

PEF trustees report to '04 Convention

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Over the past year, PEF has continued to strive toward accountability and has had a first-time-ever management letter from its auditors with no new or past issues to be addressed. PEF is free from any liabilities that would threaten its solvency.

The current ratio of assets to liabilities is a healthy 3:1. While PEF's finances are stable now, the organization will have to look carefully at its future expenditures. Our membership is down 4.5 percent and our costs have increased — a trend that will continue. PEF salaries, health insurance costs and benefit expenses continue to rise. The accumulated value of post-retirement benefits as of March 31, 2004, was \$2,278,249; current value is \$111,417. A slight decrease in our land value from \$169,800 to \$165,905 reflects the loss of roadside frontage taken by New York State to widen Route 7 at PEF headquarters in Latham, New York. PEF will see an increase in revenue as a result of our across-the-board raises in the 2003-2007 contract that will help offset some of our increasing costs.

We currently have approximately \$2.6 million left in our Contract Fight Back Fund. It is crucial that these monies continue to be restricted and held for future fight back activities only. PEF is staggering the investment of these funds into 12-month, 18-month and 24-month CDs to maximize interest.

Report

The trustees are charged by the PEF Constitution 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 also review those divisions not in compliance with acceptable PEF financial policies and make appropriate recommendations of action in keeping with PEF policies.

Overview of organization

The NYS Public Employees Federation (PEF) is affiliated with the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU). We are a self-governing unit representing the professional, scientific and technical employees of the state of New York. The majority of revenues are from membership dues and agency-shop fees.

The consolidated financial statements include the accounts of PEF and its subsidiary, the PEF Land Holding Corporation. 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.

Audit report

On September 9, 2004, the trustees met with Secretary-Treasurer Jane Hallum, Graham Goffin, PEF Director of Finance, Frank Venezia and Bob Gramuglia, representatives of Marvin and Company. Bob Gramuglia and Frank Venezia presented an overview of PEF's 2003-2004 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 PEF's overall financial statements. The audit found that no PEF transactions were either significant or unusual, nor were there transactions made without authoritative guidance or consensus.

Marvin and Company reported that PEF's financial position for fiscal year 2003-2004 ended in conformity with generally accepted accounting procedures. 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. The financial statements received include the accounts of PEF and its subsidiary, PEF Land Holding Corporation. 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 trustees are pleased to report that all outstanding recommendations from 2003 have been accomplished.

The PEF Finance Office has completed the Accounting Procedures Manual that documents their procedures to be used as a tool for cross-training staff and to identify areas for improvement. This will also facilitate training new employees.

The Fixed Asset Inventory has been completed and is in the process of being uploaded

electronically to the accounting system for tracking.

Divisions Payable is now automated as part of PEF's Accounts Payable software system, ensuring tighter controls and audit capabilities.

PEF, as an organization, is different than it was 25 years ago. We must look for ways to conduct our business more efficiently because, while our membership decreases, our operating costs continue to increase.

We recommend that PEF find a way to control the escalating health insurance costs. We recommend that PEF re-evaluate the apportionment of the Executive Board to a more manageable number; to look at the consolidation of the current regional structure and to look at convening the PEF convention, a \$650,000-plus expenditure, to every two or three years.

Miscellaneous

Other improvements are planned that will be helpful to the membership and the organization. Some have already happened, such as: monthly closing of financial statements; electronic dissemination of monthly financial reports to affected staff and committee chairs; direct deposit of member-expense reimbursements for those who want to take advantage of this feature; electronic reconciliation of bank activity that now takes a couple of hours over the old manual process time of 1.5 days; online access to PEF Amalgamated accounts and investment of excess Amalgamated funds that pay no interest into interest-bearing accounts at the State Employees Federated Credit Union (SEFCU).



