



LET'S GET THE RECORD
STRAIGHT ABOUT THE
WELFARE FUND

Your New Caucus Leadership Has Faced Up to Our Responsibilities over the Past Six Years:

- ***We Saved The PSC/CUNY Welfare Fund from Insolvency.***
- ***We Preserved the Prescription Drug Benefit for Actives and Retirees.***
- ***We Maintained Health Insurance for Eligible Adjuncts.***

Nobody likes to cut and restructure benefits. But, choices had to be made or the most vulnerable amongst us would have lost life-sustaining prescription drugs or health insurance. New Caucus leaders took decisive action and we stand by the process for making those decisions and the choices we made.

“CUNY Alliance’s” grumbling from the sidelines about this or that benefit lost and spreading misinformation about the Welfare Fund is no solution to the real world problems of skyrocketing drug costs and CUNY’s underfunding of our benefits.

When the New Caucus was elected to union leadership in May 2000, we had to face up to several major challenges confronting the PSC/CUNY Welfare Fund:

- Our PSC Welfare Fund benefits were seriously underfunded by CUNY.
- For most of the prior decade, the Fund had run annual operating deficits.
- There was an outstanding \$3.8 million liability owed to CUNY for overpayments to the Fund prior to 1998.
- Prescription drug costs were skyrocketing.
- Fund consultants were projecting unsustainable annual multi-million dollar operating deficits with bankruptcy a certainty within a few years.
- And, unless we developed a plan of action, members would lose meaningful prescription drug benefits and eligible adjuncts would lose health insurance coverage.

Here is what New Caucus leadership did:

- First, we negotiated a substantial increase in CUNY contributions to the Welfare Fund and negotiated a reduction of the \$3.8 million liability to a net payment of \$1 million. We also threatened to sue CUNY and successfully recouped \$1 million for disputed underpayments from 1998 to 2001, and an additional \$1.7 million for 2002 and 2003.
- Second, we understood that contributions from CUNY, alone, could not solve the Welfare Fund's financial problems. (Click here for details below)
- Third, we empanelled a Strategic Planning Committee composed of a broad range of old and new Welfare Fund leadership to examine the extent of the problems and to recommend actions. (Click for Clarion Articles)
- Fourth, membership was informed, for the first time in years, of the nature and scope of the problem (Click here for Clarion Article).
- Fifth, we held extensive consultations with Welfare Fund Advisory Committee members and members at special chapter meetings about courses of action to take.
- After this broad-based consultation members and Fund Trustees agreed on the following set of principles to guide restructuring: 1) maintain substantial equality of benefits between active and retiree members, and 2) make the impact of the changes on our sickest and most plan-dependent members the least burdensome.
- Based on these principles, Welfare Fund Trustees voted for benefit changes that saved \$7.9 million in 2004 and much more on an annual basis going forward.

Why were some benefits cut and others restructured?

- Prescription drugs were restructured and millions of dollars were saved without reducing benefits.
- Adjunct benefits were restructured – saving about three quarters of a million dollars annually, preserving both health insurance and prescription drug coverage for eligible adjuncts. Moving eligible adjuncts onto the City's health plan remains a goal of New Caucus leadership.
- While all members were asked to contribute more, each group had its own contribution: retirees were asked to pay a \$50 per family deductible for prescription drugs, actives were asked to pick up the cost of term life insurance and higher deductibles in the Cigna supplemental medical policy, adjuncts were asked for higher copays and deductibles on health insurance and prescription drugs.
- A large amount of money (\$600,000) was being spent on term life insurance for a policy that was worth very little to actives and basically subsidized term life coverage for a handful of older members. While the loss of subsidy was real for these members, continuing it could not be justified given the principles adopted.
- Our dental plan was woefully underfunded at the start. Members already complained bitterly about the dental plan and dentists were leaving the in-

network panel of dentists (SIDS). We did not have the money to fix it. Using what little money we had, we chose a plan that would reimburse for preventive care and provide substantial discounts for in-network dentists. Enhancing the dental plan remains a goal of the New Caucus leadership.

The last contract put a record amount of money into the Welfare Fund compared to the previous two contracts.

- The value of the last contract's increase for the Welfare Fund was \$253 per member per year. This compares to \$76 per member per year for the 1996 – 2000 contract and \$240 per member per year for the 1990 – 1996 contract. There were increases in rate (\$200/member) and lump sum amounts (\$350/member) from the Municipal Labor Committee negotiations *and* increases from the PSC – CUNY negotiations in rate (\$1.5 million per year) and a lump sum amount (\$1.4 million). In addition, there was a \$2.8 million savings from the overpayment prior to 1998 and a \$1 million cash infusion from the settlement of the underpayment dispute with CUNY from 1998 - 2001. An additional \$1.7 million was added to CUNY payments for 2002 and 2003.
- Even with this record amount of increase, it was not enough to cover the projected deficits and benefit restructuring was necessary.

Then, why not just put more of the 2000 – 2002 contract settlement into Welfare Fund benefits instead of cutting and restructuring benefits?

