Back Law available to qualified veterans who retired prior to the adoption of this law. That bill is S.2329A/A.9839 — Passed Assembly.

### **Resolution 30 — Future Dues Increases and Clarification by PEF to Convention Delegates as to Total Dues Increase Impact on Members**

**Action:** This resolution was referred to the Constitution and ByLaws Committee.

The Constitution and ByLaws committee brought this amendment to the June 2002 Executive Board. The Executive Board voted to send this on to the delegates to the 2002 Convention for consideration.

### **Resolution 31 — Union Powered Internet Service Provider (ISP)**

**Action:** This resolution was referred to the Membership Information Services Department. A committee has been formed to address this issue.

### **Resolution 32 — Holding PEF Convention in Albany During Each Contract Renewal Year**

**Action:** This resolution was referred to the Convention Committee. The Convention Committee will look into requesting a bid from the Albany Convention and Visitors Bureau in the near future. PEF was asked to and did attend a meeting with other unions and associations and gave our input regarding a future Convention Center in Albany. It should also be noted that convention locations are voted on and approved by the PEF Executive Board.

### **Resolution 36 — PEF Support of the Employee Service Office Transition to the Career Mobility Office**

**Action:** This resolution was referred to Marty O'Connor of PEF. It resolved that PEF supply full support for the ongoing transition efforts of this office. The transition is complete. PEF agreed to fund the new Career Mobility Office (CMO) and PEF members of the CMO Advisory Group. This group exists to provide advice on the development and implementation of career mobility strategies, programs and services to support employees and agencies.

### **Resolution 38 — Reallocation of Institutional Teachers**

**Action:** This resolution was referred to the Teacher's Committee. PEF has supported legislation to require a review and reallocation of state teacher salaries. This bill is S.2155A/A.10201.