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REYNOLDS

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PEF trustees report to '04 Convention

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Fiscal 2003-2004

1. Listed below are the expenses for the five statewide officers and the trustees:

PEF Officers' & Trustees' Expenses FY '03-'04

	<i>Officers</i>	<i>Trustees</i>
Mileage	\$12,131.02	\$ 1,079.81
Public Transportation	15,130.01	148.50
Lodging	10,088.61	1,487.30
Officers' Meals	3,245.46	563.50
Meals (others', paid by officers)	5,364.89	00.00
Phones (home/cell) and beepers	5,879.28	00.00
Other (tolls, taxis, parking)	3,240.15	51.85
EOL	00.00	8,874.00
Totals:	\$55,079.42	\$12,204.96

2. PEF's expenses by functional activity:

PEF's Expenses FY '03-'04 & FY '02-'03

	<i>'03-'04</i>	<i>'02-'03</i>
Membership services	\$ 11,190,403	\$ 11,260,708
Administrative & support	3,431,350	3,294,536
Grant & contract	222,044	192,115
Labor-Management	3,861,040	3,116,919
Legislative/political	1,091,225	1,230,881
Totals:	\$19,796,062	\$19,095,159

3. Temporarily Restricted Net Assets.

Those assets as of March 31, 2004, to be used for specific purposes only:

A. COPE

(Voluntary Political Contributions) \$221,398

Total \$221,398

B. **Contract Fightback Fund:** \$3,600,000

Less:

Staff travel & transportation 214

Program Related Expenses 32,940

Advertising Expenses 772,422

Total \$805,576

Balance \$2,794,424

Investments

Our investment firm is Stacy Braun Associates Inc. Investments in equity securities and debt securities are valued at their fair value based on market prices. PEF invests in U.S. Treasury notes and bills that have an average return rate of 4.24 percent to 5.48 percent; U.S. Treasury zero coupon bonds that have an average return rate of 4.87 percent; and GNMA pass-thru securities that average 6.18 percent to 7.01 percent. Cash equivalents consist of 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. The risks associated with our current investments are minimal, our growth rate competitive and our money safer.

Net realized gain for the year ended March 31, 2004, was \$42,099.00. For fiscal year 2003-2004, PEF's investment portfolio had a fair value of \$3,446,553.00.

Income taxes

PEF, as a labor union, is exempt from federal income taxes under Section (c) (5) of the Internal Revenue Code. However, under Section 527 of this same code, PEF's investment income from COPE is subject to tax. PEF Land Holding Corporation is a title-holding corporation and is also exempt from federal income taxes.

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 2003-2004, \$1,172,098 was allocated for its operations and political contributions. For the same period, expenses were less than the allocation by \$274,999.00.

The Pension Fund is a defined multi-employer pension plan for PEF employees. All employees of PEF who earn over \$4,000 are eligible to participate. For fiscal year 2003-2004, the pension expense was \$997,726. This amount is based on the contribution rate of 14 percent of total eligible employee compensation.

Membership

PEF revenue is comprised of dues paid by PEF members and agency-shop fee-payers. Dues income is collected in the pay period for which New York State pays members' salaries. As of March 31, 2004, PEF had a membership totaling 52,206. Of those, 3,599 were fee-payers. PEF's revenue from dues paid by members and fee-payers for Fiscal Year 2003-2004 was \$25,367,244. This represents a decrease in our members of 4.5 percent or \$1.5 million in revenue. Each PEF division was paid \$23.53 per year, per member up to the first 200 members and \$18.82 per year per member for each member in excess of 200 in each quarter for fiscal year 2003-2004. A total of \$346,492 was allocated in divisional distributions.

Union affiliations

PEF is a dues 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 2003-2004, PEF paid a total of \$7,109,806 in dues to AFT and SEIU.

At its 2004 convention, SEIU mandated a 2 percent dues structure for all its affiliates, but PEF President Roger Benson was able to obtain a waiver for PEF. Our current SEIU dues per member is \$10.30. 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 until it reaches \$12.55.

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 1984 through March 1985.

In 1988, a NYS Supreme Court decision vacated the award in its entirety. AFT appealed that 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 to be paid over 20 years. During the PEF fiscal year ending March 31, 1991, AFT made a motion to state Supreme Court to be awarded prejudgment-date interest. In June 1991, the NYS Supreme Court granted AFT's motion for prejudgment date interest.

Interest on the outstanding balance accrues at the rate of 9 percent annually. On March 31, 2004, PEF's debt amounted to approximately \$5,702,784. 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, 2003, the total debt forgiven by AFT was \$813,119.00. We expect this arrangement to continue.

Divisions, regions

PEF has about 224 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. One (1) division has elected to close and one (1) is currently in trusteeship for various non-compliance issues.

