

# PEF Trustees' Report to the 2021 Convention Delegates



Presented at the  
43rd Annual Convention  
Niagara Falls, NY  
October 24th - 27st, 2021

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and Muriel Hardy-Lee

# Mission

The Trustees are charged by PEF's 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, expense vouchers, and other issues, both at random and based on member's 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.

The goal of the Convention is to conduct the union's business with the support and at the will of the body. In this forum, the Convention delegates have the final authority in the organization. In this manner PEF will be able to promote and fulfill its mission and objectives, while concurrently addressing the present-day issues which influence PEF insofar as terms and conditions of employment. This is genuinely the work of the union body.

For said reason, it is the responsibility of the delegates to voice their wants, needs and desires for the union. It is not the venue for their independent opinions, as the decisions made will apply to everyone, as an organization. Therefore, to politicize the Convention, or any other union forum is barring the delegates/membership from working collectively and collaboratively towards the union's purpose. While we may agree to disagree, the ultimate purpose is to make decisions in which the terms and conditions of employment are met for every member, with no exclusion.

The intent is not to persuade, but to present information in its unrefined state so the delegates are better equipped in formulating educated decisions which can better serve the organizational needs and goals!

Helps us reclaim and retain the focus of PEF's 1979 mission and vision for terms and conditions of employment, as initiated at the first Convention in 1979.

# The Bonadio Group (CPA) Auditor's Report

On August 4, 2021, the Budget Advisory and Financial Compliance Committee met with the Bonadio Group. The Bonadio Group presented a draft overview of their findings regarding PEF's 2020-21 financial statements. The Bonadio Group's goal is to determine whether the consolidated financial statements are reasonably free from material misstatements.

The Trustee's review of the Bonadio's Required Communications letter and draft audit noted the following:

- The financial statements are free from material misstatements.
- The most sensitive estimates affecting the financial statements were:
  - Fair market value of investments
  - Calculation of post retirement health care costs
- PEF is continuing to improve our headquarters, which has been reflected under Property and Equipment. The 2019 value was \$974,658, increasing to \$1,971,404 in 2020, and \$4,684,462 in 2021. It should be noted that these figures are based on Generally Accepted Auditing Standards. PEF Trustees are in support of the improvement and maintenance of our property.
- Cash and Cash equivalents increased from \$7,106,364 in 2020 to \$9,354,958. Due to Covid-19 PEF has had limited in-person meetings, thus a savings in the past year. Trustees expect that as in-person meetings expand our cash balance will return to a pre-Covid-19 level.

As noted above, the auditors highlighted that management used estimates in the financial statements. These estimates are as follows:

- **Fair market value of investments:** PEF has invested in various types of investment securities stated at fair value which is based on the quoted market prices. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities could materially impact the amounts in the financial statements.
  - PEF Investments were valued at \$10,408,870 as of 2020. Due to favorable market conditions assets are valued at \$12,216,984 as of 2021.

- **Calculation of post retirement health care costs:** The Bonadio Group states that the accumulated post-retirement healthcare (benefit) obligations on the balance is \$12,292,630. The amounts are determined by generally accepted actuarial methods. Bonadio reviewed the key factors and assumptions used in determining these obligations and considered them to be reasonable in relation to the financial statements.
  - Beginning with the contract year commencing July 1, 2019, PEF is required to contribute a defined contribution of 1.0% of total gross compensation of the entire USW bargaining unit into the Retiree Premium Fund for the period July 1, 2019 until June 30, 2020, and each year thereafter. The same will be done for the entire Management/Confidential employee unit.
  - Trustees would note that the Bonadio Group estimated these expenses as on-going and recurring, however they are the subject of future bargaining.

## Health Insurance Costs

- PEF provides health insurance benefits utilizing a self-funded plan, therefore actual costs are paid by PEF. Excess risk is mitigated through stop loss insurance to limit the exposure of claims. Over the last four years healthcare costs at PEF have been trending down. This has been due to management seeking better pricing from its healthcare vendors and updating premium equivalents. The Trustees recommend PEF continues to seek ways to minimize healthcare costs.
- The liability for claims incurred and claims incurred but not reported was approximately \$75,000 for both the years ended March 31, 2021 and 2020.

# PEF Employees' - Post Retirement Benefits

According to the most recent PEF audit conducted by The Bonadio Group, the post retirement benefits provided to PEF's employees continue to be one of our largest liabilities. This liability remains a concern for PEF since it affects our credit limits, financial stability and ultimately the financial solvency of PEF.

The chart below shows the change in Current Assets and Post Retirement Benefits for the fiscal years ending 3/31/13 to 3/31/2021. This liability can fluctuate year to year due to actuarial, mortality rates, and discount rate changes.