- Let's look at the numbers. In Fiscal Year (FY) 2002, the Fund had an operating deficit of \$4 million. Without changes in benefits, this deficit was projected to grow to \$6 million in FY 2003 and \$10 million in FY 2004. In the last contract, to pay for an annual operating deficit of \$10 million we would have had to divert as much as 1.5% of salary increase to the Welfare Fund.
- But, 1.5% of salary would not have been enough because the benefit structure was generating exponentially greater deficits as far as the eye could see. It would not be long before the union would be forced to divert most of the money in any contract settlement to the Welfare Fund just to maintain existing benefits, leaving little for raises or other improvements.
- The benefit structure we inherited in 2000 was simply not sustainable unless we were prepared to devote the bulk of our contractual package to maintaining an increasingly expensive and in many ways inefficient benefit structure.
- Finally, we negotiated with the City, State, and CUNY. They also have to agree to put additional rate money and cash from our contractual package into the Welfare Fund. In principle, the City is opposed to allowing large infusions from contracts to go into union welfare funds, and CUNY would rather see us cut benefits than enhance Fund contributions. So, even if the PSC negotiators wanted to devote additional large amounts from the

settlement to the Fund, it would be very difficult to get the City and CUNY to agree.

The New Caucus leadership took a responsible, balanced approach by adding additional rate and lump sum cash from the contract settlement and restructuring benefits. Without taking these actions, the entire benefit structure would have collapsed leaving vulnerable members without life-sustaining drugs and health insurance.

The “CUNY Alliance” Record

“CUNY Alliance” is attempting to use the Welfare Fund’s problems for political advantage. *This is pure political opportunism, not leadership.*

Either “CUNY Alliance” is willfully misrepresenting the facts about the Welfare Fund or they do not understand what they are talking about. Either way, they should know better because the person at the top of their slate, Rina Yarmish, was appointed treasurer of the Fund by the old leadership and served out her term from 1998 to 2003.

Rina Yarmish’s record as Treasurer:

- 1) Starting in 1998 (two years before New Caucus was elected to leadership) and continuing for several years, CUNY underpaid the Welfare Fund by undercounting the actual Fund membership. CUNY pays the Welfare Fund on a per capita basis. **Treasurer Yarmish never questioned CUNY’s underpayments, even though this is the Treasurer’s responsibility.** Upon discovering this underpayment, Steve London and New Caucus leaders threatened to sue CUNY unless payment was made. As a result, the Fund received from CUNY: \$1 million for underpayments from 1998-2001 (the disputed period) and \$1.7 million for 2002-2003.
- 2) From 1998 to 2000, Treasurer Yarmish allowed \$3.8 million owed to CUNY to remain as a liability on the Welfare Fund books. After Barbara Bowen and New Caucus leaders were elected, we engaged in tough negotiations with CUNY to win a favorable settlement with CUNY agreeing to wipe \$2.8 million of liability off the books.

If it was left up to Treasurer Yarmish, the Welfare Fund would be millions of dollars more in the hole.

- 3) **Under Treasurer Yarmish, the Fund’s bookkeeping and financial accounts were in disarray.** Benefits were not properly categorized, bookkeeping software was outdated, and specific benefit costs could only be approximated. New Caucus leaders brought in a new independent

auditor and a new consultant to straighten out and modernize the Fund's finances.

With this shoddy record, it is not surprising to find “CUNY Alliance’s” statements about the Welfare Fund to be riddled with inaccuracies and misinformation:

- **“CUNY Alliance Pledge #1” and its linked “Welfare Fund Woes” completely misstates the structure and funding of the Welfare Fund.** They claim the Municipal Labor Committee (MLC) is one of two boards that “oversees a package of basic benefits for all city workers including some at CUNY.” *This is just not true.* Welfare Fund Trustees have sole authority over benefits. The MLC negotiates with the City for basic per capita payments to all Welfare Funds. Funds apply those per caps differently. *For example, the UFT provides only minimal prescription drug coverage for retirees while the PSC/CUNY Welfare Fund provides the same drug benefit for actives and retirees.* President Bowen serves on the Executive Committee of the MLC and has been instrumental in City-wide negotiations.
- **“Pledge 1” also contains an outright lie.** They say, “...the [2000 – 2002] contract did not require the University to add new funds to the WF.” In fact, \$1.5 million in annually recurring funds and a \$1.4 million lump sum amount were added from the contract. In addition, New Caucus leaders brought in millions of dollars more from CUNY’s underpayments in the past and saved millions by negotiating away liabilities. *This is all verified by independent auditor’s reports and has been publicized in Clarion.*
- **“CUNY Alliance Pledge #3” irresponsibly mischaracterizes a prudent and necessary action by the Trustees.** New Caucus leaders have made no secret of the dire financial difficulties of the Fund. As required by our auditors, Fund Trustees put in place contingency plans to be certain that the Fund maintains itself as a “going concern” for the upcoming year. On July 27, 2005, Fund Trustees adopted such a contingency plan, which was the responsible thing to do. *Using scare tactics (“drug benefits will disappear”) and inflammatory charges (“cover-up”) to frighten vulnerable members does nothing to resolve the Fund’s financial difficulties.*
- **In “CUNY Alliance’s” constantly changing “mission statement,” they mistakenly say there is a “\$50 per person deductible for prescription drugs.”** In fact it is \$50 per family for retirees. They also get the end date of the last contract wrong in their mission statement. It was October 31, 2002, not 2001. If they are running for union office they should know the basic facts.

With Rina Yarmish's dismal performance as Welfare Fund Treasurer and CUNY Alliance's inability to get basic facts and relationships straight, how can you trust them to oversee and protect our Welfare Fund?

New Caucus leaders have made adequate funding of the Welfare Fund and the enhancement of the dental benefit a goal of this round of bargaining. We continue to seek your support in pursuit of this objective. Meanwhile, we will continue to responsibly administer the Welfare Fund for all the PSC membership.

VOTE