Divisions continue to struggle to meet their reporting requirements. Any division in need of assistance should contact Dolores Coleman of PEF Divisions, Secretary-Treasurer Jane Hallum or the trustees. Training is held at the convention for division treasurers and any other interested parties. The PEF Divisions office sends out a newsletter that is very informative and helpful as to best financial practices for divisions. We urge all division treasurers and council leaders to attend this training.

We understand these are volunteer positions and recommend that the PEF secretary-treasurer look into the feasibility of PEF providing division audits on a fee-for-service basis for interested divisions.

Education and training

PEF's Education and Training Office helps formulate and administer PS&T Contract Article 15 training programs for our 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 contract approval. Contract funding provides for a variety of programs available to our members. They include the Work Force Initiative Program that can be tailored to a specific need or for labor/management training; the Public Service Workshops Program (PSWP) that provides non-credit workshops on current topics and issues of interest to our members; and the Public Service Training Program (PSTP) that provides tuition reimbursement to our members. Once these programs are funded, all members will be notified of the specifics. We do not anticipate retroactive tuition reimbursement payments.

The Education and Training Department has a full time staff person assigned exclusively to service the training needs of our stewards and divisions. Contact Alan Lahoff at PEF in Albany for information and availability.

Mobilization

The Mobilization Department is staffed by Margaret Messer, director, and training specialists Kim Loccisano (Albany), Denise Young (Rochester) and Blair Burroughs (NYC). This office has the prime responsibility of working with local division leaders and regional coordinators to completely mobilize all our members into a network that can be tapped into at any time to come together

on a common issue such as contract fight-back actions/rallies or any issues in the work place that call for a collective effort.

To date, there are four fully mobilized regions and 180 fully mobilized divisions. A member-mobilizer newsletter is sent to all member mobilizers (aka M&Ms) as well as stewards, council leaders and Executive Board members. Check out their presentation at the convention. We think you'll find it most informative, helpful and fun.

As we move forward, our union continues to become more mobilized. We look forward to monitoring PEF's service and activities for our members.

'03 Convention resolutions

Listed below are the 2003 Convention resolutions that were adopted and the action that has been taken on each:

Resolution 6

Medical-Industrial Complex – No Forced HMO 2003

Action: Referred to PEF Contract Administration. In the recently concluded PS&T contract negotiations, there are no changes that would force any PEF member to join any particular HMO. The range of options in health insurance plans continues to be as broad and robust as in 2004.

Resolution 13

Increase Retirees' Earning Allowance From \$25,000 to \$27,000.

Action: Referred to the PEF Legislative Department. PEF supported a bill that was passed and signed into law that increases the limit to \$27,500.

Resolution 15

Mandatory Overtime — Nursing Legislation to Prohibit Mandatory Overtime

Action: Referred to the Legislative and Contract Administration Departments. The Legislative Department introduced a bill to ban mandatory overtime. PEF communicated with SEIU and AFT asking them to support this legislation. PEF also tried to negotiate this change in our latest PS&T contract. To date, we have not been successful in either forum and this remains a high priority for PEF.

Resolution 18

Retirees Unused Vacation

Action: The resolution called for the support of a bill to allow Tier 2 members to include up to 30 days of vacation pay in their final average salary for pension calculations. PEF is supporting a bill that would address this issue for some Tier 1 and all Tier 2 members. The bill numbers are S.2320-A.A4433B in 2004, but these bill numbers will change in 2005.

Resolution 19

Revising Unused Sick Leave

Action: Referred to the PS&T Contract Team by PEF's Legislative Office. During recent negotiations, PEF made this precise proposal when discussing the health insurance article. Despite our efforts, the state did not agree, and we were unable to achieve this change during this round of bargaining.

Resolution 23

Tier 3 and Tier 4 Lump Sum Vacation Payment

Action: Referred to the Legislative Department. The resolution asked for support of legislation that affects the way final average salary is calculated for Tier 3 and 4 members' pensions. Under present law, none of the three highest salary years may increase by more than 10 percent over the average of the prior two years. PEF supported legislation S.4295B/A.6956A that would increase the limit from 10percent to 20 percent.

Resolution 24

Tier 3 and Tier 4 Extra Service Credit (3 Months for Each Year of

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TRUSTEES

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Service)

Action: Referred to the Statewide Political Action Committee. The SWPAC discussed this issue and felt that we should continue to support the current version of this bill that would grant one month of additional pension credit for each year over 10 that a member paid, and that it was not realistic to push for three months unless a consensus to support such a bill could be developed among the affected unions, which has not occurred to date.