<b>Date</b>	<b>Current Assets</b>	<b>Post Retirement Benefits</b>
3/31/2013	\$ 14,881,993	\$ 7,803,226
3/31/2014	\$ 17,035,472	\$ 7,977,358
3/31/2015	\$ 17,437,375	\$ 10,782,086
3/31/2016	\$ 16,093,214	\$ 11,203,532
3/31/2017	\$ 16,392,283	\$ 10,355,613
3/31/2018	\$ 18,685,258	\$ 9,340,668
3/31/2019	\$ 21,190,203	\$ 9,652,696
3/31/2020	\$ 20,414,692	\$ 12,529,383
3/31/2021	\$ 23,800,177	\$ 12,292,603

# Internal Audits

Trustees continue to work with the Internal Auditor, by advising PEF's policies, reviewing prioritized work, and approval of completed work in a timely manner. A top priority of the Internal Auditor is to help divisions within PEF, and its members, along with Regional Coordinators to manage resources effectively and efficiently, in keeping with PEF's policy. The audited work provides accountability for the use of union funds. The Internal Auditor oversees fiscal compliance with relevant statutes and observance of good business practices.

PEF acquired a new Internal Auditor just prior to the last PEF Convention which was virtual. Mr. Michael Fratangelo was tasked to review Division finances and report as best as possible with obvious time limits. Since then, Mr. Fratangelo has been systematically auditing many internal Divisional finances. Mr. Fratangelo has been and continues to perform auditing to all Divisions finances within the Public Employees Federation to ensure fiscal policy compliance. Once Divisional audits are completed a brief summary of financial findings is reported and shared with Division Leadership. Recommendations are made and included within each summary report to the Division Leadership as necessary.

- 36 divisions have been audited and summary reports submitted to Divisions Department and Division Leadership.
- 11 divisions are being audited and once summary reports are made, an audit report will be released to Divisions Department and Division Leadership.
- All Division audits are planned to be performed on a 3 year systematic rotation.

Summary of offered solutions by the Internal Auditor for financially stressed Divisions stress the need for more added Divisional leadership for the Divisions. Many Divisions struggling require upper level leaders to provide the necessary services for the targeted Divisional members they serve.

PEF Trustees, the Secretary Treasurer's office, and the President continue to provide oversight and feedback to Internal Auditor Michael Fratangelo. Continued Gratitude for his committed efforts thru these continued Covid times.

# Divisional Finances

The Trustees are pleased to report continued substantial improvement with Divisions overall, despite the pandemic. This is due, in large part, to PEF's proactive engagement of the Membership. While some training had been curtailed due to the Pandemic, PEF continued its efforts to provide training by utilizing online networking. Trustees recommend continuing the training and educating of Council Leaders, Treasurers, and involved Members.

The Trustees note that 96 (44%) of the Divisions are in Good Standing. Of these, 41 (19%) are Over Max. It is within reason, due to many Divisions curtailing activities during the Pandemic Emergency. Encouraging signs are seen in the number of Divisions whose status is improving. There are 72 Divisions in this category (33% of all Divisions).

## Recommendations:

- Convention delegates return to your division and ask if the annual divisional report (budget) was submitted to PEF. If not, ask how you can help to keep your division in compliance.

**Note:** The finance department is available to offer beneficial assistance to divisions

- Trustees recommend every committee, council leader, division and Regional Coordinator review their trial balances to make sure expenses are being applied to the correct account.
- Adhere to Policies and Guidance for PEF Regional Coordinators (2020), Deadlines.

# 2020 RESOLUTIONS AND CONSTITUTIONAL AMENDMENTS

## **Status of 2020 Convention Resolutions**

Each year the Trustees report on the implementation of Resolutions that were passed by the previous year's convention body, and are now found in policy manuals. Delegates, we commend you on your due diligence and remind you that you are the highest governing body of this union.

The 2020 Convention, held virtually due to the COVID-19 pandemic, considered 8 of the 18 proposed Resolutions. There were no Constitutional Amendments submitted.

- 5 Resolutions were defeated
- 3 Resolutions were ruled out of order

While no Resolutions were adopted and there is no update required, for the new Delegates and those who may not remember from one year to the next, the Trustees are presenting a brief summary of the Resolutions that were presented to the delegate body.

### **The defeated Resolutions:**

**Resolution 1 sought to revise the definition of a PEF member in Good Standing beyond "timely payment of member dues".**

**Resolution 5 sought to have PEF propose in State Contract negotiations that the State provide a deferred compensation match of PEF member contributions.**

**Resolution 11 proposed that PEF post its federal reporting documents to the PEF website for easy viewing by the members.**

**Resolution 16 wanted to have an increase in small divisions Per Capita payments.**

**Resolution 17 dealt with software for holding virtual meetings.**



**The Resolutions that were ruled Out of Order:**

**Resolution 4 recommended that all new PEF staff contracts should be ratified by Convention delegates.**

**Resolution 7 sought to limit PEF staff comments on proposed Convention Resolutions**

**Resolution 10 dealt with salaries of PEF Officers no longer on Union Leave**

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