

PEF Trustee Report to the
2022 Convention Delegates
Amended Version



Presented at the
44th Annual Convention
Niagara Falls, NY
October 23rd - 26th, 2022

Submitted by Christopher Buman, Bruce Giddings,
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 18, 2022, 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 2021-22 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 \$1,971,404 in 2020, increasing to \$4,684,462 in 2021 and \$4,905,192 in 2022. This included an increase in computer equipment from \$1,093,657 in 2021 to 2,600,656 in 2022. 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 remained very consistent from \$9,354,958 in 2021 to \$9,307,479 in 2022. It should be noted that meetings in person have increased in frequency since the Covid-19 Crisis.

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 \$12,216,984 as of 2021. Due to favorable market conditions assets were valued at \$13,472,996 as of March 31, 2022.

- **Calculation of post retirement health care costs:** The Bonadio Group states that the accumulated post-retirement healthcare (benefit) obligations on the balance is \$12,293,906.. 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 3/31/2022. This liability can fluctuate year to year due to actuarial, mortality rates, and discount rate changes.

Date	Current Assets	Post Retirement Benefits
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
3/31/2022	\$25,800,177	\$12,293,906

Internal Audits

Trustees continue to work with the Internal Auditor, by advising PEF 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.

This internal audit report is from the previous PEF Convention 2021 to this current PEF Convention 2022. In addition, the PEF internal auditor has reviewed all Regional finances along with remaining Division finances, and reports as best as possible in a timely manner. Mr. Fratangelo has been systematically auditing many internal Divisional finances each year on a triennial rotational basis. Our internal auditor has been and continues to perform auditing to all Divisions and Regional finances within the Public Employees Federation to ensure fiscal policy compliance. Once internal audits are completed a brief summary of financial findings is reported and shared with the audited Division/Regional Leadership, PEF President Spence, Secretary/Treasurer Donohue and PEF Finance leadership, including PEF Trustees. Recommendations are made and included within each summary report, and shared with Division and Regional Leadership as necessary.

- 24 Divisions have been audited and summary reports submitted to Divisions Department and Division Leadership. Also including Finance fiduciaries and Trustees.
- 12 Regions have been audited and summary reports submitted to Regional Coordinators, Finance fiduciaries and Trustees.
- 11 Divisions are currently being audited, and once summary reports are made, an audit report will be released to Divisions Department and Division Leadership.
- All Division and Region audits are planned to be performed on a 3 year systematic rotation.

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

PEF Trustees, PEF President the Secretary Treasurer's office, continue to provide oversight and feedback to the Internal Auditor.

Divisional Finances (Amended)

The purpose of this report is to provide a snapshot of how well or poorly PEF's divisions are complying with their financial reporting requirements. The information being presented is based on a report from the Divisions Department as of April 15, 2022 and the Secretary-Treasurer's report to the Executive Board in September, 2022.

As of October 20, 2022, out of 213 PEF Divisions, there were 65 Divisions Not In Good Standing and 52 Divisions identified as Improving. A total of 96 Divisions are currently in Good Standing.

It should be noted that the increase in Improving status resulted from changes to the status of Divisions that were in Good Standing. This improved status change within our PEF Divisions is very encouraging. We believe this is directly influenced by the continuing outreach from Divisions/Finance Departments, improving leadership and membership engagement. This directly helps maintain and improve financial compliance.

Amended by Trustee Bruce Giddings

Recommendations:

- All Convention delegates and leaders are encouraged to contact their Division leadership and inquire about their annual divisional reports and approved budgets. Members may also ask to review any audit reports that may have been performed or recorded. We all have the obligation to know of each Divisions financial standing. And how to become involved to help any matters of concerns that may help to keep your divisions in compliance.
Note: The finance department is available to offer financial guidance and assistance to divisions that ask.
- Trustees continue to recommend every committee, council leader, division and Regional Coordinator review their trial balances to make sure expenses are being applied to the correct accounts, and apply to their approved budgets.