Resolution 26

Veterans' Pension Buy-Back Fine Print Improvement 2003

Action: Referred to the PEF Legislative Department. PEF supported legislation that would extend benefits to veterans who retired before this law was adopted. We will also look for other ways to improve it in the future, but the current fiscal condition of the pension fund makes such bills difficult to pass at the present time. The SWPAC felt that no other action was necessary at this time.

Resolution 33

Posting of PEF Executive Board

Meeting Minutes on the PEF Web site

Action: Included in the PEF Policy Manual as a new policy.

Resolution 34

Stewards Are Automatically Delegates

Action: Referred to the PEF Constitution and By-Laws Committee. This resolution was brought to the Executive Board and was not adopted. The By-Laws Committee continues to pursue this.

Resolution 38

Regional Office Financial Disclosure

Action: Included in the PEF Policy Manual, as a new policy.

Resolution 39

Regional PAC Budgets

Action: Included in the PEF Policy Manual as a new policy.

Resolution 44

Challenging Civil Service Appointments

Action: Referred to the PEF research office. The Jeff Satz Statewide Civil Service Committee reviewed the current process that the PEF Civil Service Enforcement Department uses to notify the PEF membership for challenging jurisdictional classification requests. These requests occur when a state agency wants to create new non-competitive or exempt jurisdictional

class positions. Such requests must be approved by the state Civil Service Commission. The PEF committee recommended that in addition to the current mailed notification to PEF's statewide labor/management chairs, the option should be made available for e-mail notification to statewide L/M chairs and Executive Board members, too. This recommendation is being implemented by the PEF Civil Service Enforcement Department.

Resolution 45

Employee Retirement Health Insurance Protection

Action: Referred to the Statewide PAC. PEF has supported legislation to prohibit reduction of the state's contribution to retiree health insurance, unless a similar reduction was negotiated for active employees. A bill to impose this prohibition through May 15, 2005, passed both houses of the state Legislature in 2004, but has not yet been acted upon by the governor. PEF has also supported other bills that would make this prohibition permanent. PEF also successfully lobbied the Legislature to defeat a proposal by the governor in 2003 that would have increased a retiree's share of health insurance premiums.

Resolution 49

Alternative Energy Resolution

Action: Referred to the PEF Legislative Department. This resolution calls for PEF to support sustainable energy sources being an important part of our national energy policy. PEF has supported John Kerry's campaign for president and has committed significant efforts to oppose the re-election of President Bush. An improved national energy policy is one of the positions advocated by Sen. Kerry.

Resolution 57

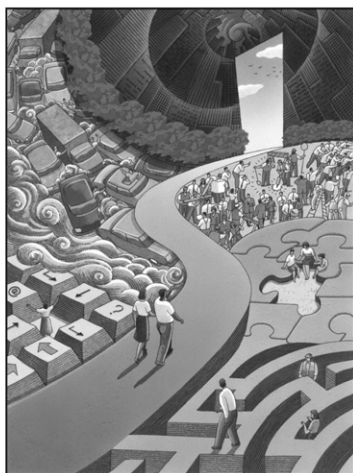
TransitChek 2003

Action: Referred to PEF Contract Administration. This resolution calls for PEF support of making pretax transportation benefits available to PEF members. This issue has been achieved through current contract negotiations. The first phase of the pretax transportation benefit will be rolled out as soon as practicable for all members working in the five boroughs of New York City.

Amended prior resolution

Reporting of Division Expenditures

Action: This resolution was adopted at the 2002 PEF Convention and was amended at the 2003 Convention. It is included in PEF's Policy Manual as a new policy.



THE CLEAR PATH TO BEHAVIORAL HEALTH SOLUTIONS

ValueOptions designs and operates innovative programs for mental health care, substance abuse treatment, workplace services and Employee Assistance Programs (EAPs). We are recognized for developing collaborative relationships with providers, consumer groups, health plans, insurers, local government agencies and others to foster a deeper understanding of the needs of the various populations we serve.

ValueOptions takes pride in the behavioral health care services we provide to the Capital District Area, the Troy community and throughout the State of New York.

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