- Adhere to Financial Policies and Guidance for PEF Divisions, Regional Coordinators and applied Committees.

2021 RESOLUTIONS AND CONSTITUTIONAL AMENDMENT (Amended)

Status of 2021 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 2021 Convention considered a total of 27 Resolutions and 1 Constitutional Amendment

6 Resolutions were defeated: Resolutions 6, 15, 16, 17, 18, & 19.

6 Resolutions were postponed indefinitely: Resolutions 11, 12, 13, 14, 21, & 22.

4 Resolutions were adopted as printed: Resolutions detailed below 3, 4, 5, & 25.

3 Resolutions were adopted as amended: Resolutions detailed below 2, 23, & 24.

3 Resolutions were withdrawn: Resolution 1, 20, & 27.

3 Resolutions were referred to the PEF Legislative Department: Resolutions 7, 8, & 9.

1 Resolution was referred to the Federal Legislative Agenda: Resolution 10.

1 Resolution was not implemented: Resolution 26.

1 Constitutional Amendment was not adopted

This report includes status updates for the eight (8) adopted Resolutions

RESOLUTION #2: Deferred Comp Match (adopted as amended)

This resolution directs that PEF develop and propose in State Contract negotiations, that the State provide a deferred compensation match of PEF member contributions to their IRS section 457 plan contributions of up to \$500.00 per fiscal year.

Contract Administration Department:

PEF has not been in Contract Negotiations since the adoption of the Deferred Compensation resolution. The Contract Team is aware of the resolution and will make a proposal consistent with the resolution during the upcoming negotiations for a successor to the 2019-2023 PEF/State Agreement.

RESOLUTION #3: Ratification of PEF Logo and Colors (adopted as printed)

The resolution adopts as "official", the logo that has historically been used by PEF with the map of the State of New York, including the PEF initials. The resolution also adopts blue and yellow as the PEF colors.

Communications Department

Resolution #3 from the 2021 Convention is being followed.

The "Official" PEF logo with the outline of the state map of NY and the capital letters PEF below it is what we share with endorsed candidates, state agencies, and external partners. It is also the "official" logo that goes on merchandise for regions, divisions, and committees. The "PEF Crest" logo is used in some instances as well, primarily Fund Our Future related merchandise and documents.

RESOLUTION #4: PEF Budget Process, Objectives and Oversight (adopted as printed).

This resolution adopts the PEF Line-Item Program Budget Process, Objectives and Oversight Policy.

Finance Department

This Resolution was an endorsement to an existing policy that was passed at the Executive Board. Therefore, there were no changes to the current practice.

RESOLUTION #5: Fund Our Future:

Building a Thriving New York is Essential to PEF - Endorsement of Commitment to this multi-year campaign (adopted as printed).

This resolution provides that the PEF 2021 Convention delegates celebrate a creation of the NYS Fund Our Future campaign, affirm the campaign's goals and objectives, and commit to ensuring ongoing support.

Executive Department

President Wayne Spence reported at the convention the successes achieved from the Fund Our Future campaign and how it very much benefited the PEF Membership. Additional information can be found from the President's report to the delegates at the Convention.

RESOLUTION #23 To Stop the Closures of NYS Prisons: (adopted as amended)

This resolution directs that PEF seek an eight-year moratorium on prison closings and pursue a study on how to handle any future prison closings. The resolution further directs that PEF seek a reopening of three closed prisons (Gowanda Correctional, Watertown Correctional, and Clinton Annex) to alleviate overcrowding.

Legislative Department

In addition to the law supported by PEF in 2021 to prohibit the practice of "double bunking" of incarcerated individuals (Chapter 570 of 2021), PEF continues to oppose the closure of any state facility, including those operated by DOCCS. The most recent prison closures were included in the state budget with the proposals greatly reducing the statutory year of time required for notification of such closures (usually to 90 or 120 days). PEF has and will continue to fight for additional resources to support communities affected by such closures to mitigate the loss of jobs and economic activity. PEF will also continue to work with DOCCS to mitigate any hardship on PEF members displaced by such closures to the maximum extent possible.

PEF worked with new Gov. Kathy Hochul to develop a state budget that did not propose any closures as part of the 2022-23 budget.

PEF will continue to advocate for a moratorium against closures until a study on future closings is produced. However, the current, widely-supported efforts to further de-incarcerate the state's prison population will continue to make it very difficult to codify an eight-year moratorium on prison closures. As part of her first State of the State address, Gov. Hochul announced a panel to study ways to turn shuttered prisons into repurposed facilities that economically benefit the communities in which they are located. In May of 2022, the members of the Prison Redevelopment Commission were announced.

In addition, the new HALT (Humanity Alternatives to Long-Term Solitary Confinement) law will require upgrades and improvements to numerous prison facilities, with an estimated cost of \$50 million for step-down units and other alternatives to the Special Housing Units (SHU).

The PEF Legislative Office has and will continue to advocate for an appropriate balance between the need to provide the state-operated re-entry services and supervision necessary to successfully re-integrate incarcerated individuals back into their communities, where warranted, while also balancing the need to represent the interests of victims and to keep all communities safe.

RESOLUTION #24: Building Union Power/Moving New Employees to New Active Members through Employee Orientation (adopted as amended).

This resolution directs that, in agencies that are not providing the union their legally and contractually obligated union orientation time, PEF leaders will discuss with those agencies through the LM process that orientations are a right, and that it should be made a priority to immediately provide the union the access to orientate new members in person or virtually. PEF is directed to develop a virtual orientation package that local leaders, at their option, use to orientate members virtually.

PEF Organizing Department

Organizing has identified which agencies were not sharing their legally obligated notice of new hires. They have worked with leaders to ensure this information is being shared. Over the last

year, when the information was not being shared, they reached out directly to the agency to find out why and were able to rectify the situation. The issue that they're seeking the most in relation to this is turnover in the state agency by the title responsible for sharing this information. They are staying on top of this issue.

Organizing has held two virtual orientation training sessions over the last year utilizing the monthly steward training hosted by PEF HeadQuarters. They will continue to offer this training.

Organizing has created a package of orientation material that includes a video that can be used by agencies during onboarding. Additionally, the three organizing Coordinators have worked with leaders and agencies and are now hosting both virtual and in-person orientations when requested.

RESOLUTION #25: Supporting our DOL Worker (adopted as printed)

This resolution directs the President of PEF to develop a commission to study the potential solutions for the problems of PEF members employed by the Department of Labor as hourly workers, with input and collaboration from members, leaders, and the PEF Legislative, Civil Service, and the contract teams.

PEF Executive Department

PEF advocated for the next examination for the LSR positions to be held as an evaluation of Training & Experience (T&E) as opposed to a written multiple-choice test. PEF developed and held a training session for these hourly employees on the process of taking a T&E test. The training was well attended by the hourly LSRs. They have every reason to believe the new test will be announced by mid-November, early December. Further, PEF was successful in getting legislation passed both houses to provide salary protection to provisional and temporary incumbents and to provide salary protection to permanent incumbents who take a lateral transfer (S8210 by Sen. Jackson/A.4080 by Asm. Abbate). If signed into law, we believe this will provide some protection for hourly employees working in these classifications. This bill is pending consideration by the Governor. PEF Legislative Staff met with the Governor's team on multiple occasions to highlight the importance of signing the bill into law. PEF continues to report this out as it develops.

RESOLUTION #26: Past Presidents Speaking at PEF Conventions (no implementation)

This resolution provides that PEF's past Presidents shall be allowed to address Convention body for up to 15 minutes, and that PEF should issue a disclaimer in the Convention program that the PEF administration did not review the speech prior to its presentation to the delegate body,

Executive Department

The policy set by the 2021 Convention delegates remains in effect. To be reported on at the next Convention since there was no implementation of this resolution.

Amended by Trustee Muriel Hardy-Lee, MDS and Trustee Bruce Giddings

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